SAN MIGUEL CORPORATION

March 3, 2025

Philippine Dealing & Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

Attention: Atty. Suzy Claire R. Selleza
Head – Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.
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Gentlemen:

Please see attached disclosure of the Company.

Very truly yours,

**MARY ROSE S. TAN**
Assistant Corporate Secretary

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

| Atty. Mary Rose S. Tan | (632) 8 632-3000 |
|---|---|
| Contact Person | Company Telephone Number |

**SEC FORM**

**Preliminary Information Statement** **2nd Tuesday of June**

| 1 | 2 | | 3 | 1 | | | 2 | 0 | - | I | S | | | | | | |
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| Month | | | Day | | | | FORM TYPE | | | | | | Month | | Day | | |

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

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| Total No. of Stockholders | Domestic | Foreign |

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To be accomplished by SEC Personnel concerned

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SAN MIGUEL CORPORATION

# NOTICE OF SPECIAL MEETING OF THE STOCKHOLDERS

March 27, 2025

The Special Meeting of the Stockholders of San Miguel Corporation will be held on **Thursday, March 27, 2025** at **2:00 P.M.**

The Company will not hold a physical meeting and the meeting will be conducted via remote communication and livestreamed at the Company's website. Stockholders can attend the meeting by remote communication.

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Reclassification of 904,752,537 common shares currently held as treasury shares, into Series 2 Preferred Shares held in treasury
3. Approval of the Amendment to Article VII of the Amended Articles of Incorporation of the Company relating to its capital stock of Php30,000,000,000 at par value of Php5.00 per share or 6,000,000,000 shares -
   - FROM: divided into **3,790,000,000** common shares and **2,210,000,000** preferred shares
   - TO: divided into **2,885,247,463** common shares and **3,114,752,537** preferred shares
4. Approval of the issuance of common and Series 2 preferred shares of the Company under such terms and conditions determined by the Management
5. Approval of the delegation to the Board of Directors of the power to amend By Laws of the Corporation
6. Adjournment

Stockholders who would like to attend the online meeting should access the 2025 SMC SSM Website at https://www.smc2025ssm.sanmiguel.com.ph to obtain the following: (a) ballots and proxies to attend the meeting, and (b) the link to view the livestream of the meeting which will be available on the day of the meeting.

During the meeting, the Company shall entertain questions and comments from the stockholders after the presentation of the Agenda Item Nos. 2, 3, 4 and 5. Questions and comments must be submitted either in advance or during the meeting by email to stockholders@sanmiguel.com.ph. Questions which were not answered during the meeting shall be forwarded to the Office of the Corporate Secretary for the appropriate response.

Ballots and proxies can be submitted via email at stockholders@sanmiguel.com.ph which submission shall be duly acknowledged and validated by the SMC Stock Transfer Service Corporation. For individual stockholders, the submissions must be accompanied by a copy of a government issued ID as proof of identification. For corporations, the submission must be accompanied by a certification from its Corporate Secretary stating the corporate officer's authority to represent and sign on behalf of the corporation. Kindly submit to the SMC Stock Transfer Service Corporation the original signed and notarized documents within a reasonable time after the resumption of regular business operations.

The deadline for submission of ballots and proxies is on **March 13, 2025**. Validation of ballots and proxies will be on **March 20, 2025** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines.

**Virgilio S. Jacinto**
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 20-IS**
**INFORMATION STATEMENT PURSUANT TO SECTION 20**
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
   __√___ Preliminary Information Statement
   _____ Definitive Information Statement

2. Name of Registrant as specified in its charter **SAN MIGUEL CORPORATION**

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

4. SEC Identification No. **PW 000277**

5. BIR Tax Identification No. **000-060-741-000**

6. Address of principal office Postal Code

   **No. 40 San Miguel Avenue, Mandaluyong City 1550**

**7.** Registrant's telephone number, including area code **(02) 8632-3000**

8. Date, Time and Place of the meeting of security holders

   **Thursday, March 27, 2025 at 2:00 P.M., via remote communication**

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   **March 6, 2025**

10. Name of Person Filing the Statement: **San Miguel Corporation**
    Address: **40 San Miguel Ave., Mandaluyong City 1550**
    Telephone No.: **(02) 8632-3000**

11. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code

| Title of Each Class | Number of Shares of Common and Preferred Stock Outstanding and approximate Debt Outstanding (as of December 31, 2025) |
|---|---|
| **Common Shares** | 2,383,896,588 |
| **Series "2-F" Preferred Shares** | 223,333,500 |
| **Series "2-I" Preferred Shares** | 169,333,400 |
| **Series "2-J" Preferred Shares** | 266,666,667 |
| **Series "2-K" Preferred Shares** | 183,904,900 |
| **Series "2-L" Preferred Shares** | 165,358,600 |
| **Series "2-M" Preferred Shares** | 173,333,325 |
| **Series "2-N" Preferred Shares** | 100,115,100 |
| **Series "2-O" Preferred Shares** | 187,859,700 |
| **TOTAL** | 3,853,801,780 |

**Total Liabilities as of September 30, 2024** **Php1,899,262 million**

12. Are any or all of registrant's securities listed on a Stock Exchange?
Yes [√ ] No [ ]

If yes, disclose name of the Stock Exchange and class of securities listed therein:

**Philippine Stock Exchange**

**(a) Common Shares**
**(b) Series "1" Preferred Shares[1]**
**(c) Series "2" Preferred Shares – 2-A[2]**
**(d) Series "2" Preferred Shares – 2-B[3]**
**(e) Series "2" Preferred Shares – 2-C[4]**
**(f) Series "2" Preferred Shares – 2-D[5]**
**(g) Series "2" Preferred Shares – 2-E[6]**
**(h) Series "2" Preferred Shares – 2-F**
**(i) Series "2" Preferred Shares – 2-G[7]**
**(j) Series "2" Preferred Shares – 2-H[8]**
**(k) Series "2" Preferred Shares – 2-I**
**(l) Series "2" Preferred Shares – 2-J**
**(m) Series "2" Preferred Shares – 2-K**
**(n) Series "2" Preferred Shares – 2-L**
**(o) Series "2" Preferred Shares – 2-M**
**(p) Series "2" Preferred Shares – 2-N**
**(q) Series "2" Preferred Shares – 2-O**

[1] *The Series "1" preferred shares of the Company were redeemed on April 14, 2020 and subject to trading suspension following their redemption.*
[2] *Subject to trading suspension following their redemption on September 21, 2015.*
[3] *Subject to trading suspension following their redemption on September 23, 2019.*
[4] *Subject to trading suspension following their redemption on September 21, 2021.*
[5] *Subject to trading suspension following their redemption on September 21, 2020.*
[6] *Subject to trading suspension following their redemption on September 21, 2021.*
[7] *Subject to trading suspension following their redemption on March 30, 2021.*
[8] *Subject to trading suspension following their redemption on December 21, 2022.*

## INFORMATION STATEMENT

## GENERAL INFORMATION

### Date, Time and Place of Annual Meeting

The special stockholders' meeting of **San Miguel Corporation** (the "Company" or "SMC") will be held on **March 27, 2025** at **2:00 p.m.** via remote communication. The complete mailing address of the principal office of the Company is No. 40 San Miguel Avenue, Mandaluyong City, 1550, Metro Manila, Philippines.

The information statement is first to be sent to security holders approximately on **March 6, 2025.** The information statement together with its attachments shall be available at the Company's website and the PSE Edge Portal. The Notice of the Meeting shall be published in the business section of two (2) newspaper of general circulation, in print and online format, for two (2) consecutive days.

**YOU ARE NOT REQUESTED TO SEND US A PROXY.**

### Revocability of Proxies

A person giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked through any of the following means: (1) filing with the Corporate Secretary, at least ten (10) working days before the scheduled meeting, a written notice revoking it; or (2) attending the meeting and voting in person. Mere attendance at the meeting will not automatically revoke a proxy.

### Dissenters' Right of Appraisal

Under Title X of the Revised Corporation Code of the Philippines (the "Code"), stockholders dissenting from and voting against the proposed corporate action specified in Section 80 of the Code, may, within thirty (30) days, from the date on which the vote was taken, exercise the right of appraisal by making a written demand on the Company for payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action. These specific corporate actions are as follows: (a) amendment to the corporation's articles and By-laws which has the effect of (i) changing and restricting the rights of any shareholder or class of shares, (ii) authorizing preferences in any respect superior to those of outstanding shares of any class, or (iii) extending or shortening of term of corporate existence; (b) sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; (c) merger or consolidation; and (d) investment of corporate funds in another corporation or business or for any purpose other than its primary purpose. The proposed amendment of the Articles of Incorporation and By-laws of the Company are not corporate matters or action that will entitle dissenting stockholders to exercise their right of appraisal as provided by Title X of the Revised Corporation Code.

## SOLICITATION INFORMATION

The Company is not soliciting proxies. A proxy form is provided to the stockholders of the Company and included in this Information Statement.

### Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office. None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

## CONTROL AND COMPENSATION INFORMATION

### Voting Securities and Principal Holders Thereof

As of September 30, 2024, the Company had the following outstanding shares of stock:

| Title of Each Class | Number of Shares of Common and Preferred Stock Outstanding as of September 30, 2024 | |
|---|---|---|
| **Common Shares** | 2,383,896,588 | |
| **SUB-TOTAL (Common Shares)** | | 2,383,896,588 |
| **Series "2-F" Preferred Shares** | 223,333,500 | |
| **Series "2-I" Preferred Shares** | 169,333,400 | |
| **Series "2-J" Preferred Shares** | 266,666,667 | |
| **Series "2-K" Preferred Shares** | 183,904,900 | |
| **Series "2-L" Preferred Shares** | 165,358,600 | |
| **Series "2-M" Preferred Shares** | 173,333,325 | |
| **Series "2-N" Preferred Shares** | 100,115,100 | |
| **Series "2-O" Preferred Shares** | 187,859,700 | |
| **SUB-TOTAL (Preferred Shares)** | | 1,469,905,192 |
| **TOTAL Outstanding Shares** | | **3,853,801,780** |

As of September 30, 2024, the following is the foreign ownership of the shares of stock of the Company:

| Share Class | Foreign Shares | Percentage of Foreign Ownership | Local Shares / Shares held by Filipinos | Percentage of Filipino Ownership | Total Shares Outstanding |
|---|---|---|---|---|---|
| Common | 117,976,478 | 4.95% | 2,256,920.110 | 95.05% | 2,383,896,588 |
| Preferred Shares "2-F" | 1,425,2622 | 0.64% | 221,908,238 | 99.36% | 223,333,500 |
| Preferred Shares "2-I" | 1,460,340 | 0.86% | 167,873,060 | 99.14% | 169,333,400 |
| Preferred Shares "2-J" | 698,810 | 0.26% | 265,967,857 | 99.74% | 266,666,667 |
| Preferred Shares "2-K" | 2,146,575 | 1.17% | 181,758,325 | 98.83% | 183,904,900 |
| Preferred Shares "2-L" | 1,181,940 | .071% | 164,176,660 | 99.29% | 165,358,600 |
| Preferred Shares "2-M" | 0 | 0% | 173,333,325 | 100% | 173,333,325 |
| Preferred Shares "2-N" | 1,698,410 | 1.70% | 98,416,690 | 98.30% | 100,115,100 |
| Preferred Shares "2-O" | 663,300 | 0.35% | 187,196,400 | 99.65% | 187,859,700 |
| **TOTAL** | **127,251,115** | **3.3%** | **3,726,550,665** | **96.70%** | **3,853,801,780** |

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy. Only stockholders of record at the close of business on February 28, 2025 will be entitled to vote at the meeting.

The deadline for submission of proxies is on **March 13, 2025.** Validation of proxies will be on **March 20, 2025** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

Owners of more than 5% of the Company's voting[9] securities (both common and preferred shares) as of September 30, 2024 are as follows:

[9] *Common stockholders have the right to vote on all matters requiring stockholders' approval. The holders of the Series "2" Preferred Shares shall not be entitled to vote except in matters provided for in the Revised Corporation Code: amendment of Articles of Incorporation; adoption and amendment of By-laws; sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation or other corporations; investment of corporate funds in another corporation or business; and dissolution.*

| Title of Class | Name, Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|---|---|---|---|---|---|
| Common | Top Frontier Investment Holdings Inc.[10] 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City | Iñigo Zobel, Filipino, Director of the Company, and Ramon S. Ang, Filipino, the Chairman and Chief Executive Officer of the Company, are beneficial owners of 52.82% and 34.86%[11] of the outstanding common stock of Top Frontier, respectively. | Filipino | 1,472,668,340 | 38.21% |
| Common | PCD Nominee Corporation (Filipino) Makati City | Various individuals/ Entities | Filipino | 304,161,576 | 34.87% |
| Series "2" Preferred Shares | PCD Nominee Corporation (Filipino) Makati City | Various individuals/ Entities | Filipino | 1,049,103,462 | |
| Common | Privado Holdings, Corp. 153 EDSA, Brgy. Wack-wack, Mandaluyong City | Ramon S. Ang, Filipino, as beneficial owner of 100% of the outstanding capital stock of Privado Holdings Corp..[12] | Filipino | 373,623,796[13] | 9.69% |

The following are the number of shares comprising the Company's capital stock (**all** of which are voting shares) owned of record by the President, directors, key officers of the Company, and nominees for election as director as of September 30, 2024:

| Name of Owner | Amount and Nature of Ownership | | Citizenship | Total No. of Shares |
|---|---|---|---|---|
| | Common | Preferred | | |
| Ramon S. Ang | 1,345,429 (D)<br>368,140,516 (I)[14]<br>5,483,280[15]<br>194,076,265 (I)[16]<br>143,642,255 (I)[17]<br>175,370,472[18]<br>295,741 (I)[19] | | Filipino | 888,353,958 (23.05%) |
| John Paul L. Ang | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Aurora T. Calderon | 22,600 (D) | | Filipino | 22,600 (0.00%) |
| Joselito D. Campos, Jr. | 9,149 (D) | | Filipino | 9,149 (0.00%) |
| Teresita J. Leonardo-De Castro | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Jose C. de Venecia, Jr. | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Menardo R. Jimenez | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Felipe M. Medalla | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Estelito P. Mendoza | 31,972 (D) | | Filipino | 31,972 (0.00%) |
| Diosdado M. Peralta | 5,000 (D) | | Filipino | 5,000 (0.00%) |

[10] *The shares owned by Top Frontier Investment Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of March 31, 2024, Top Frontier Investment Holdings, Inc. has voting rights to a total of 1,472,668,340 common shares of the Company which represent about 61.78% of the outstanding common capital stock of the Company.*

[11] *As of March 31, 2024, through Privado Holdings, Corp and Master Year Limited, both stockholders of record of Top Frontier.*

[12] *As of March 31, 2024.*

[13] *Inclusive of 368,140,516 common shares held in the name of Privado Holdings Corp. and 5,483,280 common shares which are lodged with the PDTC.*

[14] *Through his 100% shareholdings in Privado Holdings Corp.*

[15] *Through his 100% shareholdings in Privado Holdings, Corp. which has shares which are lodged with the PDTC.*

[16] *Through his direct shareholdings s in Master Year Limited which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.*

[17] *Through his direct shareholdings s in Privado Holdings Corp. which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.*

[18] *Through his direct shareholdings in Far East Holdings, Inc. which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.*

[19] *Through his direct shareholdings s in Top Frontier Investment Holdings, Inc. which has shares in the Company.*

| | | | | |
|---|---|---|---|---|
| Ernesto M. Pernia | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Alexander J. Poblador | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Reynato S. Puno | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Margarito B. Teves | 5,000 (D) | | Filipino | 5,000 (0.00%) |
| Iñigo Zobel | 16,171 (D)<br>777,871,381 (I)[20] | | Filipino | 777,887,552 (20.18%) |
| Ferdinand K. Constantino | 477,692 (D) | 66,600 (D) | Filipino | 544,292 (0.01%) |
| Virgilio S. Jacinto | 180,830 (D) | | Filipino | 180,830 (0.01%) |
| Joseph N. Pineda | 62,715 (I) | | Filipino | 62,715 (0.00%) |
| Lorenzo G. Formoso III | 20,000 (D) | | Filipino | 20,000 (0.00%) |
| Cecile Caroline U. De Ocampo | 1,950 (D) | 47,800 (I) | Filipino | 49,750 (0.00%) |
| Bryan U. Villanueva | 0 (N/A) | | Filipino | 0 (0.00%) |
| Bella O. Navarra | 116,913 (D) | 65,000 (I) | Filipino | 181,913 (0.00%) |
| Susan Y. Yu | 0 (N/A) | | Filipino | 0 (0.00%) |

(D) – direct
(I) – indirect

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors (as a group) of SMC as of September 30, 2024 is 1,667,394,731 or approximately 43.27% of the company's outstanding capital stock.

The aggregate number of shares owned of record of all officers and directors (as a group) of SMC as of September 30, 2024 is 1,667,738,916 shares or approximately 43.28% of the company's outstanding capital stock.

**Voting Trust**

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

**Changes in Control**

The Company is not aware of any change of control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

[20] *Through his 52.82% shareholdings in the common stock of Top Frontier Investment Holdings, Inc.*

## DIRECTORS AND EXECUTIVE OFFICERS

### Directors and Executive Officers

The names of the incumbent and nominee directors and key executive officers of the Company[21], and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

***Board of Directors***

| Name | Age | Citizenship | Position |
|---|---|---|---|
| Ramon S. Ang | 71 | Filipino | Chairman, and Chief Executive Officer |
| John Paul L. Ang | 45 | Filipino | Vice Chairman, President and Chief Operating Officer |
| Aurora T. Calderon | 71 | Filipino | Director |
| Joselito D. Campos, Jr | 74 | Filipino | Director |
| Jose C. De Venecia, Jr. | 88 | Filipino | Director |
| Menardo R. Jimenez | 92 | Filipino | Director |
| Estelito P. Mendoza | 95 | Filipino | Director |
| Ernesto M. Pernia | 81 | Filipino | Director |
| Alexander J. Poblador | 71 | Filipino | Director |
| Iñigo U. Zobel | 68 | Filipino | Director |
| Teresita J. Leonardo-De Castro | 76 | Filipino | Independent Director |
| Felipe M. Medalla | 75 | Filipino | Independent Director |
| Diosdado M. Peralta | 72 | Filipino | Independent Director |
| Reynato S. Puno | 84 | Filipino | Independent Director |
| Margarito B. Teves | 81 | Filipino | Independent Director |

***Ramon S. Ang*** is the Chairman and the Chief Executive Officer since June 11, 2024. He was President and CEO from November 2, 2021 until June 11, 2024. He was the Vice Chairman of the Company from January 28, 1999 until June 11, 2024. He was the President and Chief Operating Officer since March 6, 2002 to November 2, 2021. He has been a member of the Board of Directors of the Company for twenty six (26) years since 1999. He is the Chairman of the Executive Committee of the Company. He also holds, among others, the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel, Inc.; Chairman of the Board of Directors of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia) ; and Chairman of the Board of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc.; Chairman of the Board and Chief Executive Officer, and President and Chief Operating Officer of San Miguel Global Power Holdings Corp.; Chairman of the Board and President of San Miguel Holdings Corp., SMC Tollways Corporation, SMC SLEX, Inc., San Miguel Equity Investments Inc., San Miguel Properties, Inc., and San Miguel Aerocity Inc.; Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp.; Chairman of the Board of San Miguel Foods, Inc., Eagle Cement Corporation, San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc., and SEA Refinery Corporation; President and Chief Executive Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He is also a director of Metro Pacific Investments Corp. and New NAIA Infra Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. As a director of a number of

[21] *As of June 11, 2024*

companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 15, 2024.

***John Paul L. Ang*** is the Vice Chairman, President and Chief Operating Officer since June 11, 2024. He was elected as a director of the Company on January 21, 2021 and has been a member of the Board of Directors for four (4) years. He is also a Member of the Executive Committee of the Company. Mr. Ang holds directorships in other listed companies namely, Petron Corporation, San Miguel Food and Beverage, Inc., and Top Frontier Investment Holdings, Inc. He is also the President and Chief Executive Officer of San Miguel Food and Beverage Inc. since 2024, Eagle Cement Corporation since 2016, Solid North Mineral Corp., and Southwestern Cement Corporation since 2017. He is the Chairman and President of San Miguel Equity Investments, Inc. He is also the Vice Chairman of San Miguel Global Power Holdings Corp. since 2021. He is also a director of San Miguel Brewery Inc., SMC Tollways Corporation, SMC SLEX Inc., Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, and KB Space Holdings, Inc. He is the President of Armstrong Ash-fly and Logistics Company Inc. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 15, 2024.

***Aurora T. Calderon*** has been a director of the Company since June 10, 2014. She has been a member of the Board of Directors of the Company for ten (10) years. She is also Senior Vice President and the Senior Executive Assistant to the Chairman and Chief Executive Officer of SMC. She is a member of the Corporate Governance Committee and Sustainability Committee of the Company. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation, San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia). She is also a member of the Board of Directors of San Miguel Global Power Holdings Corp., SMC Tollways Corporation, SMC SLEX, Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp., and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated magna cum laude from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries. As a director of a number of companies including listed companies, Ms. Calderon has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV&Co. on September 26, 2024.

***Joselito D. Campos, Jr.*** has been a Director since May 31, 2010. He has been a member of the Board of Directors of the Company for fifteen (15) years. He is a member of the Related Party Transactions Committee of the Company. He is the Managing Director and Chief Executive Officer of Del Monte Pacific Ltd., President and Chief Executive Officer of Del Monte Philippines, Inc. He is also the Chairman of the Board and Chief Executive Officer of the NutriAsia Group of Companies, Chairman of the Board of Fort Bonifacio Development Corp. and Vice Chairman of the Board of Ayala Greenfield Development Corp. He is also a Director of FieldFresh Foods (P) Ltd. He was the former Chairman of the Board and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and a member of the WWF (World Wildlife Fund) for

Nature - Philippines. He graduated with a degree in BS Commerce, Major in International Business from the University of Santa Clara, California and a Masters in Business Administration degree from Cornell University, New York. As a director of a number of companies including listed companies, Mr. Campos has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 15, 2024.

***Jose C. De Venecia, Jr.*** is a Director of the Company since March 16, 2017. He has been a member of the Board of Directors of the Company for eight (8) years. He was former Speaker of the House of Representatives (from 1992 to 1998, and from 2001 to 2008). Before joining politics, he was an international entrepreneur, engaged in the business of port operations in Saudi Arabia, agriculture in Africa, mass housing in Iraq and oil exploration in the United Arab Emirates. He has a Bachelor of Arts degree in Journalism from the Ateneo de Manila University. He completed his secondary education at De La Salle College, Manila. As a director of a number of companies including listed companies, Mr. De Venecia, Jr. has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

***Menardo R. Jimenez*** has been a Director of the Company since February 27, 2002 and a Member of the Executive Committee and Corporate Governance Committee of the Company. He has been a member of the Board of Directors of the Company for twenty three (23) years. He is also a Director of San Miguel Food and Beverage, Inc., a publicly listed company, and Magnolia, Inc. He is the Chairman of Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Majent Management and Development Corporation, Meedson Properties Corporation, Menarco Holdings, Inc., Next Century Building Systems, Inc., Television International Corporation and the Table Group, Inc. He is also Chairman Emeritus of Majent Agro Industrial Corporation, and Nuvoland Philippines, Inc. He is also a director of Cunickel Mining & Industrial Corporation, Dasoland Corporation, Menarco Development Corporation, Menarco Property Development & Management Corporation, Modesto Holdings Philippines, Inc., and Unicapital Equities Ventures Inc. He is a graduate of Far Eastern University with a degree of Bachelor of Science in Commerce and is a certified public accountant. As a director of a number of companies including listed companies, Mr. Jimenez has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 6, 2024.

***Estelito P. Mendoza*** was first elected as a Director of the Company on October 30, 1991 and served until April 21, 1993. He was re-elected as Director of the Company on April 21, 1998 up to the present. He has been a member of the Board of Directors of the Company for a total of thirty one (31) years. He is a Member of the Executive Committee and the Audit and Risk Oversight Committee of the Company. He is also a Director of Petron Corporation and Philippine National Bank which are both publicly listed companies. He was formerly a director of the Manila Electric Company and Philippine Airlines, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office, and was also formerly Chairman of the Board of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank. He graduated from the University of the Philippines College of Law cum laude. He also holds a Master of Laws degree from Harvard Law School. As a director of a number of companies including listed companies, Atty. Mendoza has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on October 1, 2024.

***Ernesto M. Pernia*** was elected as a Director of the Company on August 4, 2022 and is a Member of the Sustainability Committee of the Company. Mr. Pernia was the Secretary of Socioeconomic Planning and Director General of the National Economic and Development Authority of the Philippines from 2016 until 2020. Since 2013, he has served as Professor Emeritus of Economics, University of the Philippines (U.P.), after having been on the faculty of the U.P. School of Economics for several years. He likewise held the position of Lead Economist at the Asian

Development Bank from 1999-2003. Mr. Pernia obtained his MA Economics degree from the University of Bridgeport, Connecticut in 1969, his AB Economics degree from the University of San Carlos in 1967, his degree of Bachelor of Theology from the UST Central Seminary in 1965, and his AB in Philosophy degree from the San Carlos Major Seminary (Cebu) in 1963. Mr. Pernia has served as Chairman of the Board of Trustees of the University of San Carlos, and a Director on the board of the Philippine-American Academy of Science and Engineering. He was also a former President of the Philippine Economic Society. Mr. Pernia has most recently attended the training on Corporate Governance conducted by the Center for Global Best Practices on November 15, 2024.

***Alexander J. Poblador*** has been a Director of the Company since September 1, 2009 and a Member of the Related Party Transactions Committee and Sustainability Committee of the Company. He has been a member of the Board of Directors of the Company for fifteen (15) years. He is the Founding Partner and Chairman of the Executive Committee of Poblador Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization. He also sits as a member of the Board of Directors of Alpha Aviation Group (Phil), Inc., Alsa Industries, Inc., Delfi Foods Inc., Delfi Marketing Inc., Xytron International, Inc. and B-Light Universal Trading, Inc. He is a graduate of the University of the Philippines with a degree in Bachelor of Laws cum laude, class valedictorian, and Bachelor of Arts in Political Science cum laude. He also holds a Master of Laws degree from the University of Michigan, at Ann Arbor, School of Law (De Witt Fellow). As a director of a number of companies including listed companies, Atty. Poblador has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 15, 2024.

***Iñigo U. Zobel*** has been a Director of the Company since October 2009 and was an Independent Director of the Company from May 5, 1999 until October 2009. He has been a member of the Board of Directors of the Company for twenty five (25) years. He is a Member of the Executive Committee of the Company. He holds the position of Chairman of the Board of Top Frontier Investment Holdings, Inc. and is a Director of PAL Holdings, Inc., which are both publicly listed companies. He is also the Chairman of the Board and President of Zygnet Prime Holdings Inc.; Chairman of the Board of IZ Investment Holdings, Inc. and E. Zobel, Inc.; Director of E. Zobel Foundation, Inc. Calatagan Golf Club, Inc., Calatagan Bay Realty, Inc., Hacienda Bigaa, Inc., MERMAC, Inc., among others. He was formerly Chairman (2015-2016), Vice Chairman (since 2016) and President (since 2015) of Manila North Harbour Port, Inc., Philippine Airlines, Inc., and President and Chief Operating Officer of Air Philippines Corporation. He was formerly an Independent Director of San Miguel Brewery Inc., San Miguel Pure Foods Company, Inc., San Miguel Properties, Inc., and Ginebra San Miguel, Inc. He attended Santa Barbara College, California, U.S.A. As a director of a number of companies including listed companies, Mr. Zobel has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 15, 2024.

***Teresita J. Leonardo-de Castro*** was elected as an Independent Director of the Company on August 6, 2020. She has been a member of the Board of Directors of the Company for four (4) years. She is also the Chairman of the Related Party Transactions Committee and Sustainability Committee of the Company and a Member of the Audit and Risk Oversight Committee of the Company. She is currently an independent director of the following publicly listed companies: Top Frontier Investment Holdings, Inc. since July 9, 2019 and the Philippine Stock Exchange, Inc. She also sits as a director of the Securities Clearing Corporation of the Philippines, and a trustee of the Philippine Stock Exchange Foundation, Inc. She is the President of the UP Sigma Alpha Sorority Alumnae Association, Inc.. In 2018, she was the Chief Justice of the Supreme Court until her retirement on October 10, 2018. She joined the Supreme Court as an Associate Justice on December 4, 2007. She was also the Presiding Justice of the Sandiganbayan from 2004 to 2007 and was previously Associate Justice of the Sandiganbayan (1997-2004). She completed her Bachelor of Laws in 1972 and Bachelor of Arts degree in political science cum laude in 1968, both

from the University of the Philippines. As a director of a number of companies including listed companies, Madame De Castro has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 15, 2024.

***Felipe M. Medalla*** was elected as an Independent Director of the Company on August 8, 2024. He was the Governor and Chairman of the Monetary Board of the Bangko Sentral ng Pilipinas from July 1, 2022 to July 2, 2023. He was a member of the Monetary Board from 2011 to 2022. He was the Secretary of the Socio-Economic Planning and Director General of the National Economic and Development Authority from 1998 to 2001. Prior to being a member of the Monetary Board, he spent 35 years as a member of the academe. He was Dean of the School of Economics at the University of the Philippines – Diliman from 1994 to 1998, where he was also a Professor from 1991 to 2011, and an Instructor, Assistant Professor and Associate Professor from 1976 to 1991. Dr. Medalla obtained his PhD degree in Economics from the Notherwestern University, Evanston Illinois, USA in 1983. He earned his MA Economics degree from the University of the Philippines in 1976, and his AB-BSC (Economics-Accounting) degree cum laude from De La Salle University in 1970. Mr. Medalla attended the training conducted by Center for Global Best Practices on November 15, 2024.

***Diosdado M. Peralta*** was elected as an Independent Director of the Company on June 8, 2021 and was appointed as a member of the Audit and Risk Oversight Committee, Corporate Governance Committee, and Sustainability Committee. He is an independent director of International Container Terminal Service, Inc., Bloomberry Resorts Corporation, and Philippine Business Bank. He is also an independent director of the Manila Hotel, the Chairman and President of the Heavenly Place Memorial parl, and a member of the Boart of Trustee of the University of the East and U.E.R.M. Hospital. He has been a member of the Board of Directors of the Company for two (2) years. He was the Chief Justice of the Supreme Court from October 23, 2019 until his early retirement on March 27, 2021. He joined the Supreme Court as an Associate Justice in 2011 and was previously Associate Justice of the Sandiganbayan since 2002 prior to his appointment to the Supreme Court. He was previously a judge at the Regional Trial Court of Quezon City, and prosecutor in the City of Manila and Laoag City, Ilocos Norte. He completed his Bachelor of Laws degree from the University of Santo Tomas in 1979 and his undergraduate degree from Colegio de San Juan de Letran in 1974. He was admitted to the Bar in 1980. As a director of a number of companies including listed companies, Mr. Peralta has attended various trainings and seminars on Corporate Governance, the most recent of which is the training conducted by Center for Global Best Practices on November 15, 2024.

***Reynato S. Puno*** was elected to the Board as an Independent Director of the Company on January 20, 2011 and is the Chairman of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee and Related Party Transaction Committee of the Company. He has been a member of the Board of Directors of the Company for fourteen (14) years. He is also an independent director of San Miguel Brewery Inc., San Miguel Brewery Hong Kong Ltd. (a company publicly listed in the Hong Kong Stock Exchange) and a member of the Board of Commissioners of PT Delta Djakarta Tbk (a company listed in the Indonesia Stock Exchange). He is also the Chairman of the Environmental Heroes Foundation, CyberCool Defcon, Inc., Philippine Bible Society and GenWatt Solar Energy Solutions (Philippines). He is a member of the Board of Trustees of the World Vision Development Foundation, Inc., and a member of the Board of Regents of the Manuel L. Quezon University. He is Vice Chairman of the Board of the GMA Kapuso Foundation; and Director of The New Standard newspaper. He is a legal consultant of the Department of Energy and Union Bank. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Supreme Court as an Associate Justice on June 1993 and was previously Associate Justice of the Court of Appeals (1980, 1986 to 1993), Appellate Justice of the Intermediate Appellate Court (1983), Assistant Solicitor General (1974-1982) and City Judge of Quezon City (1972-1974). He also served as Deputy Minister of Justice from 1984-1986. He completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern

Methodist University, Dallas, Texas (1967). As a director of a number of companies including listed companies, Mr. Puno has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 15, 2024.

***Margarito B. Teves*** was elected as an Independent Director of the Company on June 14, 2012 and is the Chairman of the Audit and Risk Oversight Committee and a Member of the Corporate Governance Committee and Related Party Transactions Committee of the Company. He has been a member of the Board of Directors of the Company for thirteen (13) years. He is also an Independent Director of Petron Corporation, a publicly listed company, SMC Tollways Corporation (formerly, Atlantic Aurum Investments Philippine Corporation), AB Capital Investment Corp., Alphaland Corporation, Alphaland Balesin Island Club, Inc., Alphaland Corporation, The City Club at Alpahaland Makati Place, Inc., and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of the Board of Think Tank Inc. and a director of Pampanga Sugar Development Co. He was Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics. As a director of a number of companies including listed companies, Mr. Teves has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 26, 2024.

***Director Attendance Report***

Below is the attendance report of the members of the Board of Directors of the Company in the Company's Board meetings for 2024:

| **Directors** | **18 Jan** | **11 Mar** | **11 April** | **14 May** | **11 Jun[22]** | **08 Aug[23]** | **07 Nov** | **05 Dec** |
|---|---|---|---|---|---|---|---|---|
| Ramon S. Ang | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| John Paul L. Ang | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| Aurora T. Calderon | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| Joselito d. Campos, Jr. | √ | √ | √ | √ | √√ | √√ | √ | √ |
| Teresita J. Leonardo-De Castro | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| Jose C. De Venecia, Jr. | √ | √ | √ | √ | √ | √ | √ | √ |
| Menardo R. Jimenez | √ | √ | √ | √ | * | √√ | √ | √√ |
| Felipe M. Medalla | N/A | N/A | N/A | N/A | N/A | √√ | √ | √√ |
| Estelito P. Mendoza | √ | √ | √ | √ | √ | √ | √ | √ |
| Diosdado M. Peralta | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| Ernesto M. Pernia | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| Alexander J. Poblador | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| Reynato S. Puno | √ | √ | √ | √ | √√ | √√ | √ | √ |
| Margarito B. Teves | √ | √ | √ | √ | √√ | √√ | √ | √√ |
| Ramon V. Villavicencio | √ | √ | √ | √ | √√ | √ | √ | √√ |
| Iñigo Zobel | √ | √ | √ | √ | √√ | N/A | N/A | N/A |

[22] *Annual General Stockholders Meeting and Organizational Board Meeting*
[23] *Special Stockholders Meeting and Regular Board Meeting*

Below is the attendance report of the members of the Board of Directors of the Company in the Company's Committee meetings for 2024:

| **Executive Committee** | No meeting held | | | |
|---|---|---|---|---|
| Ramon S. Ang | | | | |
| John Paul L. Ang | | | | |
| Menardo R. Jimenez | | | | |
| Estelito P. Mendoza | | | | |
| Inigo Zobel | | | | |
| **Audit and Risk Oversight Committee** | **11 Mar** | **14 May** | **08 Aug** | **07 Nov** |
| Margarito B. Teves (Chairperson, Independent) | √ | √ | √ | √ |
| Teresita J. Leonardo-De Castro (Independent) | √ | √ | √ | √ |
| Estelito P. Mendoza | √ | √ | √ | √ |
| Reynato S. Puno (Independent) | √ | √ | √ | √ |
| Diosdado M. Peralta (Independent) | √ | √ | √ | √ |
| | | | | |
| **Corporate Governance Committee** | **11 June** | **08 Aug** | | |
| Reynato S. Puno (Chairperson, Independent) | √√ | √√ | | |
| Aurora T. Calderon | √√ | √√ | | |
| Menardo R. Jimenez | * | √√ | | |
| Diosdado M. Peralta (Independent) | √√ | √√ | | |
| Margarito B. Teves (Independent) | √√ | √√ | | |
| | | | | |
| **Related Party Transactions Committee** | **11 Mar** | | | |
| Teresita J. Leonardo-De Castro (Chairperson, Independent) | √ | | | |
| Joselito D. Campos, Jr. | √ | | | |
| Alexander J. Poblador | √ | | | |
| Reynato S. Puno (Independent) | √ | | | |
| Margarito B. Teves (Independent) | √ | | | |
| | | | | |
| **Sustainability Committee** | **11 April** | **24 July** | | |
| Teresita J. Leonardo-De Castro (Chairperson, Independent) | √ | √ | | |
| Aurora T. Calderon | √ | √ | | |
| Diosdado M. Peralta (Independent) | √ | √ | | |
| Ernesto M. Pernia | √ | √ | | |
| Alexander J. Poblador | √ | √ | | |

* *Absent*
√ *(Present) Meeting via zoom videoconference*
√√ *(Present) Meeting in person*

***Officers***

| Name | Age | Citizenship | Position |
|---|---|---|---|
| Ferdinand K. Constantino | 73 | Filipino | Senior Vice President - Chief Finance Officer and Treasurer until January 31, 2025 |
| Virgilio S. Jacinto | 68 | Filipino | Senior Vice President – General Counsel, Compliance Officer and Corporate Secretary |
| Aurora T. Calderon | 71 | Filipino | Senior Vice President – Senior Executive Assistant to the Office of the President and Chief Operating Officer |
| Joseph N. Pineda | 61 | Filipino | Senior Vice President – Deputy Chief Finance Officer and Treasurer |
| Lorenzo G. Formoso III | 63 | Filipino | Senior Vice President – Head of SMC Infrastructure Business |
| Cecile Caroline U. De Ocampo | 59 | Filipino | Senior Vice President - Head of Corporate Mergers and Acquisitions |
| Bryan U. Villanueva | 55 | Filipino | Senior Vice President - Chief Finance Officer beginning February 1, 2025 |
| Bella O. Navarra | 64 | Filipino | Senior Vice President and Comptroller |
| Susan Y. Yu | 48 | Filipino | Senior Vice President - Head of Corporate Procurement |

***Ferdinand K. Constantino*** was a Director of the Company from May 31, 2010 to February 28, 2018. He was the Senior Vice President - Chief Finance Officer and Treasurer of the Company until January 31, 2025. He remains a senior advisor of SMC. He is President of Anchor Insurance Brokerage Corporation; Director of San Miguel Brewery Inc., and San Miguel Foods International Limited (formerly, San Miguel Pure Foods International Limited),; and a Trustee of the San Miguel Foundation, Inc. Mr. Constantino is also a member of the board of directors of The Philippine Stock Exchange, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009); Director of San Miguel Properties, Inc. (2001-2009); Chief Finance Officer of Manila Electric Company (2009); Director of Top Frontier Investment Holdings, Inc. (2010-2021); Director (2010-2021), Treasurer (2010-2011), and Vice Chairman (2011-2021) of San Miguel Global Power Holdings Corp.; and Director and Chief Finance Officer of San Miguel Northern Cement, Inc. (2017-2021). He has held directorships in various domestic and international subsidiaries of the Company during the last five (5) years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree. On September 26, 2024, and November 15, 2024, he attended the corporate governance trainings conducted by SGV & Co., and the Center for Global Best Practices, respectively.

***Virgilio S. Jacinto*** is the Senior Vice President - Corporate Secretary, General Counsel, and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc. and Corporate Secretary of Ginebra San Miguel, Inc. and other subsidiaries and affiliates of SMC. He is a Director of Petron Corporation. He was formerly the Vice President and First Deputy General Counsel from 2006 to 2010 and appointed as SMC General Counsel in 2010. He was Director and Corporate Secretary of United Coconut Planters Bank, Partner at Villareal Law Offices and Associate at SyCip, Salazar, Feliciano & Hernandez Law Office. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines

cum laude where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard Law School. He holds various directorships in various local and offshore subsidiaries of SMC. On September 26, 2024, he attended the corporate governance training conducted by SGV &Co.

***Joseph N. Pineda*** is the Senior Vice President and Deputy Chief Finance Officer. Effective June 1, 2021, he was also appointed Head of Treasury of SMC. Effective February 1, 2025, Mr. Pineda was appointed Treasurer of SMC replacing Mr. Constantino. He was formerly Vice President prior to his promotion on July 27, 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since January 2005. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries. On November 15, 2024, he attended the corporate governance training conducted by Center for Global Best Practices.

***Lorenzo G. Formoso III*** is the Senior Vice President and Head of SMC Infrastructure Business. Atty. Formoso holds various directorships in various local and offshore subsidiaries of SMC. He is a member of the Board of Directors of SMC SLEX, Inc., SMC Mass Rail Transit Inc., SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC TPLEX Corporation, Trans Aire Development Holdings Corp., Previously, he was a consultant of the Company for Infrastructure and Transportation from July 2009 to August 2010. He was previously Assistant Secretary of the Department of Transportation and Communication of the Philippine Government from September 2006 to June 2009 and Deputy Commissioner of the Commission on Information and Communications Technology. He obtained his Juris Doctor degree from University of California, Davis School of Law and a degree in Bachelor of Arts in Philosophy from the University of the Philippines. Atty. Formoso is a director in various SMC subsidiaries. On November 15, 2024, he attended the corporate governance training conducted by Center for Global Best Practices.

***Cecile Caroline U. De Ocampo*** is the Senior Vice President and Head of Corporate Mergers and Acquisitions of SMC. She has been the head of Corporate Mergers and Acquisitions since 2016. She has been an officer of the Company since 2002 as Assistant Vice President for Planning and Project Development, and later as Vice President in 2007. She was Planning and Product Development Manager of the Company since 2002. She has been with the Company in various positions since 1990 and has been with Corporate Planning and Development since 2002 until 2007. She is a graduate of Ateneo de Manila University with a degree in BS Management Engineering. On November 15, 2024, she attended the corporate governance training conducted by Center for Global Best Practices.

***Bryan U. Villanueva*** is the Senior Vice President and Chief Finance Officer of the Company effective February 1, 2025. He was formerly SVP for Special Corporate Projects – Office of the President of SMC since November 2023 and Chief Finance Officer of San Miguel Aerocity Inc., a position which he has held since 2020. He has been a consultant of SMC since 2018. Prior to joining SMC, Mr. Villanueva was the Managing Director, Global Head of Finance Sponsors Coverage at Standard Chartered Bank (Singapore) from 2008 to 2017. He was previously with Framework Capital Corporation (Singapore) as Director from 2006 to 2008, Executive Director at UBS Investment Bank (Hong Kong) from 2002 to 2006 and an Associate at Goldman Sachs (US/Singapore/Hong Kong) from 1998 to 2002. In 1991, he obtained a degree in BS Management Engineering from Ateneo de Manila University. He also has a Masters degree in Business Administration, Major in Finance from Wharton Business School. On November 15, 2024, he attended the corporate governance training conducted by Center for Global Best Practices.

***Bella O. Navarra*** is the Senior Vice President and Comptroller of the Company. Ms. Navarra holds various directorships in various local and offshore subsidiaries of SMC. Since 2000, Ms. Navarra was VP and Comptrollership Manager of the Company. Prior to joining SMC, Ms. Navarra was Vice President – Office of the Treasurer at SGV & Company from 1989 to 2000. She was also audit manager at PCI Bank from 1980 to 1989. She graduated with a degree in BS Accounting

from the University of the East. On November 15, 2024, she attended the corporate governance training conducted by Center for Global Best Practices.

***Susan Y. Yu*** is the Senior Vice President of the Company and Head of Corporate Procurement. Ms. Susan Yu holds various directorships in various local and offshore subsidiaries of SMC. Prior to this appointment, Ms. Susan Yu was Vice President for Special Projects at Petron Corporation from January to February 2024, and Vice President, Senior Procurement Manager at Petron Corporation from April 2009 to December 2023. She was also AVP and Senior Procurement Manager at San Miguel Brewery Inc from March 2008 to March 2009, AVP and Senior Procurement Manager at CSU from 2006 to 2008 and was at CSU Corporate Procurement from 2003 to 2006. She was Fuel Purchasing and Risk Management Manager at Philippine Airlines from 1997 to 2003. She graduated with a degree in BS Management from De La Salle University and has an MBA from Ateneo de Manila University. On September 26, 2024, she attended the corporate governance training conducted by SGV&Co.

**Term of Office**

Pursuant to the Company's By-laws, the directors are elected at each annual stockholders meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

**Significant Employees**

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

**Family Relationships**

Mr. John Paul L. Ang, a director of the Company, is the son of Mr. Ramon S. Ang. Other than that, there are no other family relationships up to the fourth civil degree, either by consanguinity or affinity, among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

**Certain Relationships and Related Transactions**

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) which are not in the Company's ordinary course of business.

**Involvement in Certain Legal Proceedings**

None of the directors, nominees for election as director, executive officers or control persons of SMC have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in SMC.

## COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and four (4) senior executive officers of the Company are as follows:

| NAME | YEAR | SALARY | BONUS | OTHERS | TOTAL |
|---|---|---|---|---|---|
| Total Compensation of the Chief Executive Officer and Senior Executive Officers[24] | 2024 (estimated)<br>2023<br>2022 | ₱174.5 Million<br>₱184.8 Million<br>₱182.3 Million | ₱52.4 Million<br>₱49.7 Million<br>₱149.7 Million | ₱15.9 Million<br>₱28.3 Million<br>₱26.8 Million | ₱242.8 Million<br>₱262.8 Million<br>₱358.8 Million |
| All other officers and directors as a group unnamed | 2024 (estimated)<br>2023<br>2022 | ₱282.0 Million<br>₱265.7 Million<br>₱240.9 Million | ₱84.8 Million<br>₱80.6 Million<br>₱94.7 Million | ₱61.5 Million<br>₱62.6 Million<br>₱63.3 Million | ₱428.3 Million<br>₱408.9 Million<br>₱398.9 Million |
| Total | 2024 (estimated)<br>2023<br>2022 | ₱456.5 Million<br>₱450.5 Million<br>₱423.2 Million | ₱137.2 Million<br>₱130.3 Million<br>₱244.4 Million | ₱77.4 Million<br>₱90.9 Million<br>₱90.1 Million | ₱671.1 Million<br>₱671.1 Million<br>₱757.7 Million |

Section 10 of the Amended By-laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper. The Company provides each director with reasonable per diem of ₱50,000 and ₱20,000 for each Board and Committee meeting attended, respectively. In 2023 and 2022, the members of the Board of Directors of the Company were paid an aggregate amount of ₱72,39 million.

The following are the directors fee received by the directors, and the respective per diems for 2023 received for their attendance in Board and Committee meetings:

| Name of Director | Per Diems | Directors' Fees | Total |
|---|---|---|---|
| 1. Ramon S. Ang | ₱450,000.00 | ₱4,826,031.70 | ₱5,276,031.70 |
| 2. John Paul L. Ang | ₱350,000.00 | ₱4,826,031.70 | ₱5,176,031.70 |
| 3. Aurora T. Calderon | ₱550,000.00 | ₱4,826,031.70 | ₱5,376,031.70 |
| 4. Joselito D. Campos, Jr. | ₱420,000.00 | ₱4,826,031.70 | ₱5,246,031.70 |
| 5. Teresita L. De Castro | ₱500,000.00 | ₱4,826,031.70 | ₱5,326,031.70 |
| 6. Jose C. De Venecia, Jr. | ₱350,000.00 | ₱4,826,031.70 | ₱5,176,031.70 |
| 7. Menardo R. Jimenez | ₱480,000.00 | ₱4,826,031.70 | ₱5,306,031.70 |
| 8. Estelito P. Mendoza | ₱410,000.00 | ₱4,826,031.70 | ₱5,236,031.70 |
| 9.Diosdado M. Peralta | ₱560,000.00 | ₱4,826,031.70 | ₱5,386,031.70 |
| 10. Ernesto D. Pernia | ₱400,000.00 | ₱3,619,523.78 | ₱4,019,523.78 |
| 11.Alexander J. Poblador | ₱420,000.00 | ₱4,826,031.70 | ₱5,246,031.70 |
| 12.Reynato S. Puno | ₱580,000.00 | ₱4,826,031.70 | ₱5,406,031.70 |
| 13.Margarito B. Teves | ₱580,000.00 | ₱4,826,031.70 | ₱5,406,031.70 |
| 14.Ramon F. Villavicencio | ₱400,000.00 | ₱4,826,031.70 | ₱5,226,031.70 |
| 15.Inigo U. Zobel | ₱400,000.00 | ₱4,826,031.70 | ₱5,226,031.70 |
| **TOTAL** | **₱6,850,000.00** | **₱71,183,967.58** | **₱78,033,967.58** |

[24] *The Chief Executive Officer and senior executive officers of the Company for 2023, 2022 and 2021 are Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto and Joseph N. Pineda.*

The Long-Term Incentive Plan for Stock Options ("LTIP") of the Company grants stock options to eligible senior and key management officers of the Company as determined by the Committee administering the said Plan. Its purpose is to further and promote the interests of the Company and its shareholders by enabling the Company to attract, retain and motivate senior and key management officers, and to align the interests of such officers and the Company's shareholders.

On March 1, 2007, the Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and June 26, 2008, the Company approved the grant of options to 755 executives consisting of 5.777 million shares and to 742 executives consisting of 7.46 million shares, respectively.

As of September 30, 2024, the there are no more outstanding options under the LTIP held by the President and Chief Executive Officer and Senior Executive Officers of the Company, and officers and middle managers as a group. There are no more outstanding, exercised and cancelled options to date.

There were no employment contracts between the Company and a named executive officer. There were neither compensatory plans nor arrangements with respect to a named executive officer.

## ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting.

1. Amendment of Article VII of the Amended Articles of Incorporation of the Company relating to its capital stock of Php30,000,000,000 at par value of Php5.00 per share or 6,000,000,000 shares -

    - FROM: divided into **3,790,000,000** common shares and **2,210,000,000** preferred shares

    - TO: divided into **2,885,247,463** common shares and **3,114,752,537** preferred shares

    following the Reclassification of 904,752,537 common shares currently held as treasury shares, into Series 2 Preferred Shares held in treasury;

2. Approval of the issuance of common and Series "2" Preferred Shares of the Company under such terms and conditions determined by the Management; and

3. Approval of the delegation to the Board of Directors of the power to amend the By Laws of the Company.

    Items 1 and 2 will be discussed jointly below.

**AMENDMENTS TO THE ARTICLES OF INCORPORATION TO RECLASSIFY PREFERRED SHARES, REALLOCATE THE CAPITAL STOCK OF THE COMPANY AND THE SUBSEQUENT ISSUANCE OF COMMON AND SERIES "2" PREFERRED SHARES**

**A. Reclassification of Common Shares held in Treasury into Series "2" Preferred Shares held in Treasury**

On January 16, 2025, the Board of Directors of the Company approved the amendment of the Articles of Incorporation of the Company to 904,752,537 common shares currently held as treasury shares, into Series "2" preferred shares held in treasury. The purpose of the reclassification is to allow the Company the flexibility to offer and issue additional preferred shares as a new subseries of Series "2" Preferred Shares.

As of February 25, 2025, upon the approval by the Securities and Exchange Commission of the reclassification of 300,000,000 Series "1" Preferred Shares of the Company into Series "2" Preferred Shares, of which 279,406,667 are treasury shares, and 20,593,333 are unissued, there are 567,601,161 Series "2" Preferred Shares held in treasury, and 172,493,647 unissued Series "2" Preferred Shares, or a total of 740,094,808 Series "2" Preferred Shares which remain available for re-issuance or issuance.

As stated in the Amended Articles of Incorporation of the Company, the Series "2" Preferred Shares allow for more flexibility for the Company, through the approval of the Board of Directors of Enabling Resolutions, to determine the terms and conditions of the issuance based on prevailing market conditions. The Company envisions that there is demand in the market for the securities issuance by the Company, specifically its Series "2" Preferred Shares, and it would be prudent to ensure that it would be in a position to be able to make further issuances and offerings in the future based on market conditions and its financial requirements.

Presented below is the tabular representation of the current, as of December 31, 2024, and proposed distribution of the capital stock of the Company.

| | Current | After Reclassification |
|---|---|---|
| Authorized Capital Stock | Php30,000,000,000 | |
| Par value | Php5.00 per share | |
| Total No. of Common Shares | ***3,790,00,000,000*** | ***2,885,247,463*** |
| Issued | ***3,288,649,125*** | ***2,383,896,588*** |
| Outstanding | 2,383,896,588 | 2,383,896,588 |
| Treasury Shares | ***904,752,537*** | ***0*** |
| Unissued Shares | 501,350,875 | 501,350,875 |
| | | |
| Total No. of Preferred Shares | ***2,210,000,000*** | ***3,114,752,537*** |
| Issued | ***2,037,506,353*** | ***3,113,423,700*** |
| Outstanding | 1,469,905,192 | 1,469,905,192 |
| Treasury Shares | ***567,601,161*** | ***1,472,353,698*** |
| Unissued Shares | 172,493,647 | 172,493,647 |

As illustrated above, with the reclassification of 904,752,537 common shares held in treasury to Series "2" Preferred Shares held in treasury, the distribution of the capital stock of the Company with respect to the treasury and issued shares will change while there will be change to the outstanding and unissued shares of the Company.

With the reclassification, there will be an additional 904,752,537 Series "2" Preferred Shares that may be issued by the Company, which, in addition to the 740,094,808 Series "2" Preferred Shares available for issuance, there will be 1,644,847,35 Series "2" Preferred Shares, which may be issued by the Company, subject to terms and conditions contained in the Enabling Resolutions.

The purpose of the reclassification is to give the Corporation the ability to offer and issue to the public additional Series "2" preferred shares without the need to increase the authorized capital stock of the Corporation. Likewise, the reclassification will give Management the flexibility to determine the relevant features of the Series "2" preferred shares, based on prevailing market conditions and investor interests. Under the provisions of the Amended Articles of Incorporation of the Corporation, the features of the Series "2" Preferred Shares may be determined by the Board of Directors through the approval and implementation of Enabling Resolutions. To date, the Company has issued Series 2A to 2O Preferred Shares.

On January 16, 2025, The Board of Directors of the Company unanimously approved the reclassification of 904,752,537 common shares currently held as treasury shares, into Series "2" Preferred Shares held in treasury, and the corresponding amendment of the authorized capital stock of the Corporation from Php30,000,000,000 at par value of Php5.00 per share or 6,000,000,000 shares divided into 3,790,000,000 common shares and 2,210,000,000 Preferred Shares to 2,885,247,463 common shares and 3,114,752,537 Preferred Shares. Section 37 of the Code requires a vote by two-thirds (2/3$^{rd}$) of the outstanding capital stock at a stockholders meeting duly called for its purpose.

**B. Issuance of Common Shares and New Subseries of Series "2" Preferred Shares**

The Philippine Stock Exchange has mandatorily required listed corporations to secure the approval of the Board of Directors and the Stockholders for all offerings and issuances of listed shares to the public. By way of compliance with such requirement, the Company is requesting the approval of the stockholders for the issuance by the Company of common and Series "2" Preferred Shares, under such terms and conditions approved by the Board of Directors.

Since 2012, the Company has issued Series "2" Preferred Shares in several subseries, namely: Subseries 2-A, Subseries 2-B, Subseries 2-C, Subseries 2-D, Subseries 2-E, Subseries 2-F, Subseries 2-G, Subseries 2-H, Subseries 2-I, Subseries 2-J, Subseries 2-K, Subseries 2-L, Subseries 2-M, Subseries 2-N, and Subseries 2-O, of which Subseries 2-F, Subseries 2-I, Subseries 2-J, Subseries 2-K, Subseries 2-L, Subseries 2-M, Subseries 2-N, and Subseries 2-O remains outstanding.

The issuance of the Series "2" Preferred Shares has always been well received by the public and Investors have found the Series "2" Preferred Shares to be well-suited to their investment objectives. The Company believes that there continues to be strong demand for similar investments opportunities, taking into account the prevailing market conditions.

The Company plans to list any subsequent re-issuance or new issuance of new subseries of Series "2" Preferred Shares in the Philippine Stock Exchange and the approval by the shareholders are required for such issuance.

The Board of Directors of the Company unanimously approved the proposed additional issuance and listing of common and Series "2" preferred shares of the Company on January 16, 2025.

## APPROVAL BY THE STOCKHOLDERS OF THE COMPANY THE DELEGATION TO THE BOARD OF DIRECTORS OF THE POWER TO AMEND THE BY-LAWS OF THE COMPANY

The Company proposes to submit for the approval by the stockholders of the Company the delegation to the Board of Directors of the power to amend the By-laws of the Company.

On January 16, 2025, the delegation to the Board of Directors of the power to amend the By-laws of the Company was unanimously approved by the said Board of Directors. Under Section 47 of the Code, the owners of two-thirds (2/3) of the outstanding capital stock of the Company may delegate to the board of directors the power to amend by laws, provided that any power delegated to the board of directors to amend or repeal the By-laws or adopt new By-laws shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting.

Notwithstanding the delegation to the Board of Directors of the power to amend the By-laws, any such amendment of the By-laws shall be filed with the Securities and Exchange Commission, duly certified under oath by the Corporate Secretary and a majority of the members of the Board of Directors. The amended by laws shall only be effective upon the issuance by the Commission of a certification that the same is in accordance with the Code and other relevant laws.

**General Effect on Rights of Existing Shareholders**

The proposed reclassification of 904,752,537 common shares held in treasury to Series "2" Preferred Shares held in treasury, and its subsequent reissuance, in whole or in part, shall have no effect on the rights of existing common and Series "2" preferred shareholders of the Company. In accordance with the Amended Articles of Incorporation of the Company, specifically, Article VII, the common shares that will be reclassified into Series "2" Preferred Shares may be re-issued by the Company. The only effect of the reclassification is to allow the Company more flexibility to issue the said preferred shares under such terms and conditions in accordance with the prevailing market conditions at the time of issuance. The corresponding adjustment in the allocation in the common shares and preferred shares of the Company does not affect outstanding and unissued shares and will not affect the rights of any holder of security of the shares of the Company.

Upon approval of the reclassification of 904,752,537 common shares to Series "2" Preferred Shares, the resulting distribution of shares of the Company shall be as follows:

| | **Current Distribution of Authorized Capital** | **Shares to be Reclassified** | **Resulting Distribution of Authorized Capital** |
|---|---|---|---|
| Common Shares | 3,790,000,000 | Less 904,752,537 | 2,885,247,463 |
| Preferred Shares | 2,210,000,000 | Add 904,752,537 | 3,114,752,537 |
| **Total** | 6,000,000,000 | | 6,000,000,000 |
| | **₱30,000,000,000** | | **₱30,000,000,000** |

## AMENDMENT TO CHARTER, BY-LAWS OR OTHER DOCUMENTS

To implement the reclassification of the common shares to Series "2" Preferred Shares, Article VII of the Amended Articles of Incorporation of the Company shall be amended accordingly. Article VII of the Amended Articles of Incorporation of the Company is proposed to be worded as follows:

**Article VII**

(a) That the capital stock of the aforementioned Corporation shall be THIRTY BILLION PESOS (~~₱~~30,000,000,000.00), Philippine Currency, and that said capital stock is divided into **Two Billion Eight Hundred Eight Five Million Two Hundred Forty Seven Thousand Four Hundred Sixty Three (2,885,247,463)** ~~Three Billion Seven Hundred Ninety Million (3,790,000,000)~~ Common Shares, **and Three Billion One Hundred Fourteen Million Seven Hundred Fifty Two Thousand Five Hundred Thirty Seven (3,114,752,537)** ~~Two Billion Two Hundred Ten Million (2,210,000,000)~~ Preferred Shares, all with a par value of FIVE PESOS (P5.00) per share. *(As amended on July 23, 2009 on the creation of Series "1" Preferred Shares, May 31, 2010 on the declassification of common shares, as approved by the Board of Directors on April 18, 2012 and the Stockholders on June 14, 2012 on the creation of Series "2" Preferred Shares,* ***and as approved by the Board of Directors on January 16, 2025 and the Stockholders on March 27, 2025.)***

x x x

## VOTING PROCEDURES

1. For the amendment of the amended Articles of Incorporation to reclassify 904,752,537 common shares currently held as treasury shares, into Series "2" Preferred Shares held in treasury, and the corresponding amendment of the authorized capital stock of the Corporation of Php30,000,000,000 at par value of Php5.00 per share or 6,000,000,000 shares with a change in allocation from "divided into 3,790,000,000 common shares and 2,210,000,000 Preferred Shares" to "divided into 2,885,247,463 common shares and 3,114,752,537 Preferred Shares", a vote of **at least two-thirds** (2/3) of the outstanding capital stock, either in person or represented by proxy, at the meeting called for its purpose, is necessary for the approval thereof.

2. For the issuance and listing of common and Series "2" preferred shares of the Company, a vote of **at least a majority** of the outstanding voting capital stock, either in person or represented by proxy, at the meeting called for its purpose, is necessary for the approval thereof.

3. For the delegation to the Board of Directors of the power to amend the By-laws of the Company, a vote of **at least two-thirds** (2/3) of the outstanding capital stock, either in person or represented by proxy, at the meeting called for its purpose, is necessary for the approval thereof.

Shareholders vote *viva voce*, unless a motion to cast votes by ballot is made and duly seconded, and approved by the majority of the shareholders present or represented at the meeting as the method of voting for any or all of the proposals or matters submitted to a vote at the meeting.

In all proposals or matters for approval, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one vote. In case of election of directors, cumulative voting as set out in page 4 of this Information Statement shall be adopted.

Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretaries with the assistance of the independent auditors and the stock transfer agent of the Company.

## FINANCIAL AND OTHER INFORMATION

### Brief Description of the General Nature and Business of the Company

San Miguel Corporation, together with its subsidiaries (collectively referred to as the "Group"), is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales equivalent to approximately 6.0% of the Philippine gross domestic product in 2023.

Originally founded in 1890 as a single product brewery in the Philippines, SMC today owns market-leading businesses and investments in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, cement, property development and leasing, car distributorship, and banking services. SMC has a portfolio of companies that is interwoven into the economic fabric of the Philippines, benefiting from, as well as contributing to the development and economic progress of the nation. The common shares of SMC were listed on the Manila Stock Exchange, now The Philippine Stock Exchange, Inc. ("PSE") on November 5, 1948.

Since adopting its business diversification program in 2007, SMC has channeled its resources into what it believes are attractive growth sectors, which are aligned with the development and growth of the Philippine economy. SMC believes that continuing this strategy and pursuing growth plans within each business will achieve a more diverse mix of sales and operating income, and better position for SMC to access capital, present different growth opportunities, and mitigate the impact of downturns and business cycles.

SMC, through its subsidiaries and affiliates, has become a market leader in its businesses with 53,184 regular employees and more than 100 production facilities in the Asia-Pacific region as at December 31, 2023. SMC's extensive portfolio of products include beer, spirits, non-alcoholic beverages ("NAB"), poultry, animal feeds, flour, fresh and processed meats, dairy products, coffee, various packaging products, a full range of refined petroleum products and cement products, most of which are market leaders in their respective markets. In addition, SMC contributes to the growth of downstream industries and sustains a network of hundreds of third-party suppliers.

Through the partnerships it has forged with major international companies, the Group has gained access to the latest technologies and expertise, thereby enhancing its status as a world-class organization.

SMC has strategic partnerships with international companies, among them are Kirin Holdings Company, Limited ("Kirin") for beer, Hormel Foods International Corporation ("Hormel") for processed meats, Nihon Yamamura Glass Company, Ltd. ("NYG") and Fuso Machine & Mold Mfg. Co. Ltd. ("Fuso") for packaging products, and Korea Water Resources Corporation ("K-Water") for its power business.

Major developments in the Group are discussed in the Management's Discussion and Analyses of Financial Position and Financial Performance, attached hereto as **Annex "B"**, and in Note 5, Investments in Subsidiaries, and Note 11, Investments and Advances, of the Audited Consolidated Financial Statements attached hereto as **Annex "A"**.

### Businesses
### Food and Beverage

San Miguel Food and Beverage, Inc., ("SMFB") is a leading food and beverage company in the Philippines. The brands under which SMFB produce, market, and sell its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include San Miguel Pale Pilsen, San Mig Light and Red Horse for beer; Ginebra San Miguel for gin and Vino Kulafu for Chinese wine; Magnolia for chicken, dairy, ice cream, flour mixes, and salad aids; Monterey for fresh and

marinated meats; Purefoods and Purefoods Tender Juicy for branded processed meats; Veega for plant-based protein products; Star and Dari Crème for margarine; and B-Meg for animal feeds.

SMFB has three primary operating divisions - (i) Beer and NAB, (ii) Spirits, and (iii) Food. SMFB operates its Beverage business through San Miguel Brewery Inc. and its subsidiaries ("SMB" or the "Beer and NAB Division") and Ginebra San Miguel Inc. and its subsidiaries ("GSMI" or the "Spirits Division"). The Food business (the "Food Division") is operated through several key subsidiaries, including San Miguel Foods, Inc. ("SMFI"), Magnolia Inc., ("Magnolia") and The Purefoods-Hormel Company, Inc. ("Purefoods-Hormel"), San Miguel Mills, Inc. and San Miguel Super Coffeemix Co., Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 70 markets worldwide.

***Beer and NAB Division***

The Beer and NAB Division is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Top beer brands in the Philippines include *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light,* and *Gold Eagle*. Its flagship brand, *San Miguel Pale Pilsen*, has a history of over 130 years which was first produced by *La Fabrica de Cerveza de San Miguel,* which started as a single brewery producing a single product in 1890 and has evolved through the years to become the diversified conglomerate that is SMC. The Beer and NAB Division also produces NAB such as ready-to-drink tea, ready-to-drink juice, and carbonates.

SMB markets its beer products under the following brands: *San Miguel Pale Pilsen*, which is SMB's flagship brand, *Red Horse, Red Horse Super, San Mig Light, San Miguel Flavored Beer, San Miguel Super Dry, San Miguel Premium All-Malt, San Miguel Cerveza Negra*, *San Miguel Cerveza Blanca, San Mig Zero,* and *Gold Eagle*. SMB also exclusively distributes *Kirin Ichiban* in the Philippines. SMB also produces *San Mig Free*, an alcohol-free, non-fermented beverage with no added caloric and non-caloric sweeteners, as well as *San Mig Hard Seltzer*, an easy-to-drink alcoholic beverage made from sparkling water with alcohol in citrus mix flavor.

SMB's NAB business portfolio includes *Cali*, a sparkling non-alcoholic drink, *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), *Magnolia Flavored Water* (still flavored water).

San Miguel Brewing International Limited and its subsidiaries ("SMBIL") also offer the *San Miguel Pale Pilsen* and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia and most export markets, and *Red Horse* in Thailand, China, Hong Kong, Vietnam and selected export markets, in addition to locally available brands: *Valor* and *Blue Ice* (Hong Kong), *Dragon* (South China), *W1N Bia* (Vietnam), and *Anker* and *Kuda Putih* (Indonesia).

SMBIL also sells a portfolio of specialty beers including *San Mig Zero* in Thailand, *San Miguel Flavored Beer* in Vietnam, Taiwan and the United States, *San Miguel Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, Thailand, United States, South Korea and Taiwan, as well as *San Miguel Cerveza Blanca* in Hong Kong, Thailand, Vietnam, South Korea, Singapore and Taiwan, and has recently rolled-out the limited edition *San Miguel Chocolate Lager* in Thailand, Taiwan, Hong Kong and Vietnam.

Meanwhile, as part of its NAB portfolio, SMBIL also carries *San Miguel NAB* in Korea and Saudi Arabia as well as *San Miguel Flavored NAB*.

***Spirits Division***

The Spirits Division is a leading spirits producer in the Philippines and the largest gin producer internationally by volume. It is the market leader in gin and Chinese wine in the Philippines. GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum and other spirits. Ginebra traces its roots to a family-owned Spanish era distillery that introduced the *Ginebra San Miguel* brand in 1834. The distillery was then acquired by La Tondeña Incorporada in 1924, and thereafter by SMC in 1987 to form La Tondeña Distillers, Inc. In 2003, it was renamed to Ginebra San Miguel Inc. in honor of the pioneering gin brand.

GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel, GSM Blue* and *Vino Kulafu*, the leading brands in the gin and Chinese wine categories, accounted for 99% of GSMI's total revenues. The other products that complete the liquor business of GSMI comprise about 1% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are exported to markets with high concentration of Filipino communities such as the United Arab Emirates, Taiwan, India, Cayman Islands, New Zealand, Hong Kong, Saipan, Macau and the United States of America. It also produces certain brands that are for export only, which includes *Tondeña Manila Rum* and *Añejo Rum 5 Years*.

With the onset of the Corona Virus Disease 2019 (COVID-19) pandemic in early March 2020, GSMI pivoted its production facilities to produce disinfecting 70% ethyl alcohol and donated over 1.3 million liters around the country. In the third quarter of 2020, GSMI commercially launched *San Miguel Ethyl Alcohol* to provide supply of disinfectant alcohol in the local market as well as help stabilize the price.

***Food Division***

The Food Division holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Division has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream, flour mixes and salad aids, *Monterey* for fresh and marinated meats, *Purefoods Tender Juicy* for hotdogs*, Purefoods* for other refrigerated processed meats, ready-to-eat cooked meals, canned meats and seafood lines, *Veega* for plant-based protein food products, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, and *B-Meg* for animal feeds.

The Food Division has a diversified product portfolio that ranges from branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein, butter, margarine, cheese, milk, ice cream, salad aids, flour mixes, and coffee products (collectively "Prepared and Packaged Food") to integrated feeds ("Animal Nutrition and Health"), to poultry and fresh meats ("Protein") as well as flour milling, grain terminal handling, foodservice, and international operations ("Others").

The key operating segments, products, brands and services for each of the primary businesses of the Food Division are as follows:

a) ***Prepared and Packaged Food*** – The Prepared and Packaged Food business includes refrigerated meats, canned meats, ready-to-eat meals, dairy, ice cream, spreads, salad aids, and coffee. The major operating subsidiaries for the Prepared and Packaged Food segment are Purefoods-Hormel, Magnolia and San Miguel Super Coffeemix Co., Inc. ("SMSCCI"). Purefoods-Hormel, a 60:40 joint venture with Hormel Netherlands, B.V. produces and

markets value-added refrigerated processed meats and canned meat products. The joint venture agreement, which was entered into in 1998 sets out the parties' agreement as shareholders of Purefoods-Hormel, including, among others, provisions on technical assistance and sharing of know-how, the use of trademarks, fundamental matters requiring shareholders or Board approval, exclusivity covenants, and restrictions on the transfer of Purefoods-Hormel shares.

Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, ready-to-eat meal and meat free products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, Star, Higante, Purefoods Beefies, Vida, Purefoods Nuggets, Purefoods Ready-to Eat and Veega*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads and ready-to-eat viands, are sold under the *Purefoods, Star and Ulam King* brands.

The dairy and spreads business, primarily operated through Magnolia, manufactures and markets a variety of bread spreads, milk, ice cream, salad aids and flour mixes. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia, Dari Crème, Star,* and *Cheezee, Quickmelt, Daily Quezo*, and *Buttercup* brands. Dairy products under the *Magnolia* brand include ready-to-drink milk, *Magnolia Fresh Milk* and *Chocolait, Gold Label* ice cream and all-purpose cream. Flour mixes and salad aids like mayonnaise, sandwich spreads and dressings, are likewise marketed and sold under the *Magnolia* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s. Magnolia previously marketed jelly-based snacks under the *JellYace* brand, until said trademark and other trademarks used in the jelly-based snacks business were divested in May 2021. Moreover, Magnolia also used to manufacture and sell biscuits under the *La Pacita* brand until it ceased operations at its manufacturing facility in October 2021. The *La Pacita* brand and other trademarks used in the biscuits business were divested in March 2023.

The coffee business under SMSCCI is a 70:30 joint venture between SMFB and a Singaporean partner, Jacobs Douwe Egberts RTL SCC SG Pte. Ltd., formerly Super Coffee Corporation Pte. Ltd. SMSCCI imports, packages, markets, and distributes coffee mixes in the Philippines.

b) ***Animal Nutrition and Health*** - The Animal Nutrition and Health segment produces integrated feeds and veterinary medicines. The operating subsidiary for the Animal Nutrition and Health segment is SMFI. Commercial feed products include hog feeds, layer feeds, broiler feeds, gamefowl feeds, aquatic feeds, branded feed concentrates, and specialty and customized feeds. These feeds are sold and marketed under various brands such as *B-Meg, B-Meg Premium, Integra, Expert, Dynamix, Essential, Pureblend, Bonanza* and *Jumbo.* SMFI likewise produces and sells dog food under the *Nutri Chunks* brand, as well as various veterinary medicines and preparations under *San Miguel Animal Health Care*.

c) ***Protein*** - SMFI is also the operating subsidiary for the business' Protein segment, which sells poultry and fresh meats products. The poultry business operates a vertically-integrated production process that spans from broiler breeding to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole and cut-up products. A wide variety of fresh and easy-to-cook products, such as those under the brand *Magnolia Chicken Timplados*, are sold through *Magnolia Chicken Stations*. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors, and sells live chickens to dealers.

The fresh meats business breeds, grows and processes hogs and trades beef and pork products. Its operations include breeding, growing, and slaughtering live hogs and

processing beef and pork carcasses into primal and sub-primal meat cuts. These specialty cuts and marinated products are sold in neighborhood meat shops under the well-recognized *Monterey* brand name.

d) ***Others*** - Flour milling, the manufacture and marketing of premixes and baking ingredients, foodservice and international operations are categorized under Others. The bulk of this segment is accounted for by the flour milling business and grain terminal operation.

The flour milling segment operates under San Miguel Mills, Inc. ("SMMI"). SMMI owns Golden Bay Grain Terminal Corporation, which provides grain handling services (e.g. unloading, storage, bagging, and outloading) to clients, and Golden Avenue Corp., which holds investment in real properties.

The flour milling segment offers a variety of flour products that includes bread flour, noodle flour, biscuit and cracker flour, all-purpose flour, cake flour, whole wheat flour, customized flour, and flour premixes, such as pancake mix, cake mix, brownie mix, *pan de sal* mix, and *puto* (or rice cake) mix. The business pioneered the development of customized flours for specific applications, such as noodles and *pan de sal*, a soft bread commonly eaten in the Philippines for breakfast. Flour products are sold under brand names which enjoy strong brand loyalty among its institutional clients and other intermediaries, such as bakeries and biscuit and noodle manufacturers.

The Food Division currently has operations in Vietnam. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. ("SMPFVN"), is a wholly-owned subsidiary of San Miguel Foods International, Limited. It is in the business of production and marketing of processed meats which are sold under the *Le Gourmet* brand. PT San Miguel Foods Indonesia is a 75:25 joint venture with PT Hero Intiputra of Indonesia, and engaged in the production and sale of processed meats sold under the *Farmhouse* and *Vida* brands, until it ceased operations on October 31, 2021.

The foodservice segment of the Food Division is handled by Great Food Solutions ("GFS"), a group under SMFI. GFS, which services institutional accounts such as hotels, restaurants, bakeshops, fast food, and pizza chains, was established in 2002 and is one of the largest foodservice providers in the Philippines. It markets and distributes foodservice formats of the value-added meats, dairy, flour and coffee businesses. In turn, GFS receives a development fee from these businesses for selling their products to foodservice institutional clients.

**Packaging**

The packaging business began operations in 1938 with the establishment of a glass plant that supplied glass bottles for the beer and non-alcoholic beverage products of SMC. Collectively called as the Packaging Group, the business is comprised of San Miguel Yamamura Packaging Corporation ("SMYPC"), San Miguel Yamamura Packaging International Limited ("SMYPIL") and their respective subsidiaries which are both joint venture companies of SMC and NYG, SMC Yamamura Fuso Molds Corp. ("SYFMC"), the only manufacturer of glass and plastics molds in the country and a joint venture between SMYPC and Fuso, Can Asia, Inc. ("CAI"), a pioneer in the production of two-piece aluminum cans, Wine Brothers Philippines Corporation, involved in the sale and distribution of wine products and Mindanao Corrugated Fireboard, Inc. ("Mincorr"), a manufacturer of paper corrugated carton.

SMYPC owns all the domestic plants of the Packaging Group, except the corrugated carton plant Mincorr, which is 100% owned by SMC. Mincorr is, nevertheless, being managed by SMYPC.

The Packaging Group manages one of the largest packaging operations in the Philippines with diversified businesses producing glass, molds, metal and plastic closures, aluminum cans, plastic bottles, pallets and crates, flexibles, paper, and other packaging products that offer a total packaging solution. The Packaging Group also provides services such as beverage filling for Polyethylene Terephthalate ("PET") bottles, aluminum cans, and glass bottles, pallet leasing, and logistics services.

It is the major provider of packaging requirements of other business units of SMC and a supplier of its products to customers, which include major multinational corporations in the Philippines, including Coca-Cola Beverages Philippines, Inc., Nestle Philippines, Inc., and Pepsi Cola Products Philippines, Inc.

The Packaging Group also caters to customers across the Asia Pacific region, the United States of America, and Australasia, including San Miguel Beer Breweries in China, Vietnam, Indonesia, and Thailand. Notably, it operates 18 international packaging companies located in China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags, and radiant/thermal liners), Australia (trading of packaging products, retail/online packaging, cargo protection and materials handling products, plastic manufacturing, wine closures, and wine filling services) and New Zealand (plastic manufacturing and trading of packaging products).

The Packaging Group's businesses are as follows:

a) ***Glass*** - The glass business is the Packaging Group's largest business segment. Currently, there are three glass manufacturing facilities, and one glass and PET mold plant in the Philippines, which service the requirements of the beverage, food, pharmaceutical, chemical, personal care, and health care industries.

b) ***Metal*** - The metal business manufactures metal caps, crowns, resealable caps, and two-piece aluminum beverage cans for a range of industries that include beer, spirits, soft drinks, condiments, and food. In 2012, SMYPC formed CAI, as a joint venture with CANPACK S.A. ("CANPACK"), to modernize the two-piece aluminum can manufacturing business. In 2018, CAI expanded its product line to offer 180 ml aluminum cans. Utilizing the know-how and technologies of CANPACK on can manufacturing, CAI is now capable to produce aluminum cans and ends in three categories - regular (standard), sleek, and slim cans. CAI operates the pioneer two-piece aluminum can plant in the Philippines.

   On September 29, 2022, SMYPC and CANPACK executed a Share Purchase Agreement for the purchase by SMYPC of the 3,500,000 common shares of CANPACK in CAI, giving SMYPC 100% ownership of CAI. To date, CAI is capable of producing six can sizes.

c) ***Plastics*** - The plastics business, the second largest business of the Packaging Group, produces crates and pallets, poultry flooring, plastic bottles, PET preforms and bottles, plastic caps and handles to serve the beer, liquor, non-alcoholic beverages, food, pharmaceutical, personal care, petroleum, and industrial applications industries.

d) ***Beverage Filling*** - The beverage filling operations is capable of filling beverages in two-piece aluminum cans as well as PET and glass bottles. The business has expanded its capability to include a retort process to serve coffee, milk, and chocolate drinks.

e) ***Paper*** - The paper business produces corrugated cartons and partition boxes. It supplies the carton packaging needs of a broad range of manufacturing and agricultural industries.

f) ***Composites/Flexibles*** - The composites/flexible packaging business manufactures flexible packaging, plastic films, industrial laminates, trademarked *Envirotuff* radiant barrier and woven bags. Customers for this segment include companies in the food, beverages, personal care, chemical and healthcare industries. It also provides composite materials for various industries including construction, semiconductor, and electronics sectors.

**Energy**

The Energy business, which is conducted through San Miguel Global Power Holdings Corp. ("San Miguel Global Power", formerly SMC Global Power Holdings Corp.), together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 5,057 MW of combined capacity based on the total installed generating capacities reported by the Energy Regulatory Commission ("ERC") under ERC Resolution No. 02, Series of 2024, dated March 12, 2024 (A resolution Setting the Installed Generating Capacity and Market Share Limitation per Grid and National Grid for 2024). San Miguel Global Power benefits from a diversified power portfolio, including natural gas, coal and renewable energy such as hydroelectric power and battery energy storage systems ("BESS"). This portfolio includes:

a) the power plants subject of the Independent Power Producer Administration ("IPPA") Agreements with the Power Sector Assets and Liabilities Management Corp. ("PSALM"), specifically the Sual Coal-Fired Thermal Power Plant in Sual, Pangasinan and the San Roque Multipurpose Hydroelectric Power Plant in San Manuel, Pangasinan, the output of which are being administered by Sual Power Inc. ("SPI", formerly San Miguel Energy Corporation) and San Roque Hydropower Inc. ("SRHI", formerly Strategic Power Devt. Corp.), respectively, both wholly-owned subsidiaries of San Miguel Global Power;

b) the Ilijan Natural Gas Fired Combined Cycle Power Plant in Ilijan, Batangas that was the subject of the IPPA Agreement with PSALM and is now owned by South Premiere Power Corp. ("SPPC"), which was a wholly-owned subsidiary of San Miguel Global Power until January 27, 2025, after the expiration of the IPPA Agreement in June 2022;

c) the Angat Hydroelectric Power Plant in Angat, Bulacan, owned by Angat Hydropower Corporation ("AHC"), whose outstanding capital stock is 60% owned by San Miguel Global Power through its wholly-owned subsidiary, PowerOne Ventures Energy Inc. ("PVEI");

d) the Masinloc Coal-Fired Power Plant ("Masinloc Power Plant"), and the 10 MWh BESS Project all located in Masinloc, Zambales, owned by Masinloc Power Co. Ltd. ("MPCL", formerly Masinloc Power Partners Co. Ltd.), which was wholly acquired by San Miguel Global Power in March 2018. MPCL also intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each with target completion date in 2025-2026;

e) the seven BESS facilities of SMGP BESS Power Inc. ("SMGP BESS", formerly Universal Power Solutions, Inc.) in various locations nationwide with a total installed capacity of 220 MWh, which commenced commercial operations in 2023;

f) the 20 MW BESS facility in Kabankalan, Negros Occidental ("Kabankalan BESS"), owned by SMGP Kabankalan Co. Ltd. ("SMGP Kabankalan", formerly SMCGP Philippines Energy Storage Co. Ltd.), which is contracted under an Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines ("NGCP") with a term of five years which commenced in January 2022. The capacity of Kabankalan BESS Phase 2 (10 MWh) will be offered in the next round of ancillary services bidding to be conducted by NGCP. Alternatively, the same capacity can be traded as power reserves or ancillary services in the WESM. Both opportunities are anticipated to commence in 2024; and

g) the greenfield power plants owned and developed by San Miguel Global Power, namely the Circulating Fluidized Bed Coal-Fired Power Plant in Limay, Bataan, (the "Limay Greenfield Power Plant") owned by its wholly-owned subsidiary, Limay Power Inc. ("LPI", formerly SMC Consolidated Power Corporation) and the Circulating Fluidized Bed Coal-Fired Power Plant in Malita, Davao Occidental, (the "Davao Greenfield Power Plant") owned by another wholly-owned subsidiary, Malita Power Inc. ("MPI", formerly San Miguel Consolidated Power Corporation). Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively. Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

Based on the total installed generating capacities reported by the ERC under ERC Resolution No. 02, Series of 2024, dated March 12, 2024, San Miguel Global Power (together with other affiliates) has combined installed capacity comprising approximately 19.78% of the National Grid, 25.48% of the Luzon Grid, 4.12% of the Visayas Grid and 8.12% of the Mindanao Grid. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of Luzon Grid, Mindanao Grid, Visayas Grid or National Grid (17,961,724 kW, 4,187,838 kW, 3,417,708 kW and 25,567,270 kW, respectively, based on data provided under ERC Resolution No. 02, Series of 2024).

San Miguel Global Power was also issued retail electricity supplier licenses, through LPI and MPCL, which allow it to enter into contracts with contestable customers and expand its customer base. San Miguel Global Power, through its subsidiaries SPI, SRHI, SPPC, LPI, MPI, SMGP Kabankalan, SMGP BESS and MPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company ("Meralco") and other distribution utilities, electric cooperatives, industrial customers and the NGCP, or through the Wholesale Electricity Spot Market ("WESM").

San Miguel Global Power is currently undertaking the following expansion projects through its subsidiaries.

a. The Mariveles Greenfield Power Plant, a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities using high efficiency low emission technologies (HELE Technologies) located in Mariveles, Bataan, being developed and constructed through Mariveles Power Generation Corporation ("MPGC"). Unit 1 of the Mariveles Greenfield Power Plant commenced commercial operations on March 28, 2024.

b. The BESS Project, which is currently undertaken through SMGP Kabankalan, SMGP BESS and MPCL, will provide an additional ~1,000 MWh capacity to the energy business' existing power portfolio. The BESS Project includes the 10 MWh BESS (Phase 1) in Masinloc, Zambales, the 20 MWh (Phase 1) BESS project located in Kabankalan, Negros Occidental which commenced commercial operations in January 2022 and the seven BESS facilities of SMGP BESS with total capacity of 220 MWh that commenced commercial operations in 2023.

c. Units 4 and 5 of the Masinloc Power Plant with a planned gross installed capacity of 350 MW each will utilize supercritical boiler technology, considered as another expansion project by MPCL after it completed the Unit 3 in September 2020.

d. The Batangas Combined Cycle Power Plant, a planned 1,320 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas will utilize re-gasified liquefied natural gas ("LNG") as fuel. The LNG power plant project is part of the Energy business' diversification of its power portfolio from the traditional coal technologies and will be constructed through its wholly-owned subsidiary, Excellent Energy Resources Inc. ("EERI").

**Fuel and Oil**

SMC operates its fuel and oil business through Petron Corporation ("Petron"), which is involved in refining crude oil and marketing and distribution of refined petroleum products mainly in the Philippines and Malaysia. Petron is the largest and only oil refining and marketing company in the Philippines and a leading player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day. Petron participates in the retail (service station), industrial, lube, and liquefied petroleum gas sectors. In addition, Petron is also engaged in non-fuels business by capitalizing on the reacquired Treats convenience stores and earning income from billboards and locators, situated within the premises of the service stations.

Petron owns and manages the most extensive oil distribution infrastructure in the Philippines. Petron has extensive network of around 1,800 retail service stations in the Philippines and more than 750 retail service stations in Malaysia as of December 31, 2023. Petron also exports various petroleum products and petrochemical feedstock, including LSWR, gasoline, diesel, jet fuel, LPG, molten sulfur, naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

In the Philippines, Petron owns the Petron Bataan Refinery complex located in Limay, Bataan, which is a 180,000 barrel-per day full conversion refinery. The Petron Bataan Refinery is capable of producing a range of all white petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel and diesel, with no residual fuel oil production. It also produces petrochemical feedstocks benzene, toluene, mixed xylene, and propylene. It has its own product piers and two offshore berthing facilities, one of which can accommodate very large crude oil carriers. Petron also owns a refinery in Malaysia with a capacity of 88,000 barrels per day, a palm oil methyl ester plant with an annual capacity of 78,000 metric tons and 10 product terminals, with presence in the airport segment through a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport.

**Infrastructure**

The infrastructure business, conducted through San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure ("SMHC"), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. Current operating toll roads include the South Luzon Expressway ("SLEX"), SLEX Elevated Extension, Skyway Stages 1, 2 and 3, the Southern Tagalog Arterial Road ("STAR"), Tarlac-Pangasinan-La Union Toll Expressway ("TPLEX") and NAIA Expressway ("NAIAX"). Ongoing projects include Skyway Stage 4, the extension of SLEX - Toll Road 4 ("SLEX TR4"), SLEX - Toll Road 5 ("SLEX TR5"), Pasig River Expressway ("PAREX"), Southern Access Link Expressway ("SALEX"), Northern Access Link Expressway ("NALEX"), Metro Rail Transit Line 7 ("MRT-7"), and Manila International Airport ("MIA"). It also operates and is currently expanding the Boracay Airport and has investments in Manila North Harbour Port Inc. (MNHPI) and Luzon Clean Water Development Corporation ("LCWDC") for the Bulacan Bulk Water Supply Project.

*SLEX / Skyway Stages 1 and 2 / SLEX Elevated Extension*

As of March 5, 2015, SMHC has a 95% stake in Atlantic Aurum Investments B.V. ("AAIBV"), a company which has the following shareholdings:

- 80.0% stake in SMC SLEX Inc. through SMC SLEX Holdings Company Inc., a wholly-owned subsidiary of AAIBV. SMC SLEX Inc. holds the 30-year concession rights to the SLEX TR1 - TR3, which currently spans 36.1 kilometers (km) from Alabang, Muntinlupa to Sto. Tomas, Batangas, and SLEX TR4, which runs a total length of 66.74 km that will extend the current SLEX alignment from Sto. Tomas, Batangas to Lucena City, Quezon. SLEX is one of the three major expressways that link Metro Manila to the key southern provinces of the Philippines, including Cavite, Laguna, Batangas, Rizal and Quezon ("CALABARZON"). AAIBV also

holds 87.84% beneficial ownership in SMC Skyway Corporation, through SMC Tollways Corporation, a wholly-owned subsidiary of AAIBV. SMC Skyway Corporation holds the 30-year concession rights to construct, operate and maintain the 29.59 km Skyway Stage 1 and 2 Project. The Skyway Extension connects the Skyway Elevated Section from Sucat to Susana Heights in SLEX, providing direct access to and from the elevated section of the Skyway by adding new elevated lanes, three northbound (4.070 km) and two southbound (3.981 km). The project aims to decongest traffic along SLEX heading to Alabang and the Alabang viaduct.

*STAR Tollway*

SMHC, through Cypress Tree Capital Investments, Inc. ("CTCII") has an effective 100% interest in Star Infrastructure Development Corporation ("SIDC"). SIDC holds the 35-year Build-Transfer-Operate ("BTO") concession rights of the STAR Project consisting of: Stage 1 - operation and maintenance of the 22.16 km toll road from Sto. Tomas to Lipa City; and Stage 2 - financing, design, construction, operation and maintenance of the 19.74 km toll road from Lipa City to Batangas City.

*TPLEX*

SMHC, through its subsidiary, SMC TPLEX Holdings Company Inc., owns a 72.55% equity interest in SMC TPLEX Corporation ("SMC TPLEX"). SMC TPLEX is a company which holds the 35-year BTO concession rights to construct, operate and maintain an 89.21 km toll expressway from La Paz, Tarlac, through Pangasinan, to Rosario, La Union. The stretch from Tarlac to Pozzorubio, Pangasinan has been operational since December 2017. The last phase from Pozzorubio to Rosario, La Union was completed and has been operational since July 15, 2020.

*NAIAX*

On May 31, 2013, SMHC incorporated SMC NAIAX Corporation ("SMC NAIAX"). SMC NAIAX, a company that holds the 30-year BTO concession rights for the construction and operation of the NAIAX – a four-lane elevated expressway with end-to-end distance of 5.46 km that provides access to NAIA Terminals 1, 2 and 3. NAIAX connects to the Skyway system, the Manila-Cavite Toll Expressway (CAVITEX) and the Entertainment City of the Philippine Amusement and Gaming Corporation. NAIAX became fully operational in July 2017.

*Skyway Stage 3*

On February 28, 2014, SMHC through AAIBV incorporated Stage 3 Connector Tollways Holdings Corp. ("S3CTHC"), which holds an 80% ownership interest in SMC Skyway Stage 3 Corporation. SMC Skyway Stage 3 Corporation holds the 30-year concession rights to design, finance and construct the Skyway Stage 3, an elevated roadway with a total length of approximately 17.93 km from Buendia Avenue in Makati to Balintawak, Quezon City and is connected to the existing Skyway Stages 1 and 2. Skyway Stage 3 inter-connects the northern and southern cities of Metro Manila to help decongest traffic within the National Capital Region and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

On March 15, 2016, AAIBV transferred its 100% ownership interest in S3CTHC to SMC Tollways Corporation, its 100% wholly owned subsidiary.

On April 16, 2019, a stockholder of SMC Skyway Stage 3 Corporation issued a waiver on its pre-emptive right to subscribe to 10% interest in favor of S3CTHC. As a result, S3CTHC's ownership interest in SMC Skyway Stage 3 Corporation increased to 90%.

End-to-end alignment (main alignment) was completed and partially opened on December 29, 2020. The Skyway Stage 3 Project was formally inaugurated and opened to motorists on January 14, 2021. The Notice to Collect Toll was received last July 1, 2021 from the Toll Regulatory Board of the Department of Transportation.

*Skyway Stage 4 Project*

SMHC, through its subsidiary, SMC Infraventures Inc., owns a 80.01% equity interest in SMC Skyway Stage 4 Corporation. SMC Skyway Stage 4 Corporation holds the concession right to construct Skyway Stage 4, a proposed tollable length of 34.81-km roadway from South Metro Manila Skyway to Batasan Complex, Quezon City. Skyway Stage 4 will serve as another expressway system that aims to further decongest EDSA, C5 and other major arteries of the Metropolis. Further, it aims to provide a faster alternate route and accessibility to the motorist when travelling from the provinces of CALABARZON area to the Metropolis. The project has a concession period of 30 years (from issuance of TOC for each Phase).

*Boracay Airport*

SMC, through the 99.92% interest of SMHC in Trans Aire Development Holdings Corp. ("TADHC"), is undertaking the expansion of Boracay Airport under a 25-year Contract-Add-Operate-and-Transfer concession granted by the Republic of the Philippines ("ROP"), through the Department of Transportation and Communications (now the Department of Transportation). Boracay Airport is the principal gateway to the Boracay Island, a popular resort for passengers traveling from Manila. The airport has seen recent upgrades including a longer runway and accommodation of international flights.

*MRT-7*

In October 2010, SMC, through SMHC, acquired a 51.0% stake in Universal LRT Corporation (BVI) Limited ("ULC BVI"), which holds the 25-year Build-Gradual Transfer-Operate-Maintain concession for MRT-7. MRT-7 is a planned expansion of the metro rail system in Manila which mainly involves the construction of a 22-km mass rail transit system with 14 stations that will start from San Jose del Monte City in Bulacan and end at the integrated LRT-1 / MRT-3 / MRT-7 station at North EDSA. The project also involves a 22-km six lane asphalt highway that will connect the North Luzon Expressway to an intermodal transport terminal in San Jose del Monte City, Bulacan.

As of July 1, 2016, SMC, through SMHC already holds 100% ownership in ULC BVI.

On December 12, 2016, the ROP through the Department of Transportation, gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC Mass Rail Transit 7, Inc. ("SMC MRT 7"). SMC through SMHC owns 100% of SMC MRT 7.

*MNHPI*

SMC through SMHC owns 50% of MNHPI as at December 31, 2023. MNHPI is the terminal operator of Manila North Harbor, a 60.96-hectare port facility situated at Tondo, City of Manila. The port has a total berth length of 5,758 meters and 36 berths which can accommodate all types of vessels such as containerized and non-container type vessels. Under the Contract for the Development, Management, Operation and Maintenance of the Manila North Harbor entered with the Philippine Ports Authority on November 19, 2009, the Philippine Ports Authority awarded MNHPI the right to manage, operate, develop, and maintain the Manila North Harbor for 25 years, renewable for another 25 years. MNHPI commenced operations on April 12, 2010.

*Bulacan Bulk Water Supply Project*

The Bulacan Bulk Water Supply Project aims to provide clean and potable bulk water supply to the province of Bulacan that is environmentally sustainable and with a price that is equitable. The project also aims to help various water districts in Bulacan to meet the increasing water demand of consumers, expand its current service area coverage and increase the number of households served by providing a reliable source of treated bulk water. SMC through SMHC owns

90% of LCWDC, which will serve as the concessionaire for a period of 30 years (inclusive of the two-year construction period). Stage 1 of this project was completed in January 2019 and started supplying potable bulk water to seven Water Service Providers (San Jose del Monte, Marilao, Meycauayan, Obando, Bocaue, Balagtas and Sta. Maria) as of the first quarter of 2019. Stage 2 was completed and started its commercial operations for the other five Water Service Providers (Plaridel, Guiguinto, Bulakan, Malolos and Calumpit) in April 2019.

*MIA Project*

On September 18, 2019, San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport" ("SMAI"), signed a Concession Agreement ("CA") with the Department of Transportation for the development of MIA. MIA will be governed by a 50-year CA (from issuance of Certificate of Substantial Completion) with the ROP and will be built under a Build-Operate-Transfer ("BOT") framework. The project, which will be located in a 2,500-hectare property in Bulakan, Bulacan, will provide a long-term solution to air connectivity between the Philippines and the rest of the world.

On January 15, 2021, the CA was further enhanced by Republic Act No. 11506 entitled, "An Act Granting San Miguel Aerocity Inc. a Franchise to Construct, Develop, Establish, Operate, and Maintain a Domestic and International Airport in The Municipality of Bulakan, Province of Bulacan, and to Construct, Develop, Establish, Operate, And Maintain An Adjacent Airport City" (the Legislative Franchise). The Legislative Franchise gives SMAI tax exemptions (in general) during the development and operations stages of the project and the power to acquire any private lands forming part of the project. On January 21, 2021, SMAI formally accepted the incentives and obligations under the Legislative Franchise.

MIA will be developed in phases with an initial capacity of 35 million annual passengers ("MAP") and ultimate capacity of 100 MAP, once fully complete. The airport shall primarily be linked by an 8-km toll road to Metro Manila via the North Luzon Expressway, with an integrated multi-modal transport network in the development pipeline.

*PAREX Project*

PAREX is a joint venture project between the Philippine National Construction Corporation (PNCC) and SMHC. SMHC, through its subsidiary, Pasig River Expressway Corporation, together with the Department of Public Works and Highways, Department of Transportation, and Toll Regulatory Board, signed on September 21, 2021 the Supplemental Toll Operations Agreement (STOA) for the financing, construction, operation and maintenance of the PAREX, an elevated and hybrid 19.37-km expressway, that would pass along the banks of Pasig River from Manila to Taguig. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

*SLEX TR5 Project*

SLEX TR5, also known as the Quezon-Bicol Expressway, is a 420-km two-lane each direction, toll road project which starts from SLEX TR4 in Brgy. Mayao, Lucena City, Quezon, and ends at Matnog, Sorsogon, near the Matnog Ferry Terminal. The four-lane expressway project shall consist of eight segments: Lucena to Gumaca, Quezon (59.60 kms), Gumaca to Tagkawayan, Quezon (62.40 kms), Tagkawayan to Sipocot, Camarines Sur (59.00 kms), Sipocot to Naga City, Camarines Sur (35.40 kms), Naga City to Polangui, Albay (48.00 kms), Polangui to Legaspi City, Albay (35.00 kms), Legaspi to Sorsogon City, Sorsogon (54.30 kms), and Sorsogon City to Matnog, Sorsogon (62.78 kms). Centered on the proposal submitted by the joint venture of PNCC and SMHC, the SLEX TR 5 was officially designated as a certified toll road project in a TRB resolution dated June 29, 2020. The STOA was signed on June 3, 2022. The project has a concession period of 30 years (from the period of the Toll Operation Certificate).

*NALEX Project*

NALEX is a 136.4-km toll expressway that aims to connect the MIA, Metro Manila, and Central Luzon. The project is composed of two phases: Phase 1, divided into Section 1 (Skyway Stage 3 Balintawak to MIA), and Section 2 (MIA to Tarlac City and TPLEX), and Phase 2 that runs from Masantol, Pampanga to Tarlac City. The Phase 1 Section 1 is a 19.4-km elevated toll road that begins at Skyway Stage 3 to Balintawak and ends at MIA while the project's Phase 1 Section 2 is an at-grade expressway that runs from MIA to Tarlac City and TPLEX. NALEX Phase 1 shall have a total of 117-km toll road divided into three segments: Bulacan-Guagua (41 km), Guagua-Mabalacat (31 km), and Mabalacat-Tarlac (45 km), with 8 interchanges/exits in total. On the other hand, NALEX Phase 2 is a 69.2 km toll road divided into 2 segments: Macabebe-Arayat, and Arayat-Tarlac. This will be a demand-driven expansion that will serve as an alternate route for Phase 1 Section 2. The project intends to provide a more accessible and convenient route from Metro Manila and Central Luzon to MIA, and vice versa.

NALEX is a joint venture project between SMHC and PNCC. On March 21, 2022, the STOA for the financing, construction, operation, and maintenance of the NALEX was signed between the TRB and SMHC. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

*SALEX Project*

SALEX is a 40.65 km toll elevated expressway network comprising of Section 1: C3-R10 Extension, Section 2 Segment 1: Shoreline Expressway, Section 2 Segment 2: Quirino Extension, and Section 2 Segment 3: Buendia Extension. Section 1 (4.52 km) is a four-lane elevated structure connecting MMSS3 at Sgt. Rivera in Quezon City to Shoreline Expressway at R-10. Section 2 Segment 1 (25.29 km), an elevated six-lane expressway, is the main spine along Manila Bay that will link MMSS3 and PAREX with Shoreline Expressway. It will begin at a connection with NALEX and runs south until it joins PAREX at Delpan Bridge, where it breaks. It will start again from PAREX at Ayala Bridge until it reaches Manila Cavite Toll Expressway (MCTEX) and NAIAX. Section 2 Segment 2, an elevated four-lane structure, starts from the intersection of Quirino Avenue and Osmena Highway and ends at its connection with the Shoreline Expressway along Roxas Boulevard. Section 2 Segment 3, an elevated four-lane structure, is a vital link of NAIAX with Shoreline Expressway and Makati Central Business District at Buendia Avenue.

SALEX is a joint venture project between the PNCC and SMHC. The execution of the STOA for the financing, construction, operation and maintenance of the SALEX was signed on June 20, 2022. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

*Pangasinan Link Expressway ("PLEX")*

PLEX, a 76.80-km unsolicited expressway proposal, is a joint venture between the Provincial Government of Pangasinan and SMHC. The project is composed of two phases: Phase 1, which runs from the Binalonan section of TPLEX to Lingayen, and Phase 2, which extends from Lingayen to Alaminos. PLEX's Phase 2 will be implemented once the traffic demand is met/upon reaching a certain level of traffic. This project aims to improve the intra-provincial traffic and create a more accessible route within the province of Pangasinan.

The Original Proponent Status and Certificate of Successful Negotiations was granted by the Province of Pangasinan to SMHC last May 18, 2023. The Notice of Award was signed and issued on July 10, 2023.

*Cavite-Batangas Expressway ("CBEX")*

The Cavite-Batangas Expressway, a 27.06-km unsolicited toll road project, is a joint venture between the Provincial Government of Cavite and SMHC. It is a four-lane expressway which begins with a connection to Cavite-Laguna Expressway (CALAX) in Silang, Cavite and travels southwest parallel with the Emilio Aguinaldo Highway and ends at Tagaytay-Nasugbu Highway. It will traverse the municipalities of Silang, Amadeo, Tagaytay, Indang, Mendez, Alfonso in Cavite and Nasugbu, Batangas, and will have three access/interchange points in Silang, Tagaytay, and Nasugbu/Alfonso. This project aims to provide an additional highway that will help mitigate the road congestion in CALABARZON.

The Original Proponent Status and Certificate of Successful Negotiations was signed on September 1, 2022. The Notice of Award was signed and granted on January 24, 2023. On February 7, 2023, the Joint Venture Agreement and the Toll Concession Agreement was signed between the Provincial Government of Cavite and SMHC.

*Nasugbu-Bauan Expressway ("NBEX")*

NBEX is a 60.9-km toll road project that aims to ease congestion and create a more accessible route in the southeast part of Luzon. The project alignment begins at Tagaytay-Nasugbu Highway in Brgy. Kaylaway, runs parallel with the Tuy-Balayan Highway up to the Municipality of Balayan, then runs parallel with the Palico-Balayan-Batangas Road and ends at the Municipality of Bauan. This four-lane expressway will connect the municipalities of Nasugbu, Tuy, Balayan, Calaca, Lemery, Agoncillo, Taal, San Nicolas, Santa Teresita, San Luis and Bauan. There will be five access/interchange points in (1) Nasugbu (Kaylaway), (2) Nasugbu, (3) Balayan, (4) Lemery, and (5) Bauan.

The NBEX is a joint venture between the Provincial Government of Batangas and SMHC. The Certificate of Acceptance was signed on April 21, 2022, and its Notice of Award was signed on March 10, 2023. On March 22, 2023, the Joint Venture agreement was signed between the parties. The Toll Concession Agreement of this project was signed on July 31, 2023.

*Rehabilitation, Operation and Maintenance of Ninoy Aquino International Airport ("NAIA") by SMC SAP & Company Consortium ("Consortium")*

On February 16, 2024, the Consortium, led by San Miguel Holdings Corp., has officially won the contract to rehabilitate, operate and maintain the NAIA which is the country's main international gateway. The Consortium is comprised of SMHC owning 33%, RMM Asian Logistics Inc. owning 30%, RLW Aviation Development Inc. owning 27% and Incheon International Airport Corp owning 10%. Together, the members of the consortium incorporated the concession company, New NAIA Infra Corp. in the same ownership percentage sharing.

On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA was turned over by the Manila International Airport Authority to the concession company on September 14, 2024.

**Cement**

The Cement business is conducted under San Miguel Equity Investments Inc. ("SMEII") through the following subsidiaries:

*Northern Cement Corporation ("NCC")*

NCC has more than 50 years of cement production and domestic sales experience, mainly, in the Central Luzon (Region 3), and North Luzon (Regions 1 and 2) markets. It manufactures Type 1, Type 1T and Type N cement, the major cement products in the industry.

NCC was incorporated and registered with the SEC on February 10, 1967. From the commencement of its operations on February 1970 in Sison, Province of Pangasinan, it has been engaged in the business of manufacturing, developing, processing, exploiting, buying and selling cement and/or other allied products. NCC has an existing Mineral Production Sharing Agreement ("MPSA") with the Philippine Government granted through the Department of Environment and Natural Resources ("DENR") on March 12, 1998, and was renewed by the DENR for another 25 years, or until the year 2048. The MPSA covers a contract area of 630.4978 hectares within Sison, Pangasinan.

Presently, NCC owns and operates three dry-process rotary kilns and three finish mills. Collectively, the existing production facilities have annual rated capacity of 4.565 million metric tons per year ("MTPY") of finished cement, or 114 million 40-kg bags. The raw materials used in its cement manufacturing process are generally a mixture of quarried materials - limestone, shale and gypsum. Additionally, the construction of a fourth cement production line is ongoing. With the completion of four lines, NCC is projected to have an overall capacity of 6.93 million MTPY of finished cement, or 173 million 40-kg bags.

The additional supply of cement is targeted to meet the strong demand in Northern Luzon (Region 1 and Region 2), the Cordillera Administrative Region (CAR), and Central Luzon (Region 3).

*Southern Concrete Industries, Inc. ("SCII")*

SCII, a wholly-owned subsidiary of SMEII, recently completed the construction of its cement grinding plant in Santa Cruz, Province of Davao del Sur. Its world class equipment is capable of producing 2 million MTPY while minimizing impact to the environment. SCII declared its full commercial operations in May 31, 2023. Prior to its commercial operations, SCII commenced its promotional trial campaign and distribution activities simultaneous with the completion of the commissioning stage of its plant.

*Eagle Cement Corporation ("ECC")*

On December 14, 2022, SMC through SMEII completed the acquisition of 99.9581% of the total outstanding common shares of ECC.

ECC was incorporated in the Philippines and registered with the SEC on June 21, 1995. It is now the third largest player in the Philippine cement industry, with the fastest growing market share amongst all competitors since it started its commercial operations in 2010. ECC currently distributes Blended (Type 1P/Type 1T) and OPC (Type 1) cement products in the National Capital Region, Regions I, II, III and 4A.

ECC has the newest, state-of-the art, and single largest fully-integrated cement production facility in the Philippines located in Barangay Akle, San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan. The plant is strategically located near demand-centric areas and in close proximity to rich limestone and shale reserves covered by the exclusive mineral rights of ECC.

ECC through its subsidiary, holds MPSA covering mining areas in San Ildefonso, Bulacan where it operates a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant. Bulk of its production are used as input in ECC's cement production.

ECC also has a subsidiary engaged in the business of manufacturing, sale and distribution of fly-ash, bottom ash, hi carbon and other by-products.

**Real Estate**

Established in 1990 as the corporate real estate arm of SMC, San Miguel Properties Inc. ("SMPI") is aiming to be one of the major players in the property sector through mixed-use developments. SMPI is 99.98% owned by SMC and is primarily engaged in the development, sale and lease of real property. SMPI is also engaged in leasing and managing the real estate assets of SMC.

Moving forward, SMPI is creating more synergies with its business units and is looking at developing quality residential, commercial and industrial developments. The first project of SMPI was the SMC Head Office Complex, now considered as a landmark, which has served as a catalyst in transforming the area now known as the Ortigas Central Business District.

Cavite Projects

SMPI offers a diverse portfolio of mid-range homes in General Trias, Cavite, namely Bel Aldea, Maravilla, and Asian Leaf, offering townhouse units and single attached house-and-lots, with floor areas ranging from 41.48 to 140.00 square meters.

*Bel Aldea*

Bel Aldea is a 12-hectare development, which serves the economic housing segment, offers smartly designed townhouse units, with an average floor area of 42 square meters.

*Maravilla*

Spanning 17-hectare, Maravilla is a mid-range residential community offering Spanish Mediterranean houses, which currently offers new house models to suit the changing needs of the market.

*Asian Leaf*

Asian Leaf is a seven-hectare premier residential community composed of single attached house and lots, with floor areas ranging from 64.91 to 140.00 square meters. Fusing modern Asian architecture and vibrant landscaping, Asian Leaf is perfect for homeowners looking for a tranquil and ideal haven.

*Wedge Woods*

Wedge Woods is located west of Sta. Rosa, Laguna - in Silang, Cavite, offering prime lots on a rolling terrain, with a majestic view of Mount Makiling.

Metro Manila Projects

SMPI has expanded its portfolio, serving the high-end market with its foray into townhouse developments, such as Dover Hill in San Juan City, One Dover View and Two Dover View in Mandaluyong City, and Emerald 88 in Pasig City, and ventured also in hospitality segment through its Makati Diamond Residences ("MDR") in Makati City.

*Dover Hill*

A 95-unit luxury townhouse development in Addition Hills, San Juan City that offers three to five-bedroom units ranging from 202 up to 355 square meters. A three-car parking area located directly below each unit ensures maximum convenience. Aside from its amenities like the swimming pool and playground, within the Dover Hill compound is Dover Club, a four-storey amenity building which includes a fully-equipped, state-of-the-art fitness gym, and a party venue with its own kitchen and dining area good for up to 30 guests.

*One Dover View & Two Dover View*

Both located along Lee St., Mandaluyong, One Dover View and Two Dover View are exclusive and premier condominium-townhouse projects, offering three and four bedrooms, with only 23 and eight units, respectively. Floor areas range from 222.80 to 327.10 square meters.

*Emerald 88*

Located along Dr. Sixto Avenue, Pasig City, Emerald 88 is a 14 three-level townhouse unit development, with generous floor areas ranging from 187.48 to 216.94 square meters. Each unit has two-car garage.

*Makati Diamond Residences (MDR)*

MDR is a luxury serviced apartment with 410 spacious guest rooms ranging from 41 square meters up to as much as 204 square meters and has top-of-the-line amenities and health and wellness facilities. Conveniently located in Makati Central Business District, the location of MDR provides easy access to many multinational companies, shopping, dining and entertainment destinations.

Mariveles Economic Zone Project

A 500-hectare industrial park development under the flagship of E-Fare Investment Holdings, Inc., and registered under Authority of the Freeport Area of Bataan. The Mariveles Economic Zone Project intends to provide an attractive location for private investments, stimulate regional economic activity and generate employment opportunities.

Tourism Development

The Bugsuk Island Development Project aims to be an eco-luxury leisure and tourism destination, governed by sustainable development principles. It is envisioned to be the economic driver in Southern Palawan.

**Banking**

SMC, through SMPI, made a series of acquisitions of Bank of Commerce ("BankCom") common shares in 2007 and 2008 which represents 31.94% of the outstanding common stock of BankCom as of December 31, 2023.

On December 17, 2018, SMC, through SMC Equivest Corporation ("SMCEC"), acquired common shares of BankCom representing 4.69% of the outstanding common shares. On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BankCom. On October 20, 2021, SMCEC acquired additional common shares of BankCom, which increased its ownership of common shares to 6.09%.

On December 23, 2021, the Monetary Board of the Bangko Sentral ng Pilipinas, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license. On February 22, 2022, the BOD of BankCom approved the amendments to the Articles of Incorporation to change its purpose from commercial bank to universal bank pursuant to BSP Monetary Board Resolution No. 1798 dated December 23, 2021.

On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering ("IPO"). On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom, which

includes the 280,602,800 common shares subject of the IPO. On March 15, 2022, the SEC issued its Order rendering effective the registration of up to 1,403,013,920 common shares of BankCom, and the Certification of Permit to Offer Securities for Sale. On March 31, 2022, BankCom listed its common shares with the PSE.

After completion of initial public offering and as at September 30, 2024, the Group through SMPI and SMCEC has 31.94% and 4.87% equity interest in BankCom, respectively.

**Others**

Other major subsidiaries include the following as of December 31, 2023:

- San Miguel International Limited and subsidiary, San Miguel Holdings Limited and subsidiaries [including San Miguel Insurance Company, Ltd. (SMICL)]
- SMC Shipping and Lighterage Corporation and subsidiaries [including SL Harbor Bulk Terminal Corporation]
- SMC Stock Transfer Service Corporation
- ArchEn Technologies Inc.
- SMITS, Inc. and subsidiaries
- San Miguel Integrated Logistics Services, Inc.
- Anchor Insurance Brokerage Corporation
- SMC Asia Car Distributors Corp. and subsidiaries
- SMC Equivest Corporation
- Petrogen Insurance Corporation

**Financial Statements**

The Audited Consolidated Financial Statements of the Company as of December 31, 2023, including the Company's Statement of Management's Responsibility, and the Notes to the 2023 Audited Consolidated Financial Statements of the Company are attached hereto as **Annex "A"**.

In accordance with the Part III.C (i) of SRC Rule 68, since the date of the Annual Stockholders' Meeting is beyond 135 days from the end of its fiscal year which is December 31, 2023, the Company's SEC Form 17-Q for the first quarter of 2024 (the "First Quarter 17-Q") is attached hereto as **Annex "A-1"**, the Company's SEC Form 17-Q for the second quarter of 2024 (the "Second Quarter 17-Q") is attached hereto as **Annex "A-2"**, and the Company's SEC Form 17-Q for the third quarter of 2024 (the "Third Quarter 17-Q") is attached hereto as **Annex "A-3".**

The First Quarter 17-Q was approved by the Board during its regular meeting to held on May 14, 2024 and filed by the Company with the SEC on May 15, 2024.

The Second Quarter 17-Q was approved by the Board during its regular meeting to held on August 8, 2024 and filed by the Company with the SEC on August 14, 2024.

The Third Quarter 17-Q was approved by the Board during its regular meeting to held on November 7, 2024 and filed by the Company with the SEC on November 14, 2024.

**Management's Discussion and Analysis or Plan of Operation**

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2023, as of March 31, 2024, as of June 30, 2024, and as of September 30, 2024 are attached hereto as **Annexes "B", "B-1", "B-2", and "B-3",** respectively.

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

**Audit and Audit Related Fees**

The Parent Company paid the external auditor the amount of P11 million and P8 million, respectively, for its services rendered in 2024 and 2023. Said fees include compensation for audit services and other related services such as audit review and research work. There were no fees paid to the external auditor for tax accounting, compliance, advice, planning, and any other form of tax services. There were no other fees paid to the auditors other than the above-described services.

The stockholders approve the appointment of the Company's external auditors. The Audit and Risk Oversight Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. Likewise, the Audit and Risk Oversight Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with External Auditors' duties as such or threaten its independence.

**Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters**

The Company's common shares and Series "2" preferred shares are listed and traded in the Philippine Stock Exchange. The percentage of public ownership of the Company as of December 31, 2024 is 20.49%.

The Company's high and low closing prices for each quarter of the last two (2) fiscal years are as follows:

| | **2024** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **1st** | | **2nd** | | **3rd** | | **4th** | |
| | **High** | **Low** | **High** | **Low** | **High** | **Low** | **High** | **Low** |
| Common | 124.70 | 101.10 | 109.00 | 98.50 | 102.00 | 85.35 | 89.90 | 81.00 |
| Preferred – 2F | 73.50 | 71.50 | 73.00 | 71.50 | 74.00 | 71.70 | 73.90 | 71.60 |
| Preferred – 2I | 73.75 | 70.10 | 72.50 | 69.50 | 73.00 | 70.00 | 73.80 | 70.40 |
| Preferred – 2J | 73.90 | 67.00 | 69.95 | 65.05 | 71.00 | 66.55 | 73.00 | 69.50 |
| Preferred – 2K | 75.00 | 66.00 | 69.95 | 65.00 | 70.00 | 65.35 | 72.00 | 67.00 |
| Preferred – 2L | 79.00 | 75.25 | 78.20 | 75.00 | 78.30 | 76.05 | 78.50 | 76.00 |
| Preferred – 2N | 78.80 | 76.50 | 79.90 | 77.00 | 80.50 | 77.30 | 81.00 | 77.00 |
| Preferred – 2O | 80.70 | 76.75 | 81.00 | 76.00 | 81.50 | 79.00 | 82.45 | 79.90 |

| | **2023** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **1st** | | **2nd** | | **3rd** | | **4th** | |
| | **High** | **Low** | **High** | **Low** | **High** | **Low** | **High** | **Low** |
| Common | 116.40 | 92.75 | 108.90 | 102.20 | 109.50 | 97.00 | 115.50 | 101.80 |
| Preferred – 2F | 76.00 | 74.00 | 74.95 | 73.00 | 74.90 | 72.00 | 74.30 | 70.00 |
| Preferred – 2I | 75.95 | 70.50 | 74.00 | 70.50 | 74.80 | 69.00 | 73.60 | 70.50 |
| Preferred – 2J | 72.95 | 67.00 | 71.90 | 68.10 | 71.50 | 66.00 | 70.00 | 65.00 |
| Preferred – 2K | 73.90 | 62.00 | 71.80 | 66.00 | 71.20 | 65.30 | 70.00 | 62.00 |
| Preferred – 2L | - | - | - | - | - | - | 79.00 | 75.00 |
| Preferred – 2N | - | - | - | - | - | - | 78.95 | 75.50 |
| Preferred – 2O | - | - | - | - | - | - | 78.70 | 75.50 |

The closing prices as of February 26, 2024, the latest practicable trading date, are as follows:

| | | |
|---|---|---|
| Common | ₱ 84.00 | |
| Series "2-F" Preferred | ₱ 73.15 | |
| Series "2-I" Preferred | ₱ 72.20 | |
| Series "2-J" Preferred | ₱ 71.10 | *as of February 20, 2025* |
| Series "2-K" Preferred | ₱ 70.20 | |
| Series "2-L" Preferred | ₱ 78.70 | |
| Series "2-M" Preferred | ₱ 75.00 | |
| Series "2-N" Preferred | ₱ 79.00 | *as of February 21, 2025* |
| Series "2-O" Preferred | ₱ 81.65 | |

The approximate number of shareholders as of September 30, 2024 is 33,461.

The list of the top 20 common and preferred stockholders as of December 31, 2024 are attached as **Annex "C"**.

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

**2024**

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend Per Share |
|---|---|---|---|---|
| **Common** | | | | |
| | March 11, 2024 | March 27, 2024 | April 26, 2024 | **P0.35** |
| | June 11, 2024 | June 28, 2024 | July 26, 2024 | **0.35** |
| | November 7, 2027 | November 23, 2024 | December 2, 2024 | **0.35** |
| | December 5, 2024 | January 3, 2025 | January 24, 2025 | **0.35** |
| **Preferred** | | | | |
| SMC2F | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.27635** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.27635** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.27635** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **1.27635** |
| SMC2I | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.18790625** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.18790625** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.18790625** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **1.18790625** |
| SMC2J | January 18, 2024 | March 21, 2024 | April 4, 2024 | **0.890625** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.890625** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **0.890625** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **0.890625** |
| SMC2K | January 18, 2024 | March 21, 2024 | April 4, 2024 | **0.8475** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.8475** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.1031250** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **0.8475** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **0.8475** |
| SMC2L | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.48396875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.48396875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.329770833333333** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.48396875** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **1.48396875** |
| SMC2M | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5703125** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.5703125** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.505989583333333** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.5703125** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **1.5703125** |
| SMC2N | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5649875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.5649875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.347775** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.5649875** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **1.5649875** |
| SMC2O | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.611300** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.611300** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.358066666666667** |

| | | | | |
|---|---|---|---|---|
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.611300** |
| | November 7, 2024 | December 20, 2024 | January 3, 2025 | **1.611300** |

**2023**

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend Per Share |
|---|---|---|---|---|
| **Common** | | | | |
| | March 9, 2023 | March 31, 2023 | April 28, 2023 | **P0.35** |
| | June 13, 2023 | June 30, 2023 | July 26, 2023 | **0.35** |
| | September 7, 2023 | October 6, 2023 | October 27, 2023 | **0.35** |
| | December 7, 2023 | January 5, 2024 | January 26, 2024 | **0.35** |
| **Preferred** | | | | |
| SMC2F | January 26, 2023 | March 21, 2023 | April 4, 2023 | **1.27635** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **1.27635** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **1.27635** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **1.27635** |
| SMC2I | January 26, 2023 | March 21, 2023 | April 4, 2023 | **1.18790625** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **1.18790625** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **1.18790625** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **1.18790625** |
| SMC2J | January 26, 2023 | March 21, 2023 | April 4, 2023 | **0.890625** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **0.890625** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **0.890625** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **0.890625** |
| SMC2K | January 26, 2023 | March 21, 2023 | April 4, 2023 | **0.84375** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **0.84375** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **0.84375** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **0.84375** |
| SMC2M | November 9, 2023 | December 21, 2023 | January 4, 2024 | **1.5703125** |

On January 16, 2025, the BOD of the Parent Company declared cash dividends to all preferred shareholders of record as at March 21, 2024 on the following shares to be paid on April 4, 2025, as follows:

| Class of Shares | Dividends Per Share |
|---|---|
| SMC2F | P1.27635 |
| SMC2I | 1.18790625 |
| SMC2J | 0.890625 |
| SMC2K | 0.84375 |
| SMC2L | 1.48396875 |
| SMC2M | 1.5703125 |
| SMC2N | 1.5649875 |
| SMC2O | 1.611300 |

The Parent Company paid P2,102 million to the holders of SPCS in 2024 and P2,007 million to the holders of SPCS in 2023, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

Description of the securities of the Group may be found in Note 24, Equity, of the Audited Consolidated Financial Statements attached hereto as **Annex "A".**

There were no securities sold by the Parent Company within the past three (3) years which were not registered under the Securities Regulation Code, except for the following:

| Name of Security Sold | Date of Sale | Amount of Securities | Basis for Exemption |
|---|---|---|---|
| Series 2-M Preferred Shares | August 23, 2023 | 173,333,325 Series 2-M Preferred Shares equivalent to ₱12.9 billion at an issue price of ₱75.00 per share | Section 10.1(k) of the SRC |

**Independent Public Accountants**

The accounting firm of R.G. Manabat & Co. served as the Parent Company's external auditors for the last sixteen (16) fiscal years. The BOD will again nominate R.G. Manabat & Co. as the Parent Company's external auditors for this fiscal year.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire. The Parent Company paid the external auditor the amount of P11 million and P8 million, respectively, for its services rendered in 2024 and 2023.

The stockholders approve the appointment of the Parent Company's external auditors. The Audit and Risk Oversight Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. The Parent Company's Audit and Risk Oversight Committee's approval policies and procedures for external audit fees and services are stated in the Parent Company's Manual of Corporate Governance.

**Compliance with Leading Practice on Corporate Governance**

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Compliance Officer has certified that the Company has substantially adopted all the provisions of the Manual. Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders. On April 14, 2010, the Board of Directors amended the Manual pursuant to the Revised Code of Corporate Governance issued by the SEC under its Memorandum Circular No. 6, series of 2009. On March 27, 2014, the Board of Directors approved further amendments to the Manual to reflect the requirements of the SEC on the annual training requirement of directors and key officers of the Company, and the requirements on the reporting of compliance with the Manual. On May 10. 2017, the Company amended the Manual on Corporate Governance in compliance with the regulations of the SEC Memorandum Circular No. 19, Series of 2016 which adopted the Code of Corporate Governance for Publicly Listed Companies.

**Board Appraisals, Criteria and Procedures**

Since 2011, it has been the practice of the Company for its Board and members of the Audit and Risk Oversight Committee to accomplish an annual Internal Self-Rating Form (the "Form"). For 2021, the Forms were distributed for their accomplishment during the last Regular Board Meeting held on November 7, 2024.

For the members of the Board, the Form covers four (4) broad areas of Board Performance: (1) Fulfillment of the Board's Key Responsibilities; (2) Board-Management Relationship; (3) Effectiveness of Board Processes and Meetings; and (4) Individual Performance of Board Members. The Form requires the Board members to read each statement and rank their response on the 5-point scale directly below each statement with "1" indicating that they strongly disagree with the statement and "5" indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Form, the Board has substantially met its mandate with an average rating of five (5).

The members of the Audit and Risk Oversight Committee also accomplished the Form for the purpose of evaluating the said Committee's performance for 2024. The Form covers the following areas: (1) Structure, Operation and Reporting Process; (2) Oversight on Financial Statements and Financial Reporting; (3) Oversight on Internal Controls and Risk Management; (4) Oversight on Internal Audit; (5) Oversight on External Audit; and (6) Compliance with Legal and Regulatory Requirements. The Form requires the said Committee members to read each statement and rank their response on the 5-point scale directly below each statement with "1" indicating that they strongly disagree with the statement and "5" indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Forms, the said Committee has also substantially met its mandate with an average rating of 4.772.

## UNDERTAKING

**The Company will post and make available for download the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including the 2024 consolidated audited financial statements of the Company, the 2024 First Quarter 17-Q, the 2024 Second Quarter 17-Q and the 2024 Third Quarter 17-Q on the company website www.sanmiguel.com.ph upon its approval by the Securities and Exchange Commission.**

**Upon the written request of a stockholder, the Company undertakes to timely furnish such stockholder with a copy of the full version of this SEC Form 20-IS (Definitive Information Statement), the SEC Form 17-A, the First Quarter 17-Q, the Second Quarter 17-Q and the Third Quarter 17-Q free of charge. Such written request shall be directed to the Office of the Corporate Secretary, 7/F SMC-HOC Building, No. 40 San Miguel Avenue, Mandaluyong City, Philippines, or sent via email at smc_stsc@sanmiguel.com.ph**

## SIGNATURE

After reasonable inquiry and to the best of my knowledge and behalf, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on March 3, 2024.

**SAN MIGUEL CORPORATION**

By:

**Virgilio S. Jacinto**
Corporate Secretary

**ANNEX "A"**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED FINANCIAL STATEMENTS
## December 31, 2023, 2022 and 2021

# SAN MIGUEL CORPORATION AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2023, 2022 and 2021**

With Independent Auditors' Report

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

**The following document has been received:**

**Receiving:** Jojit Licudine
**Receipt Date and Time:** April 15, 2024 04:46:27 PM

## Company Information

**SEC Registration No.:** PW00000277
**Company Name:** SAN MIGUEL CORPORATION
**Industry Classification:** D15530
**Company Type:** Stock Corporation

## Document Information

**Document ID:** OST10415202482200549
**Document Type:** Financial Statement
**Document Code:** FS
**Period Covered:** December 31, 2023
**Submission Type:** Consolidated
**Remarks:** None

Acceptance of this document is subject to review of forms and contents

SAN MIGUEL CORPORATION

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**RAMON S. ANG**
Vice Chairman, President and
Chief Executive Officer

**FERDINAND K. CONSTANTINO**
Senior Vice President and
Chief Finance Officer/Treasurer

Signed this 11th day of March 2024

## ACKNOWLEDGMENT

**REPUBLIC OF THE PHILIPPINES)**
**CITY OF MANDALUYONG ) S.S**

**BEFORE ME,** a Notary Public for and in Mandaluyong City, this 11th day of March 2024, personally appeared the following:

| Name | Passport No. | Date of issue | Place of Issue |
|---|---|---|---|
| Ramon S. Ang | P2247867B | May 22, 2019 | DFA Manila |
| Ferdinand K. Constantino | P6892447B | June 2, 2021 | DFA Manila |

known to me to be the same persons who executed the foregoing instrument and they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

**IN WITNESS WHEREOF**, I have hereunto affixed my notarial seal on the date and place first above written.

Doc. No.: 393 ;
Page No.: 80 ;
Book No.: VI ;
Series of 2024.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5427158; 01/02/2024; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

*Opinion*

We have audited the consolidated financial statements of San Miguel Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Revenue recognition (P1,446,703 million).*
Refer to Notes 6, 25 and 33 of the consolidated financial statements.

*The risk*
Revenue is an important measure used to evaluate the performance of the Group and is generated from various sources. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. While revenue recognition and measurement are not complex for the Group, revenues may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

*Our response*
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We vouched, on a sampling basis, sales transactions to supporting documentation such as sales invoices and delivery documents to ascertain that the revenue recognition criteria is met.
- We tested, on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to supporting documentation such as sales invoices and delivery documents to assess whether these transactions are recorded in the appropriate financial year.
- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.
- We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the financial year.

*Valuation of Goodwill (P182,791 million).*
Refer to Notes 4 and 17 of the consolidated financial statements.

*The risk*
The Group has embarked on a diversification strategy and has expanded into new businesses through a number of acquisitions and investments resulting in the recognition of a significant amount of goodwill. The goodwill of the acquired businesses are reviewed annually to evaluate whether events or changes in circumstances affect the recoverability of the Group's investments.

The methods used in the annual impairment test of goodwill are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

*Our response*
We performed the following audit procedures, among others, on the valuation of goodwill:

- We assessed management's determination of the recoverable amounts based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined for each individual cash-generating unit.

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.

- We performed our own sensitivity analyses on the key assumptions used in the models.

*Valuation of Other Intangible Assets (P306,638 million).*
Refer to Notes 4, 5 and 17 of the consolidated financial statements.

*The risk*
The methods used in the annual impairment test for other intangible assets with indefinite useful lives and tests of impairment indicators for other intangible assets with finite useful lives are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. These assumptions include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

*Our response*
We performed the following audit procedures, among others, on the valuation of other intangible assets:

- We evaluated and assessed management's methodology in identifying any potential indicators of impairment.

- We assessed management's determination of the recoverable amounts based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined for each individual cash-generating unit.

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.

- We performed our own sensitivity analyses on the key assumptions used in the models.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**ANNEX "B-1"**

# Signature Page of KPMG

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

**R.G. MANABAT & CO.**



DARWIN P. VIROCEL
Partner
CPA License No. 0094495
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075206
Issued January 2, 2024 at Makati City

April 15, 2024
Makati City, Metro Manila

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## DECEMBER 31, 2023 AND 2022
(In Millions)

| | Note | 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *4, 5, 7, 38, 39, 40* | **P261,358** | P318,214 |
| Trade and other receivables - net | *4, 5, 8, 33, 35, 38, 39, 40* | **263,119** | 238,782 |
| Inventories | *4, 5, 9, 38* | **161,986** | 190,193 |
| Current portion of biological assets - net | *4, 16* | **3,515** | 3,418 |
| Prepaid expenses and other current assets | *4, 5, 10, 12, 23, 33, 34, 38, 39, 40* | **141,424** | 133,691 |
| **Total Current Assets** | | **831,402** | 884,298 |
| **Noncurrent Assets** | | | |
| Investments and advances - net | *4, 5, 11, 23* | **37,089** | 32,523 |
| Investments in equity and debt instruments | *4, 12, 33, 39, 40* | **19,417** | 18,921 |
| Property, plant and equipment - net | *4, 5, 13, 34* | **753,472** | 708,192 |
| Right-of-use assets - net | *4, 5, 14, 34* | **108,014** | 112,067 |
| Investment property - net | *4, 15, 34* | **79,513** | 74,660 |
| Biological assets - net of current portion | *4, 16* | **2,667** | 2,671 |
| Goodwill - net | *4, 17* | **182,791** | 184,100 |
| Other intangible assets - net | *4, 5, 17, 34, 38* | **306,638** | 249,321 |
| Deferred tax assets | *4, 5, 23* | **19,633** | 22,554 |
| Other noncurrent assets - net | *4, 5, 18, 33, 34, 35, 39, 40* | **118,729** | 102,518 |
| **Total Noncurrent Assets** | | **1,627,963** | 1,507,527 |
| | | **P2,459,365** | P2,391,825 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Loans payable | *19, 30, 33, 38, 39, 40* | **P214,881** | P267,704 |
| Accounts payable and accrued expenses | *4, 5, 20, 33, 34, 35, 38, 39, 40* | **223,055** | 227,126 |
| Lease liabilities - current portion | *4, 5, 30, 33, 34, 38, 39, 40* | **19,631** | 21,020 |
| Income and other taxes payable | *5, 23, 38* | **46,254** | 37,694 |
| Dividends and distributions payable | *33, 36, 38, 39, 40* | **4,605** | 4,037 |
| Current maturities of long-term debt - net of debt issue costs | *5, 21, 30, 33, 38, 39, 40* | **236,798** | 170,032 |
| **Total Current Liabilities** | | **745,224** | 727,613 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current maturities and debt issue costs | *5, 21, 30, 33, 38, 39, 40* | **953,786** | 918,164 |
| Lease liabilities - net of current portion | *4, 5, 30, 33, 34, 38, 39, 40* | **36,941** | 54,455 |
| Deferred tax liabilities | *23* | **29,503** | 26,297 |
| Other noncurrent liabilities | *4, 5, 22, 33, 35, 38, 39, 40* | **28,745** | 26,144 |
| **Total Noncurrent Liabilities** | | **1,048,975** | 1,025,060 |

*Forward*

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Equity** | *24, 36, 37* | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| Capital stock - common | | **P16,443** | P16,443 |
| Capital stock - preferred | | **10,187** | 10,187 |
| Additional paid-in capital | | **177,468** | 177,719 |
| Capital securities | | **24,211** | 24,211 |
| Equity reserves | *5, 23* | **7,354** | 12,753 |
| Retained earnings: | | | |
| Appropriated | | **87,170** | 71,004 |
| Unappropriated | | **103,151** | 129,239 |
| Treasury stock | | **(109,763)** | (156,763) |
| | | **316,221** | 284,793 |
| **Non-controlling Interests** | *2, 5, 24* | **348,945** | 354,359 |
| **Total Equity** | | **665,166** | 639,152 |
| | | **P2,459,365** | P2,391,825 |

*See Notes to the Consolidated Financial Statements.*

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Millions, Except Per Share Data)

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| **SALES** | *6, 25, 33* | **P1,446,703** | P1,506,591 | P941,193 |
| **COST OF SALES** | *26, 34, 40* | **1,208,410** | 1,314,607 | 751,015 |
| **GROSS PROFIT** | | **238,293** | 191,984 | 190,178 |
| **SELLING AND ADMINISTRATIVE EXPENSES** | *27, 34* | **(93,808)** | (83,972) | (77,991) |
| **INTEREST EXPENSE AND OTHER FINANCING CHARGES** | *19, 21, 30, 33, 34, 35* | **(91,303)** | (60,795) | (49,265) |
| **INTEREST INCOME** | *7, 12, 31, 33, 35* | **14,027** | 7,108 | 3,591 |
| **EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES** | *11, 23* | **1,729** | 1,197 | 1,040 |
| **GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT** | *5, 13, 15, 18* | **83** | 733 | 167 |
| **OTHER INCOME (CHARGES)** - Net | *4, 5, 32, 34, 39, 40* | **4,086** | (16,178) | (1,768) |
| **INCOME BEFORE INCOME TAX** | | **73,107** | 40,077 | 65,952 |
| **INCOME TAX EXPENSE** | *23, 42* | **28,408** | 13,317 | 17,793 |
| **NET INCOME** | | **P44,699** | P26,760 | P48,159 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | | **P198** | (P12,968) | P13,925 |
| Non-controlling interests | *5, 24* | **44,501** | 39,728 | 34,234 |
| | | **P44,699** | P26,760 | P48,159 |
| **Basic and Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company** | *37* | **(P2.51)** | (P8.15) | P2.48 |

*See Notes to the Consolidated Financial Statements.*

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Millions)

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| **NET INCOME** | | **P44,699** | P26,760 | P48,159 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurement gain (loss) on net defined benefit retirement plan | *35* | **(2,271)** | (8,158) | 2,143 |
| Income tax benefit (expense) | *23* | **571** | 2,036 | (1,084) |
| Net gain on financial assets at fair value through other comprehensive income | *12* | **178** | 65 | 3 |
| Income tax expense | *23* | **(23)** | (15) | (14) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | *11* | **(111)** | 80 | 91 |
| | | **(1,656)** | (5,992) | 1,139 |
| **Items that may be reclassified to profit or loss** | | | | |
| Net gain (loss) on exchange differences on translation of foreign operations | | **(2,602)** | 4,326 | 5,412 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | *12* | **(71)** | 38 | (2) |
| Income tax benefit | *23* | **8** | - | - |
| Net gain (loss) on cash flow hedges | *40* | **(205)** | 383 | 268 |
| Income tax benefit (expense) | *23* | **58** | (106) | (100) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | *11* | **107** | (242) | (81) |
| | | **(2,705)** | 4,399 | 5,497 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - Net of tax | | **(4,361)** | (1,593) | 6,636 |
| **TOTAL COMPREHENSIVE INCOME** - Net of tax | | **P40,338** | P25,167 | P54,795 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | | **(P3,591)** | (P14,189) | P19,387 |
| Non-controlling interests | *5, 24* | **43,929** | 39,356 | 35,408 |
| | | **P40,338** | P25,167 | P54,795 |

*See Notes to the Consolidated Financial Statements.*

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Millions)

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital Stock | | Additional | Senior Perpetual | Equity Reserves | | | | | Retained Earnings | | Treasury Stock | | | Non-Controlling | Total |
| | Note | Common | Preferred | Paid-in Capital | Capital Securities | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Appro-priated | Unappro-priated | Common | Preferred | Total | Interests | Equity |
| **As at January 1, 2023** | | **P16,443** | **P10,187** | **P177,719** | **P24,211** | **(P9,256)** | **(P274)** | **P114** | **P5,641** | **P16,528** | **P71,004** | **P129,239** | **(P67,093)** | **(P89,670)** | **P284,793** | **P354,359** | **P639,152** |
| Net gain (loss) on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | (2,654) | - | - | - | - | - | (2,654) | 52 | (2,602) |
| Share in other comprehensive income (loss) of associates and joint venture - net | *11* | - | - | - | - | (108) | - | 116 | (13) | - | - | - | - | - | (5) | 1 | (4) |
| Net loss on cash flow hedges | *40* | - | - | - | - | - | (129) | - | - | - | - | - | - | - | (129) | (18) | (147) |
| Net gain (loss) on financial assets at fair value through other comprehensive income | *12* | - | - | - | - | - | - | 100 | - | - | - | - | - | - | 100 | (8) | 92 |
| Remeasurement loss on defined benefit retirement plan | *35* | - | - | - | - | (1,101) | - | - | - | - | - | - | - | - | (1,101) | (599) | (1,700) |
| Other comprehensive income (loss) | | - | - | - | - | (1,209) | (129) | 216 | (2,667) | - | - | - | - | - | (3,789) | (572) | (4,361) |
| Net income | | - | - | - | - | - | - | - | - | - | - | 198 | - | - | 198 | 44,501 | 44,699 |
| Total comprehensive income (loss) | | - | - | - | - | (1,209) | (129) | 216 | (2,667) | - | - | 198 | - | - | (3,591) | 43,929 | 40,338 |
| Reissuance of treasury shares - preferred | *24* | - | - | (251) | - | - | - | - | - | - | - | - | - | 47,000 | 46,749 | - | 46,749 |
| Net reduction to non-controlling interests and others | *5, 11, 24* | - | - | - | - | - | - | - | - | (1,610) | - | (995) | - | - | (2,605) | (13,756) | (16,361) |
| Appropriations - net | *24* | - | - | - | - | - | - | - | - | - | 16,166 | (16,166) | - | - | - | - | - |
| Cash dividends and distributions: | *36* | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | (3,337) | - | - | (3,337) | (13,867) | (17,204) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | (3,781) | - | - | (3,781) | (2,586) | (6,367) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | (2,007) | - | - | (2,007) | (19,134) | (21,141) |
| **As at December 31, 2023** | *24* | **P16,443** | **P10,187** | **P177,468** | **P24,211** | **(P10,465)** | **(P403)** | **P330** | **P2,974** | **P14,918** | **P87,170** | **P103,151** | **(P67,093)** | **(P42,670)** | **P316,221** | **P348,945** | **P665,166** |

*Forward*

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Capital Securities | | Equity Reserves | | | | | Retained Earnings | | | | | | |
| | | Capital Stock | | Additional | Senior Perpetual | Redeemable | Reserve for | | | | Other | | | Treasury Stock | | | Non- | |
| | Note | Common | Preferred | Paid-in Capital | Capital Securities | Perpetual Securities | Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Equity Reserve | Appro-priated | Unappro-priated | Common | Preferred | Total | Controlling Interests | Total Equity |
| As at January 1, 2022 | | P16,443 | P10,187 | P177,719 | P24,211 | P3,960 | (P4,137) | (P534) | P269 | P2,265 | P16,273 | P66,630 | P157,707 | (P67,093) | (P77,270) | P326,630 | P354,609 | P681,239 |
| Gain on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | - | 3,802 | - | - | - | - | - | 3,802 | 524 | 4,326 |
| Share in other comprehensive income (loss) of associates and joint venture - net | *11* | - | - | - | - | - | 76 | - | (237) | (10) | - | - | - | - | - | (171) | 9 | (162) |
| Net gain on cash flow hedges | *40* | - | - | - | - | - | - | 260 | - | - | - | - | - | - | - | 260 | 17 | 277 |
| Net gain on financial assets at fair value through other comprehensive income | *12* | - | - | - | - | - | - | - | 82 | - | - | - | - | - | - | 82 | 6 | 88 |
| Remeasurement loss on defined benefit retirement plan | *35* | - | - | - | - | - | (5,194) | - | - | - | - | - | - | - | - | (5,194) | (928) | (6,122) |
| Other comprehensive income (loss) | | - | - | - | - | - | (5,118) | 260 | (155) | 3,792 | - | - | - | - | - | (1,221) | (372) | (1,593) |
| Net income (loss) | | - | - | - | - | - | - | - | - | - | - | - | (12,968) | - | - | (12,968) | 39,728 | 26,760 |
| Total comprehensive income (loss) | | - | - | - | - | - | (5,118) | 260 | (155) | 3,792 | - | - | (12,968) | - | - | (14,189) | 39,356 | 25,167 |
| Redemption of Subseries “2-H” preferred shares | *24* | - | - | - | - | - | - | - | - | - | - | - | - | - | (12,300) | (12,300) | - | (12,300) |
| Acquisition of a subsidiary | *5* | - | - | - | - | (3,960) | - | - | - | - | - | - | - | - | (100) | (4,060) | - | (4,060) |
| Net addition (reduction) to non-controlling interests and others | *5, 11, 24* | - | - | - | - | - | (1) | - | - | (416) | 255 | - | (1,339) | - | - | (1,501) | (7,527) | (9,028) |
| Appropriations - net | *24* | - | - | - | - | - | - | - | - | - | - | 4,374 | (4,374) | - | - | - | - | - |
| Cash dividends and distributions: | *36* | | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | - | (3,337) | - | - | (3,337) | (11,097) | (14,434) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | - | (4,293) | - | - | (4,293) | (1,544) | (5,837) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | - | (1,957) | - | - | (1,957) | (19,438) | (21,395) |
| Redeemable perpetual securities | | - | - | - | - | - | - | - | - | - | - | - | (200) | - | - | (200) | - | (200) |
| As at December 31, 2022 | *24* | P16,443 | P10,187 | P177,719 | P24,211 | P- | (P9,256) | (P274) | P114 | P5,641 | P16,528 | P71,004 | P129,239 | (P67,093) | (P89,670) | P284,793 | P354,359 | P639,152 |

*Forward*

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Capital Securities | | Equity Reserves | | | | | | | | | | | |
| | | Capital Stock | | Additional | Senior Perpetual | Redeemable | Reserve for | | | | Other | Retained Earnings | | Treasury Stock | | | Non- | |
| | *Note* | Common | Preferred | Paid-in Capital | Capital Securities | Perpetual Securities | Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Equity Reserve | Appro-priated | Unappro-priated | Common | Preferred | Total | Controlling Interests | Total Equity |
| As at January 1, 2021 | | P16,443 | P10,187 | P177,719 | P24,211 | P3,960 | (P5,102) | (P654) | P383 | (P2,218) | P17,722 | P60,155 | P162,204 | (P67,093) | (P43,053) | P354,864 | P300,224 | P655,088 |
| Gain on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | - | 4,455 | - | - | - | - | - | 4,455 | 957 | 5,412 |
| Share in other comprehensive income (loss) of associates and joint ventures - net | *11* | - | - | - | - | - | 101 | - | (96) | 1 | - | - | - | - | - | 6 | 4 | 10 |
| Net gain on cash flow hedges | *40* | - | - | - | - | - | - | 120 | - | - | - | - | - | - | - | 120 | 48 | 168 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | *12* | - | - | - | - | - | - | - | (15) | - | - | - | - | - | - | (15) | 2 | (13) |
| Remeasurement gain on defined benefit retirement plan | *35* | - | - | - | - | - | 896 | - | - | - | - | - | - | - | - | 896 | 163 | 1,059 |
| Other comprehensive income (loss) | | - | - | - | - | - | 997 | 120 | (111) | 4,456 | - | - | - | - | - | 5,462 | 1,174 | 6,636 |
| Net income | | - | - | - | - | - | - | - | - | - | - | - | 13,925 | - | - | 13,925 | 34,234 | 48,159 |
| Total comprehensive income (loss) | | - | - | - | - | - | 997 | 120 | (111) | 4,456 | - | - | 13,925 | - | - | 19,387 | 35,408 | 54,795 |
| Redemption of Subseries "2-C", Subseries "2-E" and Subseries "2-G" preferred shares | *24* | - | - | - | - | - | - | - | - | - | - | - | - | - | (34,217) | (34,217) | - | (34,217) |
| Net addition (reduction) to non-controlling interests and others | *5, 11, 24* | - | - | - | - | - | (32) | - | (3) | 27 | (1,449) | - | (604) | - | - | (2,061) | 47,009 | 44,948 |
| Appropriations - net | *24* | - | - | - | - | - | - | - | - | - | - | 6,475 | (6,475) | - | - | - | - | - |
| Cash dividends and distributions: | *36* | | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | - | (3,337) | - | - | (3,337) | (10,170) | (13,507) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | - | (6,002) | - | - | (6,002) | (2,400) | (8,402) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | - | (1,804) | - | - | (1,804) | (14,806) | (16,610) |
| Redeemable perpetual securities | | - | - | - | - | - | - | - | - | - | - | - | (200) | - | - | (200) | - | (200) |
| Undated subordinated capital securities | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (656) | (656) |
| As at December 31, 2021 | *24* | P16,443 | P10,187 | P177,719 | P24,211 | P3,960 | (P4,137) | (P534) | P269 | P2,265 | P16,273 | P66,630 | P157,707 | (P67,093) | (P77,270) | P326,630 | P354,609 | P681,239 |

*See Notes to the Consolidated Financial Statements.*

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Millions)

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | **P73,107** | P40,077 | P65,952 |
| Adjustments for: | | | | |
| Interest expense and other financing charges | *30* | **91,303** | 60,795 | 49,265 |
| Depreciation, amortization and others - net | *13, 14, 15, 17, 18, 28, 32* | **53,433** | 70,102 | 46,467 |
| Interest income | *31* | **(14,027)** | (7,108) | (3,591) |
| Equity in net earnings of associates and joint ventures | *11* | **(1,729)** | (1,197) | (1,040) |
| Gain on sale of investments and property and equipment | *5, 13, 15, 18* | **(83)** | (733) | (167) |
| Operating income before working capital changes | | **202,004** | 161,936 | 156,886 |
| Changes in noncash current assets, certain current liabilities and others | *38* | **(5,386)** | (93,769) | (43,608) |
| Cash generated from operations | | **196,618** | 68,167 | 113,278 |
| Interest and other financing charges paid | | **(91,995)** | (60,910) | (48,612) |
| Income taxes paid | | **(21,527)** | (19,650) | (14,528) |
| Net cash flows provided by (used in) operating activities | | **83,096** | (12,393) | 50,138 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to: | | | | |
| Property, plant and equipment | *13* | **(71,173)** | (75,986) | (74,421) |
| Intangible assets | *17* | **(64,677)** | (58,162) | (26,007) |
| Advances to contractors and suppliers | *18* | **(9,448)** | (11,449) | (16,067) |
| Investment property | *15* | **(5,450)** | (4,415) | (6,546) |
| Investments and advances | *11* | **(5,271)** | (2,432) | (5,223) |
| Investments in equity and debt instruments | *12* | **(616)** | (12,937) | (6,101) |
| Increase in other noncurrent assets and others | *18* | **(15,699)** | (6,330) | (7,053) |
| Interest received | | **13,396** | 5,973 | 3,313 |
| Proceeds from: | | | | |
| Sale of property and equipment and other intangible assets | *13, 15, 18* | **1,307** | 253 | 1,350 |
| Redemption and disposal of investments in equity and debt instruments | *12* | **606** | 35,454 | 6,509 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | *5* | **418** | 385 | - |
| Dividends received | *11* | **1,150** | 2,452 | 2,674 |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | *5, 38* | **-** | (97,204) | - |
| Collection of advances for investment | *11* | **-** | 22,870 | - |
| Net cash flows used in investing activities | | **(155,457)** | (201,528) | (127,572) |

*Forward*

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from: | | | | |
| Short-term borrowings | *38* | **P1,145,761** | P1,148,669 | P760,746 |
| Long-term borrowings | *38* | **292,879** | 353,451 | 140,777 |
| Payments of: | | | | |
| Short-term borrowings | *38* | **(1,197,861)** | (1,074,087) | (711,147) |
| Long-term borrowings | *38* | **(190,822)** | (115,948) | (113,419) |
| Cash dividends and distributions paid to non-controlling shareholders | *38* | **(35,102)** | (32,443) | (27,555) |
| Repurchase and redemption of capital securities and preferred shares of subsidiaries | *24* | **(27,134)** | (4,703) | (17,459) |
| Payments of lease liabilities | *38* | **(20,995)** | (26,031) | (26,151) |
| Cash dividends and distributions paid | *36, 38* | **(9,043)** | (9,680) | (11,755) |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | *24* | **(3,014)** | (2,630) | (623) |
| Net proceeds from reissuance of treasury shares | *24* | **46,749** | - | - |
| Net proceeds from reissuance of capital securities, preferred shares, and treasury shares of subsidiaries | *24* | **13,885** | - | 61,899 |
| Redemption of preferred shares | *24* | **-** | (12,300) | (34,217) |
| Net cash flows provided by financing activities | | **15,303** | 224,298 | 21,096 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **202** | 7,807 | 9,159 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(56,856)** | 18,184 | (47,179) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | *7* | **318,214** | 300,030 | 347,209 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | *7* | **P261,358** | P318,214 | P300,030 |

*See Notes to the Consolidated Financial Statements.*

## 1. Reporting Entity

San Miguel Corporation (SMC or the Parent Company), a subsidiary of Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company), was incorporated on August 21, 1913. On March 16, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation and By-Laws of the Parent Company to extend the corporate term for another fifty (50) years from August 21, 2013, as approved on the March 14, 2011 and June 7, 2011 meetings of the Parent Company's Board of Directors (BOD) and stockholders, respectively.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Parent Company shall have a perpetual corporate life.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code. Its common and preferred shares are listed at The Philippine Stock Exchange, Inc. (PSE).

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries and the Group's interests in associates and joint ventures (collectively referred to as the Group).

The Group is engaged in various businesses, including food and beverage, packaging, energy, fuel and oil, infrastructure, cement and real estate property management and development.

The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

## 2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 11, 2024.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

| Items | Measurement Basis |
|---|---|
| Derivative financial instruments | Fair value |
| Financial assets at fair value through profit or loss (FVPL) | Fair value |
| Financial assets at fair value through other comprehensive income (FVOCI) | Fair value |
| Defined benefit retirement asset (liability) | Fair value of the plan assets less the present value of the defined benefit retirement obligation |
| Agricultural produce | Fair value less estimated costs to sell at the point of harvest |

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

| | Percentage of Ownership | | Country of Incorporation |
|---|---|---|---|
| | **2023** | 2022 | |
| **Food and Beverage Business** | | | |
| San Miguel Food and Beverage, Inc. (SMFB) | **88.76** | 88.76 | Philippines |
| Food | | | |
| San Miguel Mills, Inc. (SMMI) and subsidiaries, Magnolia Inc. and subsidiary, San Miguel Foods, Inc. (SMFI) and subsidiaries, PT San Miguel Foods Indonesia(b), San Miguel Super Coffeemix Co., Inc., The Purefoods-Hormel Company, Inc. (PF-Hormel), and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary and San Miguel Pure Foods (VN) Co., Ltd.] | | | |
| Beer and NAB | | | |
| San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) and subsidiary, and San Miguel Brewing International Limited (SMBIL) and subsidiaries, San Miguel Brewery Hong Kong Limited (SMBHK) and subsidiaries, San Miguel (Baoding) Brewery Co., Ltd.(c), San Miguel Beer (Thailand) Limited, San Miguel Marketing (Thailand) Limited, San Miguel Brewery Vietnam Company Limited(a) and PT. Delta Djakarta Tbk and subsidiary] | | | |
| Spirits | | | |
| Ginebra San Miguel Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited, Global Beverages Holdings Limited and Siam Holdings Limited] | | | |

*Forward*

| | Percentage of Ownership | | Country of Incorporation |
|---|---|---|---|
| | **2023** | 2022 | |
| **Packaging Business** | | | |
| San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries [including SMC Yamamura Fuso Molds Corporation (SYFMC), Can Asia, Inc. (CAI) and Wine Brothers Philippines Corporation] | **65.00** | 65.00 | Philippines |
| San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited[(a)], San Miguel Yamamura Glass (Vietnam) Limited and San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited[(a)], Foshan San Miguel Yamamura Packaging Company Limited and subsidiary[(a)], San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd. and San Miguel Yamamura Australasia Pty. Ltd. (SMYA) and subsidiaries {including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd.}] | **65.00** | 65.00 | British Virgin Islands (BVI) |
| Mindanao Corrugated Fibreboard, Inc. | **100.00** | 100.00 | Philippines |
| **Energy Business** | | | |
| San Miguel Global Power Holdings Corp. (San Miguel Global Power)[(d)] and subsidiaries [including Sual Power Inc. (SPI)[(e)] and subsidiary, South Premiere Power Corp. (SPPC), San Roque Hydropower Inc. (SRHI)[(f)], San Miguel Electric Corp. (SMELC), SMC PowerGen Inc., SMGP BESS Power Inc. (SMGP BESS)[(g)], Limay Power Inc. (LPI)[(h)], Malita Power Inc. (MPI)[(i)], Central Luzon Premiere Power Corp., Prime Electric Generation Corporation and subsidiary, Lumiere Energy Technologies, Inc. (LETI), PowerOne Ventures Energy Inc. (PVEI), SMCGP Masinloc Power Company Limited, SMCGP Masinloc Partners Company Limited, Masinloc Power Co. Ltd. (MPCL)[(j)], Albay Power and Energy Corp. (APEC), Oceantech Power Generation and subsidiary, SMGP Kabankalan Power Co. Ltd. (SMGP Kabankalan)[(k)], Excellent Energy Resources Inc. (EERI), SMC Power Generation Corp. and Mariveles Power Generation Corporation (MPGC)] | **100.00** | 100.00 | Philippines |
| **Fuel and Oil Business** | | | |
| SEA Refinery Corporation (SRC)[(l)] | **100.00** | 100.00 | Philippines |
| Petron Corporation (Petron)[(l)] and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd.[(a)], New Ventures Realty Corporation (NVRC) and subsidiaries, Mema Holdings, Inc. (Mema) and subsidiaries[(m)], Petron Singapore Trading Pte., Ltd. (PSTPL), Petron Global Limited, Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited[(a)] and subsidiaries, Petron Oil & Gas Mauritius Ltd. and subsidiary[(a)] {Petron Oil & Gas International Sdn. Bhd. and subsidiaries[(a)] Petron Malaysia Refining & Marketing Bhd. (PMRMB), Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. (POMSB) (collectively Petron Malaysia)}] | **68.26** | 68.26 | Philippines |

*Forward*

| | Percentage of Ownership | | Country of Incorporation |
|---|---|---|---|
| | **2023** | 2022 | |
| **Infrastructure Business** | | | |
| San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure (SMHC) and subsidiaries[(a)] [including SMC TPLEX Holdings Company, Inc. and subsidiary, SMC TPLEX Corporation (SMCTC), TPLEX Operations & Maintenance Corp., Trans Aire Development Holdings Corp. (TADHC), SMC NAIAX Corporation (SMC NAIAX), Universal LRT Corporation (BVI) Limited (ULC BVI), SMC Mass Rail Transit 7 Inc. (SMC MRT 7), ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation (MMSS4), Luzon Clean Water Development Corporation (LCWDC), Alloy Manila Toll Expressways, Inc. (AMTEX), Pasig River Expressway Corporation (PREC), Intelligent E-Processes Technologies Corp., SMC Northern Access Link Expressway Corp. (NALEC), SMC Southern Access Link Expressway Corp. (SALEC), South Luzon Toll Road-5 Expressway Inc. (SLEXTR5)] San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport" (SMAI) [(a, n)], Wiselink Investment Holdings, Inc. and subsidiary Cypress Tree Capital Investments, Inc. and subsidiaries {including Star Infrastructure Development Corporation (SIDC) and Star Tollway Corporation (collectively the Star Tollways Group)}, Atlantic Aurum Investments B.V. (AAIBV) and subsidiaries {including SMC Tollways Corporation (SMC Tollways) and subsidiaries [including Stage 3 Connector Tollways Holding Corporation (S3HC) and subsidiary, SMC Skyway Stage 3 Corporation (MMSS3) and SMC Skyway Corporation (SMC Skyway) and subsidiary, Skyway O&M Corporation (SOMCO)], SMC SLEX Holdings Company Inc. (SSHCI) and subsidiaries, Manila Toll Expressway Systems, Inc. (MATES) and SMC SLEX Inc. (SMC SLEX)}] | **100.00** | 100.00 | Philippines |
| **Cement Business** | | | |
| San Miguel Equity Investments Inc. (SMEII) and subsidiaries[(a)] [including Northern Cement Corporation (NCC), Southern Concrete Industries, Inc. (SCII) and Eagle Cement Corporation (ECC) and subsidiaries[(o)]] | **100.00** | 100.00 | Philippines |
| **Real Estate Business** | | | |
| San Miguel Properties, Inc. (SMPI) and subsidiaries[(a)] [including SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.] | **99.98** | 99.97 | Philippines |
| Davana Heights Development Corporation (DHDC) and subsidiaries | **100.00** | 100.00 | Philippines |
| Silvertides Holdings Corporation (SHC) and subsidiary | **100.00** | 100.00 | Philippines |
| Fonterra Verde Holdings Inc. (FVHI) | **100.00** | 100.00 | Philippines |
| Deity Holdings Corporation (DHC) | **100.00** | 100.00 | Philippines |
| Worldsummit Holdings Corporation (WHC) | **100.00** | 100.00 | Philippines |
| One Verdana Holdings Inc. (OVHI) | **100.00** | 100.00 | Philippines |

*Forward*

| | Percentage of Ownership | | Country of Incorporation |
|---|---|---|---|
| | **2023** | 2022 | |
| **Others** | | | |
| San Miguel International Limited and subsidiary, San Miguel Holdings Limited (SMHL) and subsidiaries [including SMYPIL and San Miguel Insurance Company, Ltd. (SMICL)] | **100.00** | 100.00 | Bermuda |
| SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiaries[(a)], including SL Harbor Bulk Terminal Corporation (SLHBTC) | **70.00** | 70.00 | Philippines |
| San Miguel Integrated Logistics Services, Inc. (SMILSI) | **100.00** | 100.00 | Philippines |
| SMC Stock Transfer Service Corporation[(a)] | **100.00** | 100.00 | Philippines |
| ArchEn Technologies Inc.[(a)] | **100.00** | 100.00 | Philippines |
| SMITS, Inc. and subsidiaries[(a)] | **100.00** | 100.00 | Philippines |
| Petrogen Insurance Corporation (Petrogen) | **92.05** | 92.05 | Philippines |
| Anchor Insurance Brokerage Corporation (AIBC)[(a)] | **58.33** | 58.33 | Philippines |
| SMC Asia Car Distributors Corp. (SMCACDC) and subsidiaries[(a)] | **65.00** | 65.00 | Philippines |
| SMC Equivest Corporation (SMCEC) | **100.00** | 100.00 | Philippines |

*(a) The financial statements of these subsidiaries were audited by other auditors.*

*(b) Ceased operations in October 2021 and is in the process of liquidation.*

*(c) Ceased operations in March 2020 and is in the process of liquidation.*

*(d) Formerly SMC Global Power Holdings Corp. The change in the corporate name was approved by the SEC on March 22, 2023.*

*(e) Formerly San Miguel Energy Corporation. The change in the corporate name was approved by the SEC on March 9, 2023.*

*(f) Formerly Strategic Power Devt. Corp. The change in the corporate name was approved by the SEC on March 31, 2023.*

*(g) Formerly Universal Power Solutions, Inc. The change in the corporate name was approved by the SEC on November 3, 2023.*

*(h) Formerly SMC Consolidated Power Corporation. The change in the corporate name was approved by the SEC on February 7, 2023.*

*(i) Formerly San Miguel Consolidated Power Corporation. The change in the corporate name was approved by the SEC on March 9, 2023.*

*(j) Formerly Masinloc Power Partners Co. Ltd. The change in the corporate name was approved by the SEC on November 13, 2023.*

*(k) Formerly SMCGP Philippines Energy Storage Co. Ltd. The change in the corporate name was approved by the SEC on September 21, 2023.*

*(l) Petron is 50.10% indirectly owned by SMC through SRC and 18.16% directly owned by SMC.*

*(m) Consolidated to Petron effective June 30, 2022 (Note 5).*

*(n) As at December 31, 2023, SMAI is 100% indirectly owned by SMC through SMHC. As at December 31, 2022, SMAI is 66.46% directly owned by SMC and 33.54% indirectly owned through SMHC (Note 5).*

*(o) Consolidated to SMEII effective December 14, 2022 (Note 5).*

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: SMFB, SMYPC, SMYPIL, Petron, SMCTC, TADHC, AMTEX, AAIBV, SMPI, SMCSLC, Petrogen, AIBC and SMCACDC in 2023 and 2022 (Note 24).

## 3. Material Accounting Policy Information

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of a number of new and amendments to standards as part of 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. The Group reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in certain instances in line with the amendments.

- 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.

- 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 also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  Pillar Two legislation has been enacted, or substantively enacted in certain jurisdictions where the Group operates, but not yet effective for the Group's financial year as of December 31, 2023. The Group is in scope of the enacted or substantively enacted legislation and still in the process of performing an assessment of the potential exposure, if any, to Pillar Two income taxes. The Group will separately disclose current tax expense (income), if any, to Pillar Two income taxes when it is in effect.

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

New and Amendments to Standards Not Yet Adopted

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

The Group will adopt the following new and amendments to 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 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.

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

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

estimation technique.

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

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

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

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

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

*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 it is 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 financial assets and financial liabilities 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.

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 (Notes 7, 8, 10, 12, 18, 39 and 40).

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 (Notes 10, 12, 39 and 40).

*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 and presented in the statements of changes in equity. 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 and debt instruments at FVPL are classified under this category (Notes 10, 18, 33, 39 and 40).

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 cash flow 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 (Notes 20, 22, 39 and 40).

*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 (Notes 19, 20, 21, 22, 34, 39 and 40).

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.

*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 and investments in debt instruments at FVOCI.

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

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. 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.

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.

The Group has outstanding derivatives accounted for as cash flow hedge as at December 31, 2023 and 2022 (Note 40).

*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 December 31, 2023 and 2022 (Note 40).

Inventories

Finished goods, goods in process, materials and supplies, raw land inventory and real estate projects are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

| | | |
|---|---|---|
| Finished goods and goods in process | - | at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method. |
| Petroleum products (except lubes and greases) and crude oil | - | at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the first-in, first-out method. |
| Lubes and greases, blending components and polypropylene | - | at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the moving-average method. |
| Raw land inventory | - | at cost, which includes acquisition costs of raw land intended for sale or development and other costs and expenses incurred to effect the transfer of title of the property; costs are determined using the specific identification of individual costs. |
| Real estate projects | - | at cost, which includes acquisition costs of property and other costs and expenses incurred to develop the property; costs are determined using the specific identification of individual costs. |

| | | |
|---|---|---|
| Materials, supplies and others | - | at cost, using the specific identification method, first-in, first-out method or moving-average method. |
| Coal | - | at cost, using the specific identification method and weighted average method. |

*Finished Goods.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

*Goods in Process.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

*Petroleum Products, Crude Oil, Lubes and Greases, and Aftermarket Specialties.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

*Materials and Supplies, including Coal.* Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals of write-down of inventories arising from an increase in net realizable value, if any, are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

*Real Estate Projects.* Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*Raw Land Inventory.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Biological Assets and Agricultural Produce

The Group's biological assets include breeding stocks, growing hogs, poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably.

The Group's agricultural produce, which consists of grown broilers and marketable hogs harvested from the Group's biological assets, are measured at their fair value

less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers and hogs or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

| | Amortization Period |
|---|---|
| Hogs - sow | 3 years or 6 births, whichever is shorter |
| Hogs - boar | 2.5 - 3 years |
| Poultry breeding stock | 38 - 42 weeks |

Contract Assets

A contract asset is the right to consideration that is conditioned on something other than the passage of time, in exchange for goods or services that the Group has transferred to a customer. The contract asset is transferred to receivable when the right becomes unconditional.

A receivable represents the Group's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities

assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change

in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Shares of Stock of Associates and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

| | Number of Years |
|---|---|
| Land improvements | 5 - 50 |
| Buildings and improvements | 2 - 50 |
| Power plants | 5 - 42 |
| Refinery and plant equipment | 4 - 37 |
| Service stations and other equipment | 3 - 30 |
| Equipment, furniture and fixtures | 2 - 50 |
| Mine properties | 55 |
| Leasehold improvements | 2 - 50 or term of the lease, whichever is shorter |

Depreciation of refinery and plant and equipment used in production is computed based on the unit of production method (UPM) which considers the expected capacity over the estimated useful lives of these assets. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

The remaining useful lives, residual values, and depreciation methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic

benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

*Group as Lessee*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

| | Number of Years |
|---|---|
| Land | 2 - 999 |
| Buildings and improvements | 2 - 15 |
| Power plants | 29 - 43 |
| Service stations and other equipment | 10 - 12 |
| Machinery and equipment | 2 - 7 |

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

*Group as Lessor*
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15, *Revenue from Contracts with Customers,* to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Investment Property
Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

| | Number of Years |
|---|---|
| Land and leasehold improvements | 5 - 50 or term of the lease, whichever is shorter |
| Buildings and improvements | 2 - 50 |
| Machinery and equipment | 3 - 40 |
| Right-of-use assets | 2 - 50 |

The useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the

amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Except for mineral rights and evaluation asset which is amortized using UPM method, amortization of other intangible assets with finite lives is computed using the straight-line method over the following estimated useful lives:

| | Number of Years |
|---|---|
| Toll road concession rights | 28 - 36 |
| Airport concession rights | 25 - 50 |
| Power concession right | 25 |
| Water concession right | 30 |
| Computer software and licenses | 2 - 10 |
| Other rights | 27 |

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

*Service Concession Arrangements*
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12*, Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (i) infrastructure that the entities in the Group construct or acquire from a third party for the purpose of the service arrangement; and (ii) existing infrastructure to which the grantor gives the entities in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (i) to maintain the infrastructure to a specified level of serviceability; or (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures the contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

Borrowing costs attributable to the arrangement are recognized as expenses in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

The following are the concession rights covered by the service concession arrangements entered into by the Group:

- *Airport Concession Rights*
  *Boracay Airport.* The airport concession right pertains to the right granted by the Republic of the Philippines (ROP) to TADHC: (i) to operate the Caticlan Airport (the Airport Project or the Boracay Airport); (ii) to design and finance the Airport Projects; and (iii) to operate and maintain the Airport Projects during the concession period. This also includes the present value of the annual franchise fee, as defined in the Concession Agreement, payable to the ROP over the concession period of 25 years. Except for the portion that relates to the annual franchise fee, which is recognized immediately as intangible asset, the right is earned and recognized by the Group as the project progresses (Note 4).

  The airport concession right is carried at cost less accumulated amortization and any impairment in value. Amortization is computed using the straight-line method over the remaining concession periods and assessed for impairment whenever there is an indication that the asset may be impaired.

  The airport concession right is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss from derecognition of the airport concession rights are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

  *Manila International Airport (MIA).* The airport concession right pertains to the right granted by the ROP to SMAI: (i) to operate; (ii) to design and finance; and (iii) to operate and maintain the MIA during the concession period.

  The airport concession right represents the design and construction costs incurred to obtain the right during the construction period. It is carried at cost less accumulated amortization and any impairment in value. Subsequent expenditures or replacement of parts of it, are normally recognized in profit or loss as these are incurred to maintain the expected future economic benefits embodied in the airport concession right unless it can be demonstrated that the expenditures will contribute to the increase in revenue from airport and toll operations which meet the definition of an intangible asset (Note 4).

The airport concession right will be amortized on a straight-line basis over the period stated in the Concession Agreement which is approximately 50 years from issuance of the Certificate of Substantial Completion for the First Phase of the Project, and will be assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed at least at each reporting year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates.

The airport concession right will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition as the concession right which is expected to be fully amortized by then and will be handed over to the ROP with no consideration.

- *Toll Road Concession Rights.* The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects:

  - South Luzon Expressway (SLEX);
  - Ninoy Aquino International Airport (NAIA) Expressway;
  - Metro Manila Skyway (Skyway);
  - Tarlac-Pangasinan-La Union Toll Expressway (TPLEX);
  - Southern Tagalog Arterial Road (STAR);
  - North Luzon Expressway (NLEX) - SLEX Link (Skyway Stage 3);
  - Pasig River Expressway (PAREX);
  - Northern Access Link Expressway (NALEX);
  - Southern Access Link Expressway (SALEX);
  - Pangasinan Link Expressway (PLEX);
  - Cavite-Batangas Expressway (CBEX); and
  - Nasugbu-Bauan Expressway (NBEX).

  In exchange for the fulfillment of the Group's obligations under the Concession Agreement, the Group is given the right to operate the toll road facilities over the concession period. Toll road concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the toll road concession rights are carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of parts of it are normally recognized in the consolidated statements of income as these are incurred to maintain the expected future economic benefits embodied in the toll road concession rights. Expenditures that will contribute to the increase in revenue from toll operations are recognized as an intangible asset.

  The toll road concession rights are amortized using the straight-line method over the term of the Concession Agreement. The toll road concession rights are assessed for impairment whenever there is an indication that the toll road concession rights may be impaired.

  The toll road concession rights will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition of the toll road concession rights as these are expected to be fully amortized upon turnover to the ROP.

- *Water Concession Right*. The Group's water concession right pertains to the right granted by the Metropolitan Waterworks and Sewerage System (MWSS) to LCWDC as the concessionaire of the supply of treated bulk water, planning, financing, development, design, engineering, and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the Province of Bulacan. The Concession Agreement is for a period of 30 years and may be extended for up to 50 years. The Group's water concession right represents the upfront fee, cost of design, construction and development of the Bulacan Bulk Water Supply Project. The service concession right is not yet amortized until the construction is completed.

  The carrying amount of the water concession right is reviewed for impairment annually, or more frequently when an indication of impairment arises during the reporting year.

  The water concession right will be derecognized upon turnover to MWSS. There will be no gain or loss upon derecognition of the water concession right, as this is expected to be fully amortized upon turnover to MWSS.

- *Power Concession Right*. The Group's power concession right pertains to the right granted by the ROP to San Miguel Global Power, through APEC, to operate and maintain the franchise of Albay Electric Cooperative, Inc. (ALECO). On January 24, 2014, San Miguel Global Power and APEC entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations under the Concession Agreement effective January 2, 2014. The power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

  The power concession right is amortized using the straight-line method over the concession period which is 25 years and assessed for impairment whenever there is an indication that the asset may be impaired.

  The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

- *Metro Rail Transit Line 7 (MRT 7 Project).* The Group's capitalized project costs incurred for the MRT 7 Project is recognized as a financial asset as it does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services.

  The Group can finance, design, test, commission, construct and operate and maintain the MRT 7 Project on behalf of the ROP in accordance with the terms specified in the Concession Agreement.

  As payment, the ROP shall pay fixed amortization payment on a semi-annual basis in accordance with the scheduled payment described in the Concession

Agreement (Note 34).

The amortization period and method are reviewed at least at each reporting date. Changes in the terms of the Concession Agreement or the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

*Mineral Rights and Evaluation Assets*
The Group's mineral rights and evaluation assets have finite lives and are carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of income as incurred.

Amortization of mineral rights and evaluation assets is recognized in the consolidated statements of income based on UPM method utilizing only recoverable coal, limestone and shale reserves as the depletion base. In applying the UPM method, amortization is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

The Group's mineral rights and evaluation asset is amortized using UPM method over 25 years.

Gain or loss from derecognition of mineral rights and evaluation assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

Deferred Exploration and Development Costs
Deferred exploration and development costs comprise of expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mineral rights and evaluation assets, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral

resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment.

Deferred Containers

Returnable bottles, shells and pallets are measured at cost less accumulated depreciation and impairment, if any. These are presented as "Deferred containers - net" under "Other noncurrent assets - net" account in the consolidated statements of financial position and are depreciated over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Depreciation of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amounts of deferred containers are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are presented as part of "Customers' deposits" under "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Cylinder Deposits

The Group purchases Liquefied Petroleum Gas (LPG) cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

Contract Liabilities

A deferred income is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred income is recognized when the payment is made or the payment is due (whichever is earlier). Deferred income is recognized as revenue when the Group performs under the contract.

Fair Value Measurements

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.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital
*Common Shares*
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

*Preferred Shares*
Preferred shares are classified as equity if they are non-redeemable, or redeemable

only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

*Additional Paid-in Capital*
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Capital Securities
Redeemable Perpetual Securities (RPS) and Senior Perpetual Capital Securities (SPCS) are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or financial liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of RPS and SPCS are recognized as a deduction from equity, net of tax.

Retained Earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares
Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue
The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.
The following specific recognition criteria must also be met before revenue is recognized:

*Revenue from Sale of Food and Beverage, Packaging, Petroleum Products and Cement and Aggregates*
Revenue is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts and volume rebate do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each period. Payment is generally due within 30 to 60 days from delivery.

Revenue from sale of petroleum products is allocated between the consumer loyalty program and the other component of the sale. The allocation is based on the relative stand-alone selling price of the points. The amount allocated to the consumer loyalty program is deducted from revenue at the time points are awarded to the consumer. A deferred liability on consumer loyalty program included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position is set up until the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is an indication of a material change.

*Revenue from Power Generation and Trading*
Revenue from power generation and trading is recognized over time when actual power or capacity is generated, transmitted and/or made available to the customers, net of related discounts and adjustments.

Revenues from retail and other power-related services are recognized over time upon the supply of electricity to the customers. The Uniform Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) currency exchange rate adjustments, where applicable, and (h) interclass and life subsidies. Feed-in tariffs allowance, Value-added Tax (VAT) and universal charges are billed and collected on behalf of the national and local government and do not form part of the Group's revenue. Generation, transmission and system loss charges, which are part of revenues, are pass-through charges.

*Revenue from Sale of Real Estate*
Revenue from sale of real estate projects under pre-completion stage is recognized over time based on percentage of completion since the Group does not have an alternative use of the specific real estate property sold as the Group is precluded by the contract from redirecting the use of the property for a different purpose. Further, the Group has rights to payment for the development completed to date as the Group can choose to complete the development and enforce its rights to full payment under the contract even if the customer defaults on amortization payments. The Group determines the stage of completion based on surveys done by the Group's engineers and total costs to be incurred on a per unit basis. Revenue is recognized when 10% of the total contract price has already been collected.

Revenue from sale of completed real estate projects, and undeveloped land or raw

land is recognized at a point in time. The Group recognizes in full the revenue and cost from sale of completed real estate projects and undeveloped land when 10% or more of the contract price is received.

If the transaction does not qualify for revenue recognition, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue, payments received from customers are presented as "Customers' deposits" under "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

Cancellation of real estate sales is accounted for on the year of forfeiture. The repossessed real estate projects are recognized at fair value less cost to repossess. Any gain or loss on cancellation is recognized as part of "Other income (charges) - net" account in the consolidated statements of income.

*Revenue from Service Concession Arrangements*
Revenue from toll operations is recognized upon the use by the road users of the toll road and is paid by way of cash or charge against Radio Frequency Identification account. Toll fees are set and regulated by the Toll Regulatory Board (TRB).

Landing, take-off and parking fees are recognized as the services are rendered over time which is the period from landing up to take-off of aircrafts.

Terminal fees are recognized upon receipt of fees charged to passengers for the use of airport and port terminals.

Revenue from port cargo handling and ancillary services is recognized as the services are rendered over time based on the quantity of items handled during the period multiplied by a predetermined rate.

Revenue from construction contracts is recognized over time based on the percentage of completion, measured by reference to the proportion of costs incurred to date to estimated total costs for each contract.

*Revenue from Freight Services*
Revenue from freight services is recognized as the services are rendered over time based on every voyage contracted with customers during the period multiplied by a predetermined rate.

*Revenue from Other Sources*
*Revenue from Agricultural Produce.* Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

*Interest Income.* Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

*Dividend Income.* Dividend income is recognized when the Group's right to receive the payment is established.

*Rent Income.* Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

*Gain or Loss on Sale of Investments in Shares of Stock*. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary,

associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

*Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Retirement Costs*

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

*Foreign Currency Translations*

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

*Foreign Operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity.

Taxes

*Current Tax.* Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*VAT.* Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Income and

other taxes payable" accounts in the consolidated statements of financial position.

Assets Held for Sale

The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for some assets which are covered by other standards. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale or distribution is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision on distribution or sale will be withdrawn. Management must be committed to the sale or distribution within one year from date of classification.

Intangible assets, property, plant and equipment and investment property once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Assets and liabilities classified as held for sale or distribution are presented separately as current items in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common 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 RPS and SPCS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the

consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognized in the consolidated financial statements:

*Measurement of Biological Assets.* Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are

determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.
*Determining the Lease Term of Contracts with Renewal Options - Group as Lessee.* The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

*Identification of Distinct Performance Obligation.* The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and lease of equipment to its customers and allocates the transaction price into these several performance obligations.

*Applicability of Philippine Interpretation IFRIC 12.* In accounting for the Group's transactions in connection with its Concession Agreement with the ROP, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the interpretation since it specifically indicated that the ROP will regulate what services the Group must provide, at what prices these services will be offered, and that at the end of the concession period, the entire infrastructure, as defined in the Concession Agreement, will be turned over to the ROP (Note 34).

Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the Group's obligations under the Concession Agreement, may either be an intangible asset in the form of a right (license) to charge fees to users or financial asset in the form of an unconditional right to receive cash or another financial asset. Judgment was further exercised by management in determining the cost components of acquiring the right. Further reference to the terms of the Concession Agreement (Note 34) was made to determine such costs.

a. *Airport Concession Rights*

   *Boracay Airport.* The airport concession right consists of: (i) Airport Project cost; (ii) present value of infrastructure retirement obligation (IRO); and (iii) present value of total franchise fees over 25 years and its subsequent amortization.

   (i) The Airport Project cost is recognized as part of intangible assets as the construction progresses. The cost-to-cost method was used as management believes that the actual cost of construction is most relevant in determining the amount that should be recognized as cost of the intangible asset at each reporting date as opposed to cost plus and other methods of percentage-of-completion.

(ii) The present value of the IRO is recorded under construction in progress (CIP) - airport concession arrangements and transferred to the related intangible assets upon completion of the Airport Project and to be amortized simultaneously with the cost related to the Airport Project because only at that time will significant maintenance of the Boracay Airport would commence.

(iii) The present value of the obligation to pay annual franchise fees over 25 years has been immediately recognized as part of intangible assets because the right related to it has already been granted and is already being enjoyed by the Group as evidenced by its taking over the operations of the Boracay Airport during the last quarter of 2010. Consequently, management has started amortizing the related value of the intangible asset and the corresponding obligation has likewise been recognized.

*MIA.* The airport concession right consists of the pre-design costs, consultancy fees and other directly attributable costs incurred in the development of the project.

b. *Toll Road Concession Rights*. The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects: (i) SLEX; (ii) NAIA Expressway; (iii) Skyway; (iv) TPLEX; (v) STAR; (vi) PAREX; (vii) NALEX; (viii) SALEX; (ix) PLEX; (x) CBEX; and (xi) NBEX.

Pursuant to the Concession Agreements, any stage or phase or ancillary facilities thereof, of a fixed and permanent nature, shall be owned by the ROP.

c. *Water Concession Right.* The Group's water concession right represents the right to collect charges from water service providers and third party purchasers availing of a public service, grant control or regulate the price and transfer significant residual interest of the water treatment facilities at the end of the Concession Agreement.

d. *Power Concession Right*. The Group's power concession right represents the right to operate and maintain the franchise of ALECO; i.e., the right to collect electricity fees from the consumers of ALECO. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.

e. *MRT 7 Project.* The Concession Agreement related to the MRT 7 Project does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the obligation under the Concession Agreement, is a financial asset in the form of an unconditional right to receive cash or another financial asset.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

*Recognition of Profit Margin on the Airport and Toll Road Concession Arrangements.* The Group has not recognized any profit margin on the construction of the airport and toll road projects as it believes that the fair value of the intangible asset reasonably approximates the cost. The Group also believes that the profit margin of its contractors on the rehabilitation of the existing airport and its subsequent upgrade is enough to cover any difference between the fair value and the carrying amount of the intangible asset.

*Recognition of Revenue from Sale of Real Estate and Raw Land.* The Group recognizes its revenue from sale of real estate projects and raw land in full when 10% or more of the total contract price is received and when development of the real estate property is 100% completed. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

*Distinction Between Investment Property and Owner-occupied Property.* The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*Classification of Redeemable Preferred Shares.* Based on the features of the preferred shares of TADHC, particularly on mandatory redemption, management determined that the shares are, in substance, financial liabilities. Accordingly, these were presented as part of ''Accounts payable and accrued expenses" account in the consolidated statements of financial position as at December 31, 2023 and 2022, respectively (Note 20).

*Evaluating Control over its Investees.* Determining whether the Group has control in an investee requires significant judgment. Although the Group owns less than 50% of the voting rights of BPI, management has determined that the Group has control in this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those

returns through such power over BPI.

*Classification of Joint Arrangements.* The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Angat Hydropower Corporation (Angat Hydro) and KWPP Holdings Corporation (KWPP) as at December 31, 2023 and 2022 as joint ventures (Note 11).

*Adequacy of Tax Liabilities.* The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

*Classification of Financial Instruments*. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 40.

*Contingencies*. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 43).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

*Assessment of ECL on Trade Receivables.* The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and

forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables is normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written off amounted to P87 and P193 in 2023 and 2022, respectively. The allowance for impairment losses on trade receivables amounted to P3,801 and P3,949 as at December 31, 2023 and 2022, respectively. The carrying amount of trade receivables amounted to P185,642 and P169,294 as at December 31, 2023 and 2022, respectively (Note 8).

*Assessment of ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022.

The carrying amounts of other financial assets at amortized cost are as follows:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| **Other Financial Assets at Amortized Cost** | | | |
| Cash and cash equivalents (excluding cash on hand) | *7, 39* | **P256,366** | P315,823 |
| Other current receivables - net (included under "Trade and other receivables - net" account) | *8* | **77,477** | 69,488 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | *10, 12, 39, 40* | **12,158** | 12,134 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | *18, 39, 40* | **P48,319** | 39,700 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | *10, 18, 39, 40* | **P18,519** | 19,050 |

The allowance for impairment losses on other current receivables, included as part of "Trade and other receivables - net" account and noncurrent receivables and deposits included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position, amounted to P9,319 and P567, respectively, as at December 31, 2023, and P8,964 and P582, respectively, as at December 31, 2022 (Notes 8 and 18).

*Fair Value Measurements*. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value

hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 11, 12, 15, 16, 17, 18, 20, 35 and 40.

*Write-down of Inventory.* The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P1,686 and P1,542 as at December 31, 2023 and 2022, respectively (Note 9).

The carrying amounts of inventories amounted to P161,986 and P190,193 as at December 31, 2023 and 2022, respectively (Note 9).

*Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Investment Property and Deferred Containers.* The Group estimates the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

There is no change in estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on management's review at the reporting date.

Property, plant and equipment, net of accumulated depreciation, amounted to P767,874 and P723,030 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment amounted to P295,317

and P267,528 as at December 31, 2023 and 2022, respectively (Note 13).

Right-of-use assets, net of accumulated depreciation, amounted to P108,102 and P112,155 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of right-of-use assets amounted to P24,725 and P20,268 as at December 31, 2023 and 2022, respectively (Note 14).

Investment property, net of accumulated depreciation, amounted to P79,535 and P74,668 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of investment property amounted to P22,573 and P21,267 as at December 31, 2023 and 2022, respectively (Note 15).

Deferred containers, net of accumulated depreciation, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P18,412 and P18,549 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of deferred containers amounted to P20,189 and P16,691 as at December 31, 2023 and 2022, respectively (Note 18).

*Estimated Useful Lives of Intangible Assets.* The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, net of accumulated amortization, included as part of "Other intangible assets - net" account in the consolidated statements of financial position amounted to P304,328 and P247,015 as at December 31, 2023 and 2022, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P64,898 and P56,782 as at December 31, 2023 and 2022, respectively (Note 17).

*Estimated Useful Lives of Intangible Assets - Concession Rights.* The Group estimates the useful lives of airport, toll road, port, power and water concession rights based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as at the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The combined carrying amounts of toll road, airport, power and water concession rights amounted to P272,812 and P229,057 as at December 31, 2023 and 2022, respectively (Note 17).

In 2022, APEC has derecognized its power concession right as a result of the termination of the concession agreement with ALECO in November 2022 (Note 34).

*Impairment of Goodwill, Licenses and Trademarks and Brand Names with Indefinite Useful Lives.* The Group determines whether goodwill, licenses and trademarks and brand names are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the licenses and trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from

the cash-generating unit and from the licenses and trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P182,791 and P184,100 as at December 31, 2023 and 2022, respectively (Note 17).

The combined carrying amounts of licenses and trademarks and brand names amounted to P2,349 and P2,345 as at December 31, 2023 and 2022, respectively (Note 17).

*Acquisition Accounting.* At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amount of goodwill arising from business combinations amounted to P54,273 in 2022 (Notes 5, 17 and 38).

*Estimating Coal Reserves.* Coal reserve estimates are based on measurements and geological interpretation obtained from natural outcrops, trenches, tunnels and drill holes. In contrast with “coal resource” estimates, profitability of mining the coal during a defined operating period or “mine-life” is a necessary attribute of “coal reserve”.

The Philippine Department of Energy (DOE) is the government agency authorized to implement coal operating contracts (COC) and regulate the operation of contractors pursuant to DOE Circular No. 81-11-10: Guidelines for Coal Operations in the Philippines. For the purpose of the five-year development and production program required for each COC, the agency classifies coal reserves, according to increasing degree of uncertainty, into: (i) positive, (ii) probable and (iii) inferred. The DOE also prescribes the use of “total in-situ reserves” as the sum of positive reserves and two-thirds of probable reserve; and “mineable reserve” as 60% of total in-situ reserve for underground, and 85% for surface (including open-pit) coal mines.

*Recoverability of Deferred Exploration and Development Costs.* A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group’s assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group has mining activities that were in the exploratory stages as at December 31, 2023 and 2022. The related costs and expenses from exploration were deferred as mine exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts

and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as at December 31, 2023 and 2022.

No impairment loss on deferred exploration and evaluation costs was recognized in 2023, 2022 and 2021.

Deferred exploration and development costs included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position amounted to P76 and P55 as at December 31, 2023 and 2022, respectively (Notes 18 and 34).

In December 2022, deferred exploration and development costs related to coal mining activities amounting to P719 were derecognized upon the sale by SPI of its subsidiaries (Notes 5).

*Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group’s assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P19,633 and P22,554 as at December 31, 2023 and 2022, respectively (Note 23).

*Impairment of Non-financial Assets.* PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on property, plant and equipment, right-of-use assets, investment property, other intangible assets with finite useful lives and deferred containers amounted to P15,479 and P16,065 as at December 31, 2023 and 2022, respectively (Notes 13, 14, 15, 17 and 18).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets amounted to P1,305,214 and P1,197,145 as at December 31, 2023 and 2022, respectively (Notes 11, 13, 14, 15, 16, 17 and 18).

*Estimating the Incremental Borrowing Rate.* The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P56,572 and P75,475 as at December 31, 2023 and 2022 respectively (Notes 34, 38, 39 and 40).

*Present Value of Defined Benefit Retirement Obligation.* The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 35 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P36,620 and P31,873 as at December 31, 2023 and 2022, respectively (Note 35).

*Asset Retirement Obligation.* The Group has ARO arising from refinery, power plants, leased service stations, terminals, blending plant and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.29% to 12.64% and 3.25% to 12.64% as at December 31, 2023 and 2022, respectively, depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P4,488 and P4,296 as at December 31, 2023 and 2022,

respectively (Notes 20 and 22).

*Present Value of Annual Franchise Fee and IRO - Airport Concession Arrangement.* Portion of the amount recognized as airport concession right of TADHC as at December 31, 2023 and 2022 pertains to the present value of the annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in CIP - airport concession arrangements until the completion of the Airport Project.

The present values of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate.

A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect in profit or loss.

The present value of the annual franchise fees payable to the ROP over 25 years discounted using the 9% and 8% internal borrowing rate in 2023 and 2022, included as part of "Airport concession right" under "Other intangible assets - net" account amounted to P53 and P50 as at December 31, 2023 and 2022, respectively (Note 17).

The cost of infrastructure maintenance and restoration represents the present value of TADHC's IRO recognized and is presented as part of IRO under "Accounts payable and accrued expenses" account amounting to P20 in 2022 and "Other noncurrent liabilities" account amounting to P97 and P74 in 2023 and 2022, respectively (Notes 20 and 22).

*Percentage-of-Completion - Airport and Toll Road Concession Arrangements.* The Group determines the percentage-of-completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total airport and toll road project cost. The Group reviews and revises, when necessary, the estimate of airport and toll road project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period. Construction revenue and construction costs, reported as part of "Other income (charges) - net" account in the consolidated statements of income, amounted to P60,606, P60,461 and P29,769 in 2023, 2022 and 2021, respectively (Note 32).

*Accrual for Repairs and Maintenance - Toll Road Concession Arrangements.* The Group recognizes accruals for repairs and maintenance based on estimates of periodic costs, generally estimated to be every five to ten years as at December 31, 2023 and 2022, or the expected period to restore the toll road facilities to a level of serviceability and to maintain its good condition before the turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate, ranging from 5.88% to 6.00% and 5.21% to 6.99% as at December 31, 2023 and 2022, respectively, that reflects the current market assessment of the time value of money.

The accrual for repairs and maintenance, included as part of "IRO" under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P1,151 and P825 as at December 31, 2023 and 2022, respectively (Note 22).

The current portion included as part of "Accounts payable and accrued expenses" account amounted to P320 and P487 as at December 31, 2023 and 2022, respectively (Note 20).

## 5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments:

Energy

- Subscription of Common Shares

  On July 25, 2023, San Miguel Global Power and the Parent Company executed a Subscription Agreement to subscribe to an additional 410,000,000 common shares of San Miguel Global Power for a subscription price of P12,300 or P30.00 per common share, which was fully paid in 2023.

  On July 25, 2023, the BOD of San Miguel Global Power approved the additional increase in its authorized capital stock from P2,000 divided into 2,000,000,000 common shares to P3,774 divided into 3,774,400,000 common shares, both with a par value of P1.00 per common share, as well as the amendment of the Amended Articles of Incorporation of San Miguel Global Power to reflect the said increase. On August 1, 2023, the Parent Company entered into a Subscription Agreement with San Miguel Global Power, whereby the Parent Company subscribed to 443,600,000 common shares of San Miguel Global Power out of the proposed increase in authorized capital stock for a total subscription price of P13,308 or P30.00 per common share. The subscription price was fully paid in 2023. The stockholders of San Miguel Global Power approved the aforementioned increase in authorized capital stock and amendment of the Amended Articles of Incorporation during its Special Stockholders' Meeting held on September 07, 2023.

  The application for the increase in the authorized capital stock of San Miguel Global Power and the amendment of its Amended Articles of Incorporation to reflect the aforementioned increase in authorized capital stock was filed with the SEC on October 20, 2023, and was approved by the SEC on October 24, 2023.

  On November 13, 2023, San Miguel Global Power and the Parent Company executed a Subscription Agreement wherein the Parent Company subscribed to an additional 720,000,000 common shares of San Miguel Global Power for a subscription price of P21,600 or P30.00 per common share, which was fully paid in 2023.

- Acquisition of Ilijan Primeline Industrial Estate, Inc. (IPIEC)

  On April 3, 2023, the Parent Company through San Miguel Global Power acquired the 100% outstanding capital stock of IPIEC for a total consideration of P50 (Note 15). IPIEC own and manage various properties located in the province of Batangas.

  The transaction is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

- Acquisition of Blue Eagle Star Corp. (Blue Eagle)

  On December 19, 2023, the Parent Company through San Miguel Global Power

acquired the 100% outstanding capital stock of Blue Eagle for a total consideration of P25 (Note 15). Blue Eagle own and manage various properties located in the province of Cavite.

The transaction is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

- Acquisition of Multi-Ventures Investment Holdings, Inc. (MVHI) and Bluelight Industrial Estate, Inc. (Bluelight)

  On August 25, 2022, the Parent Company through San Miguel Global Power acquired 100,000 and 50,000 common shares, equivalent to 100% of the outstanding capital stock of MVHI and Bluelight, respectively, for a total consideration of P16 (Note 13).

  MVHI and Bluelight own and manage various properties located in the province of Cavite and Quezon, respectively.

  The transaction is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

- Sale of Strategic Energy Development Inc. (SEDI)

  On August 26, 2022, San Miguel Global Power sold its 100% shareholdings in SEDI to a third party for P1,200 with 10% downpayment upon signing of the contract. The amount of consideration, which will be collected on installment basis up to 2026 and subject to interest to be agreed by the relevant parties, is presented as part of non-trade receivables under “Trade and other receivables - net” and “Noncurrent receivables and deposits - net” under “Other noncurrent assets - net” accounts in the consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 8 and 18).

  The Group recognized a gain on the sale amounting to P555, presented as part of “Gain on sale of investments and property and equipment’’ account in the 2022 consolidated statement of income.

- Sale of Daguma Agro-Minerals, Inc. (DAMI), Bonanza Energy Resources, Inc. (BERI) and Sultan Energy Phils. Corp. (SEPC)

  On December 21, 2022, SPI entered into a Share Purchase Agreement with a third party for the sale of its 100% equity interests in DAMI, BERI and SEPC for a total consideration of P1,818 which was fully paid as at December 31, 2023.

  Also on the same date, SPI entered into an agreement with the third party for the assignment of its deposit for future stock subscription amounting to P1,552, payable over a period of five years, subject to interest to be agreed-upon by both parties. The amount is presented as part of noncurrent receivables and deposits - net under “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

  DAMI and SEPC have coal mining properties, covered by COCs issued by the Philippine DOE, located in the provinces of Sarangani, South Cotabato and Sultan Kudarat (Note 34).

  The Group recognized a gain on the sale amounting to P182, presented as part of “Gain on sale of investments and property and equipment’’ account in the

2022 consolidated statement of income.

Infrastructure

- SMHC

  On December 17, 2021, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P91,500 divided into 91,500,000 common shares to P106,500 divided into 106,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 5,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P7,500 or P1,500.00 per common share.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMHC was filed with the SEC on March 9, 2022 and was approved on April 26, 2022. The Parent Company paid P3,239 and P3,823 in 2022 and 2021, respectively, while the balance of the subscription price amounting to P438 was fully paid in 2023.

  On April 20 and May 11, 2023, SMHC and the Parent Company executed Subscription Agreements to subscribe to a total of 5,500,000 common shares for a total subscription price of P8,250 or P1,500.00 per common share. The Parent Company paid P7,227 in 2023.

- SMAI

  On December 27, 2021, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 3,792,881,031 common shares of SMAI for a total subscription price of P7,586 or P2.00 per common share, which was fully paid in 2021.

  On January 21, 2022, the BOD and stockholders of SMAI approved the additional increase in its authorized capital stock from P15,000 divided into 15,000,000,000 common shares to P45,000 divided into 45,000,000,000 common shares, both with a par value of P1.00 per common share. On the same date, SMAI and the Parent Company executed a Subscription Agreement to subscribe to an additional 7,500,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P2.00 per common share, which was fully paid in 2022.

  On February 23, 2022, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 307,118,969 common shares of SMAI, to be issued out of the available unissued shares, for a total subscription price of P614 or P2.00 per common share, which was fully paid in 2022.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMAI was filed with and was approved by the SEC on June 17, 2022.

  On August 22, 2022, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 10,000,000,000 common shares of SMAI for a total subscription price of P20,000 or P2.00 per common share, which was fully paid

in 2022.

On May 12, 2023, the BOD and stockholders of SMAI approved that out of its 45,000,000,0000 authorized capital stock, 34,100,000,000 common shares (i) 21,600,000,000 common shares will be converted to Series 1 Preferred Shares on a 1:1 basis and (ii) 12,500,000,000 common shares will be reclassified to Series 2 Preferred Shares.

In the same meeting, the BOD and stockholders of SMAI approved the increase of its authorized capital stock from P45,000 divided into 45,000,000,000 common shares with a par value of P1.00 per common share to P57,850 divided into: (i) 10,900,000,000 common shares with a par value of P1.00 per common share, (ii) 21,600,000,000 Series 1 Preferred Shares with a par value of P1.00 per Preferred Share and (iii) 25,350,000,000 Series 2 Preferred Shares with a par value of P1.00 per preferred share.

SMAI approved to offer to all its stockholders the option to convert its common shares to Series 1 Preferred Shares on a 1:1 basis, effective upon the approval by the SEC of the increase in the authorized capital stock of SMAI, the creation of the preferred shares and the corresponding approval of the amendment of the Articles of Incorporation of SMAI reflecting such amendments. Of the two holders of common shares of SMAI at that time, which are the Parent Company and SMHC, only the Parent Company exercised the option to convert its common shares in SMAI into Series 1 Preferred Shares, which SMAI accepted.

On May 12, 2023, SMAI and the Parent Company executed the following: (i) a Subscription Agreement to subscribe to 4,266,672,620 Series 2 Preferred Shares out of the proposed increase in authorized capital stock for a total subscription price of P12,800 or P3.00 per preferred share, and (ii) a Deed of Assignment that the deposit for future stock subscription of P12,800 paid in 2022 be applied as payment by the Parent Company of its subscription to the Series 2 Preferred Shares.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMAI and the creation of the preferred shares was filed with the SEC on June 30, 2023, and was approved on September 7, 2023.

Upon the approval of the increase in the authorized capital stock of SMAI and the creation of the preferred shares, all common shares which were issued to the Parent Company on various dates in 2021 to 2022 were converted to Series 1 Preferred Shares.

On December 29, 2023, the Parent Company and SMAI entered into a Subscription Agreement wherein the Parent Company subscribed to 8,569,655,398 Series 2 Preferred Shares of SMAI for a total subscription price of P42,848 or P5.00 per preferred share, which was fully paid in 2023.

As at December 31, 2023, as a result of the foregoing conversion by the Parent Company of its investment in common shares of SMAI to Series 1 Preferred Shares and subsequent subscription to Series 2 Preferred Shares, the Parent Company has 100% indirect ownership in SMAI through SMHC. As at December 31, 2022, the Parent Company has 66.46% direct ownership and voting interest in SMAI, in addition to the 33.54% indirect ownership and voting interest through SMHC.

The preferred shares issued by SMAI are non-voting, may be convertible into common shares as determined by the BOD of SMAI, may be redeemable at the sole option of SMAI at a price and at such time that the BOD of SMAI shall determine. The preferred shares are entitled to dividends as declared by the BOD of SMAI. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of SMAI, the holders of preferred shares that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of SMAI.

- Argonbay Construction Company, Inc. (ACCI)

  On December 15, 2022, the BOD and stockholders of ACCI approved the increase in its authorized capital stock from P150 divided into 1,500,000 common shares with a par value of P100.00 per common share to P20,150 divided into 1,500,000 common shares with a par value of P100.00 per common share and 200,000,000 Series 1 Preferred Shares with a par value of P100.00 per preferred share. On the same date, ACCI and the Parent Company executed a Subscription Agreement to subscribe to 142,600,000 Series 1 Preferred Shares out of the proposed increase in authorized capital stock for a total subscription price of P14,260 or P100.00 per preferred share.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on June 13, 2023 and was approved on June 14, 2023. The Parent Company paid P3,634 in 2022 while the balance of the subscription price amounting to P10,626 was fully paid in 2023.

  On June 20, 2023, ACCI and the Parent Company executed a Subscription Agreement to subscribe to 4,887,226 Series 1 Preferred Shares for a total subscription price of P489 or P100.00 per preferred share, which was fully paid in 2023.

  The preferred shares issued by ACCI are non-voting, may be convertible into common shares as determined by the BOD of ACCI, may be redeemable at the sole option of ACCI at a price and at such time that the BOD of ACCI shall determine. The preferred shares are entitled to dividends as declared by the BOD of ACCI. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of ACCI, the holders of preferred shares that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of ACCI.

Cement

- SMEII

  On December 7, 2022, the BOD and stockholders of SMEII approved the additional increase in its authorized capital stock from P21,425 divided into 21,425,000,000 common shares to P88,371 divided into 88,370,900,000 common shares, both with a par value of P1.00 per common share.

  On December 13, 2022, SMEII and the Parent Company executed a

Subscription Agreement whereby the Parent Company subscribed to 2,157,400,000 common shares out of the entire available unissued shares of SMEII for a total subscription price of P3,236 or P1.50 per common share, which was fully paid in 2022.

On December 13, 2022, pursuant to the Subscription Agreement between SMEII and the Parent Company, the latter subscribed to 44,630,600,000 common shares out of the aforementioned proposed increase in the authorized capital stock of SMEII for a total subscription price of P66,946 or P1.50 per common share, which was fully paid in 2022.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMEII was filed with the SEC on December 19, 2022 and was approved on December 29, 2022.

On December 21, 2022, SMEII and the Parent Company executed another Subscription Agreement whereby the Parent Company subscribed to an additional 7,602,900,000 common shares out of the proposed increase in the authorized capital stock of SMEII for a total subscription price of P11,404 or P1.50 per common share, which was fully paid in 2022.

On April 26, 2023, SMEII and the Parent Company executed a Subscription Agreement to subscribe to an additional 1,335,273,000 common shares of SMEII at a subscription price of P2,003 or P1.50 per common share, which was fully paid in 2023.

- Consolidation of ECC

  On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc. (FEHI), the parent company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares (the Sale Shares) representing approximately 88.50% of the total outstanding capital stock of ECC for a total consideration of P97,441 or P22.02 per Sale Share.

  ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

  On October 27, 2022, the Philippine Competition Commission (PCC) issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the PSE after the required written assent of the stockholders of ECC was secured.

  The tender offer period ended on December 5, 2022, with a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding capital stock of ECC were tendered (Tendered Shares) for a total consideration of P12,613 or P22.02 per common share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As a result of the transaction, ECC was consolidated effective December 14, 2022. SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding capital stock of ECC as at December 31, 2023 and 2022.

The acquisition of ECC was accounted for using the acquisition method of accounting in accordance with PFRS 3.

The following summarizes the recognized amount of assets acquired and liabilities assumed at the acquisition date:

| | ***Note*** | 2022 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | | P9,548 |
| Trade and other receivables - net | | 118 |
| Inventories | | 2,299 |
| Prepaid expenses and other current assets | *10, 24* | 7,617 |
| Investment and advances | *24* | 105 |
| Property, plant and equipment - net | *13* | 34,434 |
| Right-of-use assets - net | *14* | 26 |
| Other intangible assets - net | *17* | 9,052 |
| Deferred tax assets | *23* | 102 |
| Other noncurrent assets - net | | 966 |
| Liabilities | | |
| Accounts payable and accrued expenses | *20* | (3,323) |
| Income and other taxes payable | | (200) |
| Lease liabilities (including current portion) | | (36) |
| Long-term debt - net | | (4,040) |
| Deferred tax liabilities | | (13) |
| Other noncurrent liabilities | *22, 35* | (168) |
| Total Identifiable Net Assets at Fair Value | | P56,487 |

The fair value of trade and other receivables amounted to P118. None of the receivables has been impaired and it is expected that the full amount can be collected (Note 8).

Included as part of “Prepaid expenses and other current assets” and “Accounts payable and accrued expenses“ accounts of ECC are the net assets of KB Space Holdings, Inc. (KSHI) classified as held for sale as at December 14, 2022, which were disposed 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 FEHI (Note 33).

The completion of the purchase price allocation exercise resulted in the adjustments to the recognized amounts of assets acquired as at December 31, 2022. The “Property, plant and equipment - net” and “Other intangibles - net” accounts increased by P932 and P747, respectively, and “Prepaid expenses and other current assets” account decreased by P996 (Notes 10, 13 and 17).

The provisional goodwill recognized in 2022 amounted to P54,273. The final assessment resulted in the recognition of final goodwill in the amount of P53,590, recorded after recognition at fair value of the identifiable assets and liabilities. The prior year comparative information was not restated since the impact of the adjustment is not material.

| | *Note* | 2022 |
|---|---|---|
| Total cash consideration transferred | *11* | P110,054 |
| Non-controlling interest measured at proportionate interest in identifiable net assets | | 23 |
| Total identifiable net assets at fair value | | (56,487) |
| Goodwill | *17, 38* | P53,590 |

SMEII incurred acquisition-related costs amounting to P80 in 2022, which were included in "Selling and administrative expenses" account in the consolidated statement of income.

Goodwill arising from the acquisition of ECC is attributable to the benefit of expected synergies with the Group's cement business, revenue growth, future development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable net assets.

If the foregoing acquisitions have occurred on January 1, 2022, management estimates that it would have increased consolidated revenue and consolidated net income by P20,378 and P4,470, respectively. In determining these amounts, management assumed that the fair value adjustments, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022. ECC has no contribution to the revenue and net income of the Group in 2022.

Fuel and Oil

- Acquisition of Mema

  On February 16, 2022, the Parent Company through Petron acquired 10,000,000 common shares representing 100% of the outstanding capital stock of Mema for an initial consideration of P104. Mema is a company with a subsidiary that provides hauling and logistics services to Petron. On June 30, 2022, control over the investee was transferred to the Group after the resolution of issues was agreed by Petron and the seller. On December 29, 2022, an adjustment in the purchase price of P300 was agreed by Petron and the seller, presented as part of "Non-trade payables" under "Accounts payable and accrued expenses" account in the 2022 consolidated statement of financial position (Note 20). The amount was fully paid in February 2023.

  The acquisition of Mema was accounted for using the acquisition method of accounting in accordance with PFRS 3.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

| | ***Note*** | 2022 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | | P3,406 |
| Trade and other receivables | | 2,034 |
| Prepaid expense and other current assets | | 69 |
| Property, plant and equipment - net | *13* | 219 |
| Other noncurrent asset | | 15 |
| Liabilities | | |
| Accounts payable and accrued expenses | | (5,303) |
| Other noncurrent liabilities | | (14) |
| Total Identifiable Net Assets at Fair Value | | P426 |

The Group recognized a gain on acquisition amounting to P22, presented as part of "Other income (charges) - net" account in the 2022 consolidated statement of income, representing the excess of total identifiable net assets at fair value of P426 over the total consideration of P404 (Note 32).

The fair value of trade and other receivables amounted to P2,034. None of the receivables has been impaired and the full amount is expected to be collected. As at December 31, 2023, receivables amounting to P2,034 were already collected.

As at December 31, 2023, accounts payable and accrued expenses amounting to P5,198 were settled.

The fair value of the acquired equipment was measured using depreciated replacement cost by considering the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Mema and its subsidiaries contributed P26 to the Group's net income from the acquisition date to December 31, 2022. Mema and its subsidiaries have no revenue contribution to the Group in 2022. Had the acquisition occurred on January 1, 2022, the Group's revenue and net income in 2022 would have been P1,506,591 and P26,756, respectively. In determining these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022.

On October 27, 2022, Petron and Mema executed a Subscription Agreement to subscribe to an additional 1,375,000,000 common shares of Mema for a subscription price of P1,375 or P1.00 per common share, of which P899 was paid in 2022 while the remaining balance of the subscription price amounting to P476 was paid in 2023.

On July 19, 2023, Petron and Mema executed another Subscription Agreement to subscribe to an additional 2,770,000,000 common shares of Mema for a subscription price of P2,770 or P1.00 per common share, of which P1,305 was paid in 2023.

Packaging

- Acquisition of 35% of CAI

  On September 30, 2022, SMYPC and Can Pack S.A. (Can Pack), shareholders of CAI, executed a Deed of Sale of Shares for the acquisition by SMYPC from Can Pack of the 3,500,000 common shares representing 35% of the outstanding capital stock of CAI for a total consideration of US$9 (P531).

  The acquisition of the 35% of CAI is considered as a transaction with the Group's non-controlling interest.

  As a result, CAI became a wholly-owned subsidiary of SMYPC. The Group's non-controlling interests decreased by P451 equivalent to the carrying amount of the share in the net assets acquired. The difference between the carrying amount of the share in the net assets acquired and the consideration transferred was recognized in other equity reserve.

Real Estate

- SMPI

  a) Subscription of Common Shares

     On various dates in 2021, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 168,783,058 common shares of SMPI for a total subscription price of P3,375 or P20.00 per common share. The Parent Company paid P3,018 in 2021, while the balance amounting to P357 was fully paid in 2023.

     On various dates in 2022, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 240,381,050 common shares of SMPI for a total subscription price of P4,808 or P20.00 per common share, which was fully paid in 2022.

     On various dates in 2023, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 129,446,202 common shares of SMPI for a total subscription price of P2,589 or P20.00 per common share, which was fully paid in 2023.

  b) Acquisition of Subsidiaries

     On February 2, 2021, the Parent Company through SMPI acquired a total of 95,252 common shares, equivalent to 70% of the outstanding capital stock of Agricultural Investors, Inc., Unexplored Land Developers, Inc., Ocean-Side Maritime Enterprises, Inc., Labayug Air Terminals, Incorporated, Pura Electric Co., Inc., Punong Bayan Housing Development Corporation, Habagat Realty Development Incorporated and Spade One Resorts Corporation, for a total consideration of P3,500. The acquisition gave SMPI 70% ownership and control over these entities and consequently were consolidated to the Group effective February 2, 2021. The related advances for investments amounting to P2,975 was reclassified from "Investments and advances - net" to investment in shares of stock of subsidiaries as part of the total consideration transferred (Note 11). SMPI fully paid the remaining balance of P525 in 2021.

The entities are Philippine companies engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law.

The acquisition of the entities is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

On December 17, 2021, SMPI acquired a total of 8,165 additional common shares, equivalent to 6% of the outstanding capital stock of the entities, at a purchase price of P300 or P36,742.19 per common share, of which P150 was paid in 2021 and the balance in 2022.

On various dates in 2022, SMPI acquired a total of 24,495 additional common shares, equivalent to 18% of the outstanding capital stock of the entities, at a purchase price of P900 or P36,742.19 per common share, which was fully paid in 2022.

c) Acquisition of 31.70% of Integrated Geosolutions, Inc. (IGI)

On December 21, 2022, SMPI and the non-controlling shareholders executed Deeds of Absolute Sale of Shares for the acquisition by SMPI of the remaining 208,968,925 common shares representing 31.70% of the outstanding capital stock of IGI for a total consideration of P1,050. The consideration is payable on installment basis up to 2025 and bears an annual interest rate of 5.11%. In 2022 and 2023, SMPI paid P210 and P336, respectively, of its outstanding payable arising from the acquisition. The related current and noncurrent portions of the outstanding payables are presented under “Accounts payable and accrued expenses” and “Other noncurrent liabilities” accounts in the consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 20 and 22).

The acquisition of the 31.70% of IGI is considered as a transaction with the Group’s non-controlling interest.

As a result, IGI became a wholly-owned subsidiary of SMPI. The Group’s non-controlling interests decreased by P173 equivalent to the carrying amount of the share in the net assets acquired. The difference between the carrying amount of the share in the net assets acquired and the consideration transferred was recognized in other equity reserve.

- DHDC

On various dates in 2022, DHDC and the Parent Company executed Subscription Agreements to subscribe to a total of 32,250,000 common shares of DHDC for a total subscription price of P65 or P2.00 per common share, which was fully paid in 2022.

On November 24, 2023, DHDC and the Parent Company executed Subscription Agreement to subscribe to an additional 67,500,000 common shares of DHDC at a subscription price of P135 or P2.00 per common share. The Parent Company paid P103 in 2023.

- SHC

  On various dates in 2020, SHC and the Parent Company executed Subscription Agreements to subscribe to a total of 170,000,000 common shares of SHC for a total subscription price of P680 or P4.00 per common share. The Parent Company paid a total of P570 and P562 as at December 31, 2023 and 2022, respectively.

- DHC

  On various dates in 2020, DHC and the Parent Company executed Subscription Agreements to subscribe to a total of 400,500,000 common shares of DHC for a total subscription price of P801 or P2.00 per common share. The Parent Company paid a total of P801 and P758 as at December 31, 2022 and 2021, respectively.

  On November 23, 2022, DHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 61,000,000 common shares of DHC at a subscription price of P122 or P2.00 per common share. In 2022, the Parent Company paid a total of P87 while the remaining balance of the subscription price amounting to P35 was fully paid in 2023.

  On December 7, 2023, DHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 27,000,000 common shares of DHC at a subscription price of P54 or P2.00 per common share. The Parent Company paid P33 in 2023.

- WHC

  On December 15 and 27, 2021, WHC and the Parent Company executed Subscription Agreements to subscribe to 96,500,000 common shares of WHC at a subscription price of P193 or P2.00 per common share. In 2021, the Parent Company paid P142, while the remaining balance of the subscription price amounting to P51 was fully paid in 2022.

  On January 21 and February 14, 2022, WHC and the Parent Company executed Subscription Agreements to subscribe to an additional 152,500,000 common shares of WHC at a subscription price of P305 or P2.00 per common share. In 2022, the Parent Company paid P117, while the remaining balance of the subscription price amounting to P188 was fully paid in 2023.

  On December 4, 2023, WHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 123,500,000 common shares of WHC at a subscription price of P247 or P2.00 per common share. The Parent Company paid P224 in 2023.

- OVHI

  On August 11, 2022, OVHI and the Parent Company executed a Subscription Agreement to subscribe to an additional 500,000 common shares of OVHI for a subscription price of P100 or P200.00 per common share. In 2022, the Parent Company paid P62, while the remaining balance of the subscription price amounting to P38 was fully paid in 2023.

  On December 14, 2023, OVHI and the Parent Company executed a Subscription Agreement to subscribe to an additional 255,000 common shares of OVHI for a subscription price of P51 or P200.00 per common share. The Parent Company paid P49 in 2023.

Others

- SMCACDC

  The investment in SMCACDC consists of 1,270,000 redeemable preferred shares of stock amounting to P1,270 and 1,970,000 redeemable preferred shares of stock amounting to P1,970 as at December 31, 2023 and 2022, respectively.

  On March 3, 2022, the BOD of SMCACDC approved the redemption of the 800,000 preferred shares held by the Parent Company, which were issued in 2019. On July 15, 2022, SMCACDC paid the redemption price of P800 or P1,000.00 per preferred share corresponding to the par value of such preferred shares.

  On July 7, 2023, the BOD of SMCACDC approved the redemption of the 700,000 preferred shares held by the Parent Company, which were issued in 2019. On September 29 and December 29, 2023, SMCACDC paid the total redemption price of P700 or P1,000.00 per preferred share corresponding to the par value of such preferred shares.

  The preferred shares issued by SMCACDC are non-voting, non-convertible, and redeemable at the sole option of SMCACDC at a price and at such time that the BOD of SMCACDC shall determine. The preferred shares are entitled to dividends as declared by the BOD of SMCACDC. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of SMCACDC, the holders of preferred stocks that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of SMCACDC.

- SMICL

  On July 13, 2021, the BOD of SMICL approved the increase in its authorized capital stock from US$0.12 to US$66 divided into 120,000 common shares with a par value of US$1.00 per common share and creation of 6,600,000 preferred shares with a par value of US$10.00 per preferred share. On the same date, the Parent Company subscribed to 6,600,000 preferred shares out of the proposed increase in authorized capital stock of SMICL, for a total subscription price of US$66 (P3,170) or US$10.00 per preferred share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMICL was filed with and approved by the Registrar of Companies of the Government of Bermuda on August 5, 2021.

  The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMICL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preferred shares. SMICL has the right to convert the preferred shares into common shares at a rate of ten common shares for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

- SMHL

  On December 12, 2022, the BOD of SMHL approved the redemption of the 30,300,000 preferred shares held by the Parent Company. On December 19, 2022, SMHL paid the redemption price of US$303 (P16,789) or US$10.00 per preferred share, corresponding to the par value of such preferred shares.

  The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMHL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preferred shares. SMHL has the right to convert the preferred shares into common shares at a rate of one common share for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

## 6. Segment Information

Operating Segments

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

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

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 (PSA), retail supply contracts (RSC), concession agreement and other power-related service agreements, either directly to customers [other generators, distribution utilities (DU), including Manila Electric Company (Meralco), electric cooperatives and industrial customers], or through the Philippine Wholesale Electricity Spot Market (WESM).

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.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, property, plant and equipment and concession rights, net of allowances, accumulated depreciation and amortization and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

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

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

## Operating Segments

Financial information about reportable segments follows:

| | Food and Beverage | | | Packaging | | | Energy | | | Fuel and Oil | | | Infrastructure | | | Cement | | | Real Estate and Others | | | Eliminations | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| **Sales** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| External sales | **P379,603** | P358,587 | P309,576 | **P24,825** | P26,794 | P24,033 | **P159,693** | P212,843 | P129,420 | **P785,207** | P841,688 | P430,662 | **P34,001** | P29,003 | P19,688 | **P36,588** | P8,984 | P7,519 | **P26,786** | P28,692 | P20,295 | **P -** | P - | P - | **P1,446,703** | P1,506,591 | P941,193 |
| Inter-segment sales | **219** | 266 | 202 | **13,554** | 10,245 | 9,670 | **9,897** | 8,546 | 4,290 | **15,820** | 15,950 | 7,395 | **5** | 5 | 2 | **643** | - | 14 | **37,506** | 35,723 | 31,455 | **(77,644)** | (70,735) | (53,028) | **-** | - | - |
| Total sales | **P379,822** | P358,853 | P309,778 | **P38,379** | P37,039 | P33,703 | **P169,590** | P221,389 | P133,710 | **P801,027** | P857,638 | P438,057 | **P34,006** | P29,008 | P19,690 | **P37,231** | P8,984 | P7,533 | **P64,292** | P64,415 | P51,750 | **(P77,644)** | (P70,735) | (P53,028) | **P1,446,703** | P1,506,591 | P941,193 |
| **Result** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Segment result | **P48,411** | P48,711 | P43,695 | **P1,915** | P1,648 | P1,162 | **P32,526** | P17,278 | P36,633 | **P30,721** | P19,213 | P17,215 | **P17,722** | P14,142 | P6,658 | **P5,980** | (P599) | P909 | **P7,082** | P6,735 | P2,397 | **P128** | **P884** | **P3,518** | **P144,485** | P108,012 | P112,187 |
| Interest expense and other financing charges | | | | | | | | | | | | | | | | | | | | | | | | | **(91,303)** | (60,795) | (49,265) |
| Interest income | | | | | | | | | | | | | | | | | | | | | | | | | **14,027** | 7,108 | 3,591 |
| Equity in net earnings of associates and joint ventures | | | | | | | | | | | | | | | | | | | | | | | | | **1,729** | 1,197 | 1,040 |
| Gain on sale of investments and property and equipment | | | | | | | | | | | | | | | | | | | | | | | | | **83** | 733 | 167 |
| Other income (charges) - net | | | | | | | | | | | | | | | | | | | | | | | | | **4,086** | (16,178) | (1,768) |
| Income tax expense | | | | | | | | | | | | | | | | | | | | | | | | | **(28,408)** | (13,317) | (17,793) |
| **Net Income** | | | | | | | | | | | | | | | | | | | | | | | | | **P44,699** | P26,760 | P48,159 |
| Attributable to: | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equity holders of the Parent Company | | | | | | | | | | | | | | | | | | | | | | | | | **P198** | (P12,968) | P13,925 |
| Non-controlling interests | | | | | | | | | | | | | | | | | | | | | | | | | **44,501** | 39,728 | 34,234 |
| **Net Income** | | | | | | | | | | | | | | | | | | | | | | | | | **P44,699** | P26,760 | P48,159 |
| **Other Information** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Segment assets | **P297,032** | P281,652 | P252,307 | **P50,431** | P54,672 | P66,337 | **P702,778** | P637,243 | P553,573 | **P432,972** | P448,562 | P396,054 | **P440,455** | P361,128 | P285,015 | **P116,185** | P117,530 | P51,818 | **P339,296** | P436,550 | P286,727 | **(P180,120)** | (P204,706) | (P84,874) | **P2,199,029** | P2,132,631 | P1,806,957 |
| Investments in and advances to associates and joint ventures | **-** | - | - | **-** | - | - | **10,953** | 7,855 | 10,837 | **6** | 11 | 9 | **5,184** | 5,229 | 5,330 | **2,358** | 2,068 | 1,534 | **18,588** | 17,360 | 37,292 | **-** | - | - | **37,089** | 32,523 | 55,002 |
| Goodwill and trademarks and brand names | | | | | | | | | | | | | | | | | | | | | | | | | **183,008** | 184,320 | 130,357 |
| Other assets | | | | | | | | | | | | | | | | | | | | | | | | | **20,606** | 19,797 | 42,196 |
| Deferred tax assets | | | | | | | | | | | | | | | | | | | | | | | | | **19,633** | 22,554 | 17,141 |
| **Consolidated Total Assets** | | | | | | | | | | | | | | | | | | | | | | | | | **P2,459,365** | P2,391,825 | P2,051,653 |

*Forward*

| | Food and Beverage | | | Packaging | | | Energy | | | Fuel and Oil | | | Infrastructure | | | Cement | | | Real Estate and Others | | | Eliminations | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| Segment liabilities | **P73,742** | P69,749 | P62,807 | **P9,603** | P9,802 | P10,265 | **P81,870** | P73,768 | P52,019 | **P66,707** | P72,756 | P58,909 | **P53,317** | P69,783 | P51,399 | **P6,974** | P39,115 | P2,302 | **P102,371** | P103,096 | P81,290 | **(P148,456)** | (P189,869) | (P107,871) | **P246,128** | P248,200 | P211,120 |
| Loans payable | | | | | | | | | | | | | | | | | | | | | | | | | **214,881** | 267,704 | 190,779 |
| Long-term debt | | | | | | | | | | | | | | | | | | | | | | | | | **1,190,584** | 1,088,196 | 813,965 |
| Lease liabilities | | | | | | | | | | | | | | | | | | | | | | | | | **56,572** | 75,475 | 94,992 |
| Income and other taxes payable | | | | | | | | | | | | | | | | | | | | | | | | | **46,254** | 37,694 | 23,102 |
| Dividends and distributions payable and others | | | | | | | | | | | | | | | | | | | | | | | | | **10,277** | 9,107 | 7,714 |
| Deferred tax liabilities | | | | | | | | | | | | | | | | | | | | | | | | | **29,503** | 26,297 | 28,742 |
| **Consolidated Total Liabilities** | | | | | | | | | | | | | | | | | | | | | | | | | **P1,794,199** | P1,752,673 | P1,370,414 |
| Capital expenditures (Note 13) | **P16,236** | P11,873 | P10,802 | **P1,860** | P1,276 | P2,605 | **P36,179** | P44,580 | P39,597 | **P6,095** | P5,397 | P9,158 | **P1,762** | P1,191 | P906 | **P3,860** | P4,876 | P6,254 | **P5,181** | P6,793 | P5,099 | P - | P - | P - | **P71,173** | P75,986 | P74,421 |
| Depreciation of property, plant and equipment (Notes 13 and 28) | **5,962** | 5,294 | 5,062 | **2,039** | 2,107 | 2,086 | **8,425** | 7,336 | 5,960 | **9,980** | 8,942 | 7,047 | **452** | 363 | 369 | **2,700** | 754 | 745 | **2,609** | 2,382 | 2,637 | - | - | - | **32,167** | 27,178 | 23,906 |
| Noncash items other than depreciation of property, plant and equipment | **9,022** | 8,474 | 6,588 | **805** | 577 | 590 | **2,527** | 14,230 | 5,924 | **2,625** | 6,360 | 3,912 | **7,614** | 5,211 | 5,113 | **14** | 257 | 188 | **(2,121)** | 6,704 | (203) | - | - | - | **20,486** | 41,813 | 22,112 |
| Loss on (reversal of) impairment of trade and other receivables, goodwill, property, plant and equipment, trademark and brand names and other noncurrent assets (Notes 8, 13, 17, 18 and 32) | **-** | (31) | 455 | **188** | 910 | - | **35** | 12 | 12 | **-** | (1) | 1 | **-** | (1) | - | **(20)** | (19) | (19) | **577** | 241 | - | - | - | - | **780** | 1,111 | 449 |

## Disaggregation of Revenue

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

| | Food and Beverage | | | Packaging | | | Energy | | | Fuel and Oil | | | Infrastructure | | | Cement | | | Real Estate and Others | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| **Timing of Revenue Recognition** | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales recognized at point in time | **P379,593** | P358,573 | P309,565 | **P24,000** | P25,894 | P23,408 | **P -** | P - | P - | **P785,207** | P841,688 | P430,662 | **P -** | P - | P - | **P36,588** | P8,984 | P7,519 | **P22,945** | P24,822 | P17,313 | **P1,248,333** | P1,259,961 | P788,467 |
| Sales recognized over time | **10** | 14 | 11 | **825** | 900 | 625 | **159,693** | 212,843 | 129,420 | **-** | - | - | **34,001** | 29,003 | 19,688 | **-** | - | - | **3,841** | 3,870 | 2,982 | **198,370** | 246,630 | 152,726 |
| **Total External Sales** | **P379,603** | P358,587 | P309,576 | **P24,825** | P26,794 | P24,033 | **P159,693** | P212,843 | P129,420 | **P785,207** | P841,688 | P430,662 | **P34,001** | P29,003 | P19,688 | **P36,588** | P8,984 | P7,519 | **P26,786** | P28,692 | P20,295 | **P1,446,703** | P1,506,591 | P941,193 |

## 7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| Cash in banks and on hand | | **P64,282** | P78,560 |
| Short-term investments | | **197,076** | 239,654 |
| | *4, 39, 40* | **P261,358** | P318,214 |

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 31).

## 8. Trade and Other Receivables

Trade and other receivables consist of:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| Trade | | **P188,447** | P172,373 |
| Non-trade | *5, 34* | **76,731** | 69,672 |
| Amounts owed by related parties | *33, 35* | **11,061** | 9,650 |
| | | **276,239** | 251,695 |
| Less allowance for impairment losses | *4, 5* | **13,120** | 12,913 |
| | *4, 39, 40* | **P263,119** | P238,782 |

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables include claims from the Government, interest receivable, claims receivable, contracts receivable and others.

a. Claims from the Government consist of duty drawback, VAT and specific tax claims, subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism and due from Power Sector Assets and Liabilities Management Corporation (PSALM). Due from PSALM amounting to US$60 pertains to SPPC's performance bond pursuant to the Ilijan Independent Power Producer (IPP) Administration (IPPA) Agreements that was drawn by PSALM in September 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court (RTC) of Mandaluyong City (Note 43).

b. Receivables recognized by SPI for WESM transactions as well as the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant.

   On March 5, 2022, SPI entered into a Settlement Agreement with Team (Philippines) Energy Corporation (TPEC) and TeaM Sual Corporation (TSC) that aims to resolve all pending disputes on the dispatch of the excess capacity of the Sual Power Plant, including the claims of TPEC and SPI on historic imbalances arising from WESM transactions, cost of fuel, market fees and other charges. Pursuant to said agreement, SPI, TPEC and TSC have agreed to cause the dismissal of all ongoing cases and settle the historic imbalances and the corresponding amounts claimed relative to the excess capacity of the Sual Power Plant.

In accordance with the Settlement Agreement, SPI recognized a receivable net of collections from TPEC which amounted to P1,618 and P2,111 as at December 31, 2023 and 2022, respectively. The noncurrent portion of the receivable amounting to P1,074 and P1,576 as at December 31, 2023 and 2022, respectively, is included under "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 18). In 2022, SPI recognized the cost of its full dispatch rights on the capacity of the Sual Power Plant, amounting to P1,629, included as part of "Other intangible assets - net" account in the consolidated statements of financial position, with a carrying amount of P1,525 and P1,584 as at December 31, 2023 and 2022, respectively (Note 17).

c. Receivables recognized by APEC from ALECO following the termination of the concession agreement on November 21, 2022 amounted to P1,641 as at December 31, 2023 and 2022 (Note 34).

Amounts owed by related parties include trade receivables amounting to P996 and P870 as at December 31, 2023 and 2022, respectively.

The movements in the allowance for impairment losses are as follows:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **P12,913** | P13,268 |
| Charges (reversal) for the year | *27, 32* | **357** | (6) |
| Amounts written off | *4* | **(128)** | (366) |
| Translation adjustments and others | | **(22)** | 17 |
| Balance at end of year | | **P13,120** | P12,913 |

## 9. Inventories

Inventories consist of:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| At net realizable value: | | | |
| Finished goods and goods in process (including petroleum products) | | **P99,489** | P108,586 |
| Materials and supplies (including coal) | | **56,346** | 75,650 |
| At cost: | | | |
| Raw land inventory and real estate projects | | **6,151** | 5,957 |
| | *4* | **P161,986** | P190,193 |

The cost of finished goods and goods in process amounted to P100,035 and P109,119 as at December 31, 2023 and 2022, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have increased by P1,522 and P1,487 as at December 31, 2023 and 2022, respectively.

The cost of materials and supplies amounted to P57,486 and P76,659 as at December 31, 2023 and 2022, respectively.

Inventories (including distribution or transshipment costs) charged to cost of sales amounted to P929,217, P1,021,867 and P524,350 in 2023, 2022 and 2021, respectively (Note 26).

The movements in the allowance for write-down of inventories to net realizable value and inventory obsolescence are as follows:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **P1,542** | P1,505 |
| Provisions - net | *26, 27* | **252** | 277 |
| Write-off and others | | **(108)** | (240) |
| Balance at end of year | | **P1,686** | P1,542 |

Provisions for inventory losses amounted to P272 and P330 in 2023 and 2022, respectively. Reversals of provision for inventory losses pertain to inventories sold amounting to P20 and P53 in 2023 and 2022, respectively. Provisions for inventory losses, net of reversals, are included as part of "Cost of sales" and "Selling and administrative expenses" accounts in the consolidated statements of income (Notes 26 and 27).

The fair value of agricultural produce less costs to sell, which formed part of the cost of finished goods inventory, amounted to P115 and P127 as at December 31, 2023 and 2022, respectively, with corresponding costs at point of harvest amounting to P107 and P110, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P8, P17 and P26 in 2023, 2022 and 2021, respectively (Note 25).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The net realizable value of raw land inventory and real estate projects is higher than the carrying amount as at December 31, 2023 and 2022, based on management's assessment.

The fair value of raw land inventory amounted to P22,518 and P24,952 as at December 31, 2023 and 2022, respectively. The fair value has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

In estimating the fair value of the raw land inventory, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's raw land inventory are their current use.

The Level 3 fair value of raw land inventory was derived using the observable recent transaction prices for similar raw land inventory in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value (Note 4).

## 10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Prepaid taxes and licenses | *23* | **P113,530** | P100,339 |
| Restricted cash - current | *4, 18, 39, 40* | **14,076** | 17,411 |
| Advances to contractors and suppliers | | **4,901** | 2,931 |
| Derivative assets | *39, 40* | **2,063** | 2,486 |
| PSALM monthly fee outage credits | | **1,570** | 850 |
| Financial assets at FVPL | *5, 33, 39, 40* | **1,012** | 1,349 |
| Financial assets at amortized cost - current portion | *4, 12, 39, 40* | **554** | 531 |
| Prepaid insurance | | **544** | 657 |
| Prepaid rent | | **361** | 280 |
| Catalyst | | **207** | 197 |
| Assets held for sale | *5* | **-** | 2,840 |
| Financial assets at FVOCI - current portion | *4, 12, 39, 40* | **-** | 1 |
| Others | *34* | **2,606** | 3,819 |
| | | **P141,424** | P133,691 |

Restricted cash - current represents mainly: (i) cash in banks maintained by SMC NAIAX, SMCTC, SIDC, MMSS3, SMC Tollways, SMC MRT 7, LCWDC, and TADHC in accordance with the specific purposes and terms as required under certain loan and concession agreements. Certain loan agreements provide that the Security Trustee shall have control over and the exclusive right of withdrawal from the restricted bank accounts; and (ii) funds maintained in various financial institutions, as (a) cash flow waterfall accounts required under the respective credit facilities of LPI, MPI, MPCL and SMGP BESS, (b) debt service reserve account required under the Term Loan Facility and Security Agreement (TLFSA) of ECC, and (c) environmental guarantee fund for remittance to the Department of Environment and Natural Resources (DENR) and financial benefits to host communities, as required by law, of LPI and MPI.

Assets held for sale consist of:

a. KSHI

Included in the balance of assets consolidated to the Group upon acquisition of ECC are the assets of KSHI amounting to P2,668, classified as held for sale as at December 14, 2022 (Note 5). The sale was completed on June 16, 2023. KSHI is a wholly-owned subsidiary of ECC which owns several properties within a prime commercial area in Wack-Wack, Mandaluyong.

b. La Pacita Biscuit Assets

On March 11, 2022, the BOD of Magnolia approved the plan to take steps to liquidate the properties related to the operation of La Pacita biscuit. Accordingly, the related trademark amounting to P60 and property and equipment amounting to P112 were presented as held for sale, which was eventually disposed on March 10, 2023 (Notes 13 and 17).

PSALM monthly fee outage credits pertain to the approved reduction in SPI's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2023 and 2022.

Financial assets at FVPL include investment in debt securities under investment agreement with Bank of Commerce (BankCom) amounting to P49 and P50 as at December 31, 2023 and 2022, respectively (Note 33).

"Others" consist mainly of prepayments for various operating expenses and contract assets pertaining to the Group's right to consideration for work completed but not billed at the reporting date on the sale of real estate projects.

The methods and assumptions used to estimate the fair values of restricted cash, derivative assets, financial assets at FVPL, and financial assets at FVOCI are discussed in Note 40.

## 11. Investments and Advances

Investments and advances consist of:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| **Investments in Shares of Stock of Associates and Joint Ventures - at Equity** | | | |
| **Acquisition Cost** | | | |
| Balance at beginning of year | | **P21,290** | P20,787 |
| Additions | | **-** | 503 |
| Balance at end of year | | **21,290** | 21,290 |
| **Accumulated Equity in Net Earnings** | | | |
| Balance at beginning of year | | **1,821** | 1,886 |
| Equity in net earnings | | **1,729** | 1,197 |
| Share in other comprehensive loss | | **(4)** | (162) |
| Dividends | | **(1,125)** | (1,100) |
| Balance at end of year | | **2,421** | 1,821 |
| | | **23,711** | 23,111 |
| **Advances for Investments** | *5* | **13,378** | 9,412 |
| | *4* | **P37,089** | P32,523 |

Investments in Shares of Stock of Associates

a. BankCom

- Acquisition of Additional Common Shares

  On October 20, 2021, SMC through SMCEC acquired 1,571,600 common shares of BankCom at P226.48 per common share or P357, including transaction cost, representing an additional 1.4% ownership interest.

  The Bangko Sentral ng Pilipinas (BSP) and SEC approved the Amendment of Articles of Incorporation of BankCom on October 4 and November 2, 2021, respectively, for the change in the par value of BankCom's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BankCom on May 25 and July 8, 2021, respectively. As a result, SMPI and SMCEC's investment in BankCom's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BankCom's preferred shares also increased from 41,666,667 shares to 416,666,670 shares and presented as part of "Equity securities" under "Investments in equity and debt instruments" account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 12 and 35).

- Approval of the Upgrade of Banking License

  On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license.

  On February 22, 2022, the BOD of BankCom approved the amendments to the Articles of Incorporation to change its purpose from commercial bank to universal bank pursuant to BSP Monetary Board Resolution No. 1798 dated December 23, 2021.

- Initial Public Offering of Common Shares

  On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom, which includes the 280,602,800 common shares subject of the initial public offering. The 1,403,013,920 common shares of BankCom were listed at the Main Board of the PSE on March 31, 2022.

  As at December 31, 2023, SMC through SMPI and SMCEC has 31.94% and 4.87% equity interest in BankCom, respectively.

  As at December 31, 2023 and 2022, the fair value of the indirect equity investment by the Parent Company in common shares of stock of BankCom amounted to P3,755 and P4,075, respectively.

b. MNHPI

The Parent Company through SMHC owns 50% of the outstanding capital stock of MNHPI as at December 31, 2023 and 2022. MNHPI is the terminal operator of Manila North Harbor, a 60.96-hectare port facility situated at Tondo, City of Manila. The port has a total berth length of 5,758 meters and 41 berths which can accommodate all types of vessels such as containerized and non-container type vessels.

On September 8, 2022, SMHC and ICTSI signed a Shareholders Agreement wherein SMHC recognizes that ICTSI is the shareholder who has the ability to direct the relevant operational activities in view of its technical and port management expertise to affect increased returns to the shareholders. SMHC, directly or through its affiliates, shall provide financial management expertise and support to the operations of MNHPI. Consequently, the Group reclassified its investment in MNHPI from "Investments in shares of stock of joint ventures" to "Investments in shares of stock of associates" in accordance with PAS 28.

Investments in Shares of Stock of Joint Ventures

Angat Hydro and KWPP
PVEI, a subsidiary of San Miguel Global Power has an existing joint venture agreement with Korea Water Resources Corporation (K-Water), covering the acquisition, rehabilitation, operation and maintenance of the 218 megawatts (MW) Angat Hydroelectric Power Plant (Angat Power Plant) which was previously awarded by PSALM to K-Water.

PVEI holds 30,541,470 shares or 60% of the outstanding capital stock of Angat Hydro and 75 shares representing 60% of KWPP outstanding capital stock. PVEI and K-Water are jointly in control of the management and operation of Angat Hydro and KWPP.

In January 2017, PVEI granted shareholder advances amounting to US$32 (P1,579) to Angat Hydro. The advances bear annual interest rate of 4.5% and were due on April 30, 2017. The due date of the advances was extended as agreed amongst the parties.

As at December 31, 2023 and 2022, the remaining balance of the shareholder advances amounted to US$2 and US$2 (P126 and P127, respectively) and the due date was extended to December 31, 2024. Interest income earned from the advances amounted to P6 in 2023 and 2022 and P5 in 2021 (Notes 31 and 33).

In February 2023, October 2021 and June 2021, PVEI granted shareholder advances to Angat Hydro amounting to P344, P409 and P600, respectively. The advances bear interest rates of 6.125%, 4.6% and 6.125%, respectively, and are due on January 5, 2032. As at December 31, 2023 and 2022, the outstanding balance of the advances amounted to P1,353 and P1,009, respectively. Interest income earned from the advances amounted to P71, P53 and P19 in 2023, 2022 and 2021, respectively (Notes 31 and 33).

Advances for Investments

a. SMPI made advances to future investees amounting to P147 and P640 as at December 31, 2023 and 2022, respectively. These advances will be applied against future subscriptions of SMPI to the shares of stock of the future investee companies.

Impairment loss recognized on the advances for investments amounted to P498 and P241 in 2023 and 2022, respectively (Note 32). No impairment loss was recognized in 2021.

b. San Miguel Global Power and SPI made deposits to certain landholding companies amounting to P5,876 and P2,502 as at December 31, 2023 and 2022, respectively. These deposits will be applied against future stock subscriptions.

   San Miguel Global Power bought ownership interests in certain landholding companies. As a result, these landholding companies were consolidated and deposits amounting to P808 and P2,987 in 2023 and 2022, respectively, were eliminated (Note 5).

c. The Investment Agreement entered into by SMHL and Bryce Canyon Investments Limited (BCIL) for the sale and purchase of assets was terminated on December 16, 2022. Accordingly, the outstanding balance of advances for investment as at December 31, 2021 amounting to US$409 (P22,870) was paid by BCIL.

d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

The details of the Group's material investments in shares of stock of associates and joint ventures which are accounted for using the equity method are as follows:

| | December 31, 2023 | | | | | December 31, 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Angat Hydro and KWPP** | **BankCom** | **MNHPI** | **Others** | **Total** | Angat Hydro and KWPP | BankCom | MNHPI | Others | Total |
| **Country of incorporation** | **Philippines** | **Philippines** | **Philippines** | | | Philippines | Philippines | Philippines | | |
| **Percentage of ownership** | **60.00%** | **36.81%** | **50.00%** | | | 60.00% | 36.81% | 50.00% | | |
| **Share in net income (loss)** | **(P284)** | **P1,020** | **P951** | **P42** | **P1,729** | (P414) | P661 | P951 | (P1) | P1,197 |
| **Share in other comprehensive income (loss)** | **-** | **7** | **2** | **(13)** | **(4)** | - | (172) | 9 | 1 | (162) |
| **Share in total comprehensive income (loss)** | **(P284)** | **P1,027** | **P953** | **P29** | **P1,725** | (P414) | P489 | P960 | P - | P1,035 |
| **Dividends received** | **P -** | **P -** | **P1,125** | **P -** | **P1,125** | P - | P - | P1,100 | P - | P1,100 |
| **Carrying amounts of investments in shares of stock of associates and joint ventures** | **P4,323** | **P13,385** | **P4,541** | **P1,462** | **P23,711** | P4,606 | P12,358 | P4,714 | P1,433 | P23,111 |

The following are the audited condensed financial information of the Group's material investments in shares of stock of associates and joint ventures:

| | December 31, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Angat Hydro and KWPP** | **BankCom** | **MNHPI** | **Others** | Angat Hydro and KWPP | BankCom | MNHPI | Others |
| **Current assets** | **P1,531** | **P107,738** | **P1,632** | **P5,461** | P1,985 | P96,658 | P1,236 | P5,578 |
| **Noncurrent assets** | **16,823** | **123,930** | **8,898** | **3,373** | 16,794 | 120,859 | 9,497 | 2,924 |
| **Current liabilities** | **(1,757)** | **(194,530)** | **(1,135)** | **(5,211)** | (1,428) | (181,197) | (920) | (4,715) |
| **Noncurrent liabilities** | **(11,567)** | **(6,287)** | **(2,537)** | **(404)** | (11,848) | (8,289) | (2,610) | (470) |
| **Net assets** | **P5,030** | **P30,851** | **P6,858** | **P3,219** | P5,503 | P28,031 | P7,203 | P3,317 |
| **Sales** | **P1,752** | **P11,763** | **P5,399** | **P4,770** | P1,572 | P7,966 | P5,185 | P3,948 |
| **Net income (loss)** | **(P481)** | **P2,802** | **P1,922** | **(P48)** | (P677) | P1,800 | P1,742 | (P401) |
| **Other comprehensive income (loss)** | **-** | **18** | **3** | **(30)** | (5) | (391) | 20 | 3 |
| **Total comprehensive income (loss)** | **(P481)** | **P2,820** | **P1,925** | **(P78)** | (P682) | P1,409 | P1,762 | (P398) |

## 12. Investments in Equity and Debt Instruments

Investments in equity and debt instruments consist of:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| Government and other debt securities | | **P13,838** | P13,871 |
| Equity securities | | **5,989** | 5,984 |
| Proprietary membership shares and others | | **1,156** | 947 |
| | *4, 39, 40* | **20,983** | 20,802 |
| Less current portion | *10* | **1,566** | 1,881 |
| | | **P19,417** | P18,921 |

*Government and Other Debt Securities*
Government and other debt securities include:

a. Petrogen's investment in government securities classified as financial asset at amortized cost, deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors amounting to P658 and P635 as at December 31, 2023 and 2022, respectively. These investments bear fixed annual interest rates ranging from 1.94% to 6.25% in 2023 and 1.37% to 7.85% in 2022 (Notes 31 and 33).

b. Investment in debt securities under investment management agreement with BankCom entered by SMB and GSMI classified as financial assets at amortized cost amounting to a total of P3,500 and P11,500, as at December 31, 2023 and 2022, respectively, and by Petrogen classified as financial assets at FVOCI amounting to P739 and P700 as at December 31, 2023 and 2022, respectively.

   On March 23, 2023, the management of the investment in debt securities of SMB amounting to P8,000 was transferred to a non-bank financial institution.

   The investments in debt securities bear an annual average interest rates ranging from 7.45% to 7.85% in 2023 and 6.9% in 2022 and with maturities up to 2029 (Notes 31 and 33).

   Income earned from the investments in government and other debt securities amounted to P964, P141 and P27 in 2023, 2022 and 2021, respectively (Notes 31, 32 and 33).

*Equity Securities*
Equity securities include:

a. Parent Company's investment in the shares of stock of Top Frontier, consists of 2,561,031 common shares amounting to P246 and P243 as at December 31, 2023 and 2022, respectively.

   On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by the Parent Company. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424, corresponding to the original issue price, plus any unpaid cash dividend amounting to P267.

   Total dividend income from the investment in preferred shares of stock of Top Frontier amounted to P1,328 and P1,063 in 2022 and 2021, respectively, presented as part of "Dividend income" under "Other income (charges) - net" account in the consolidated statements of income (Note 32).

b. Parent Company through SMCEC's investment in 41,666,667 Series 1 Preferred Shares of BankCom at P132.00 per preferred share or P5,500 as at December 31, 2023 and 2022.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BankCom and subject to the other terms and conditions as may be fixed by the BOD of BankCom, required under regulations, and to the extent permitted by applicable law.

As discussed in Note 11, the investment in preferred shares increased from 41,666,667 shares to 416,666,670 shares following the approval of the Amendment of Articles of Incorporation of BankCom for the change in the par value from P100.00 per share to P10.00 per share.

The Group has irrevocably elected to classify these investments as financial assets at FVOCI as it intends to hold these investments for strategic purposes.

The Group recognized gain (loss) on financial assets at FVOCI amounting to P155, P50 and (P11) in 2023, 2022 and 2021, respectively, in the consolidated statements of comprehensive income.

The movements in investments in equity and debt instruments are as follows:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **P20,802** | P42,857 |
| Additions | | **616** | 12,937 |
| Acquisition of a subsidiary | | **-** | 997 |
| Redemption/disposals | | **(606)** | (36,153) |
| Fair value gain | | **158** | 157 |
| Amortization of premium | | **14** | 4 |
| Currency translation adjustments and others | | **(1)** | 3 |
| Balance at end of year | *4, 10, 39, 40* | **P20,983** | P20,802 |

The investments in equity and debt instruments are classified as follows:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| **Noncurrent** | | | |
| Financial assets at FVOCI | | **P7,424** | P7,318 |
| Financial assets at amortized cost | | **11,604** | 11,603 |
| Financial assets at FVPL | | **389** | - |
| | | **19,417** | 18,921 |
| **Current** | | | |
| Financial assets at FVOCI | | **-** | 1 |
| Financial assets at amortized cost | | **554** | 531 |
| Financial assets at FVPL | | **1,012** | 1,349 |
| | *10* | **1,566** | 1,881 |
| | | **P20,983** | P20,802 |

The methods and assumptions used to estimate the fair value of investments in equity and debt instruments are discussed in Notes 3, 4 and 40.

## 13. Property, Plant and Equipment

Property, plant and equipment consist of:

| | *Note* | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| January 1, 2022 | | P43,895 | P65,036 | P154,126 | P188,532 | P20,092 | P200,667 | P8,580 | P144,461 | P825,389 |
| Additions | *14* | 950 | 1,036 | 48,873 | 2,119 | 265 | 3,956 | 224 | 66,921 | 124,344 |
| Acquisition of subsidiaries | *5,11* | 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 | *5, 10, 15* | (2,781) | 7,837 | 932 | 2,971 | 319 | 11,531 | 1,161 | (17,954) | 4,016 |
| Currency translation adjustments | | 129 | 403 | - | 822 | 330 | 1,460 | 10 | 58 | 3,212 |
| December 31, 2022 | | 53,863 | 80,797 | 203,466 | 194,444 | 20,482 | 233,513 | 9,971 | 194,022 | 990,558 |
| Additions | | 320 | 734 | 1,728 | 394 | 514 | 7,698 | 173 | 59,612 | 71,173 |
| Acquisition of a subsidiary | *5, 11* | 448 | - | - | - | - | - | - | - | 448 |
| Disposals/retirement | | (6) | (168) | (76) | (1) | (918) | (2,943) | (14) | (14) | (4,140) |
| Reclassifications and others | *5, 15* | 3,801 | 12,365 | 20,251 | 948 | 261 | 23,101 | 2,549 | (55,165) | 8,111 |
| Currency translation adjustments | | (102) | (276) | - | (1,278) | (494) | (773) | 2 | (38) | (2,959) |
| **December 31, 2023** | | **58,324** | **93,452** | **225,369** | **194,507** | **19,845** | **260,596** | **12,681** | **198,417** | **1,063,191** |
| **Accumulated Depreciation** | | | | | | | | | | |
| January 1, 2022 | | 3,948 | 21,262 | 24,119 | 64,516 | 14,751 | 112,353 | 2,348 | - | 243,297 |
| Depreciation | *6, 28* | 484 | 1,897 | 7,575 | 5,543 | 1,108 | 10,140 | 431 | - | 27,178 |
| Disposals/retirement | | (13) | (70) | (133) | - | (518) | (1,437) | (2) | - | (2,173) |
| Reclassifications | *10* | (3) | (302) | - | - | - | (2,151) | 37 | - | (2,419) |
| Currency translation adjustments | | 2 | 207 | - | 346 | 209 | 878 | 3 | - | 1,645 |
| December 31, 2022 | | 4,418 | 22,994 | 31,561 | 70,405 | 15,550 | 119,783 | 2,817 | - | 267,528 |
| Depreciation | *6, 28* | 560 | 2,518 | 8,760 | 6,336 | 950 | 12,496 | 547 | - | 32,167 |
| Disposals/retirement | | (6) | (117) | (13) | (1) | (818) | (1,980) | (14) | - | (2,949) |
| Reclassifications | *5* | (11) | (477) | - | 31 | 14 | 467 | (8) | - | 16 |
| Currency translation adjustments | | 1 | (129) | - | (553) | (320) | (444) | - | - | (1,445) |
| **December 31, 2023** | | **4,962** | **24,789** | **40,308** | **76,218** | **15,376** | **130,322** | **3,342** | - | **295,317** |
| **Accumulated Impairment Losses** | | | | | | | | | | |
| January 1, 2022 | | 38 | 3,395 | - | - | 1 | 11,023 | 26 | - | 14,483 |
| Impairment | *32* | - | - | - | - | - | 105 | - | - | 105 |
| Disposals/retirement | | - | (4) | - | - | - | (4) | - | - | (8) |
| Reclassifications | | (38) | (1) | - | - | (1) | - | - | - | (40) |
| Currency translation adjustments | | - | 27 | - | - | - | 271 | - | - | 298 |
| December 31, 2022 | | - | 3,417 | - | - | - | 11,395 | 26 | - | 14,838 |
| Impairment | *32* | - | - | - | - | - | 15 | - | 65 | 80 |
| Disposals/retirement | | - | (42) | - | - | - | (84) | - | - | (126) |
| Reclassifications | | - | - | - | - | - | (122) | - | - | (122) |
| Currency translation adjustments | | - | (72) | - | - | - | (196) | - | - | (268) |
| **December 31, 2023** | | **-** | **3,303** | - | - | **-** | **11,008** | **26** | **65** | **14,402** |
| **Carrying Amount** | | | | | | | | | | |
| December 31, 2022 | | P49,445 | P54,386 | P171,905 | P124,039 | P4,932 | P102,335 | P7,128 | P194,022 | P708,192 |
| **December 31, 2023** | | **P53,362** | **P65,360** | **P185,061** | **P118,289** | **P4,469** | **P119,266** | **P9,313** | **P198,352** | **P753,472** |

“Equipment, furniture and fixtures” includes machinery, transportation equipment, office equipment and tools and small equipment.

Total depreciation and impairment losses recognized in the consolidated statements of income amounted to P32,247, P27,283 and P23,992 in 2023, 2022 and 2021, respectively (Notes 28 and 32). These amounts include annual amortization of capitalized borrowing costs amounting to P1,213, P767 and P942 in 2023, 2022 and 2021, respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 15) and reclassifications from capital projects in progress account to specific property, plant and equipment accounts. In 2022, property and equipment related to La Pacita biscuit operations amounting to P112 were reclassified to “Assets held for sale” presented under “Prepaid expenses and other current assets” account, which was eventually disposed of on March 10, 2023 (Note 10).

In June 2022, the IPPA Agreement between SPPC and PSALM has ended. Accordingly, pursuant to the terms and conditions in the IPPA Agreement, the Ilijan Power Plant was reclassified from “Right-of-use assets - net” to “Property, plant and equipment - net” account presented as part of “Additions” (Notes 14 and 34).

The Group has capitalized borrowing costs amounting to P3,881 and P4,111 in 2023 and 2022, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.83% to 9.52% and 2.27% to 8.22% in 2023 and 2022, respectively. The unamortized capitalized borrowing costs amounted to P25,860 and P23,342 as at December 31, 2023 and 2022, respectively.

Certain fully depreciated property, plant and equipment with aggregate costs of P104,277 and P96,558 as at December 31, 2023 and 2022, respectively are still being used in the Group’s operations.

As at December 31, 2023 and 2022, certain property, plant and equipment amounting to P165,263 and P126,261, respectively, are pledged as security for syndicated project finance loans (Note 21).

## 14. Right-of-Use Assets

The movements in right-of-use assets are as follows:

| | *Note* | Land | Buildings and Improvements | Power Plants | Service Stations and Other Equipment | Machinery and Equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| January 1, 2022 | | P14,612 | P1,058 | P167,387 | P24 | P673 | P183,754 |
| Additions | | 2,373 | 252 | - | - | 34 | 2,659 |
| Acquisition of a subsidiary | *5* | - | 26 | - | - | - | 26 |
| Disposals/retirement | | (176) | (157) | - | - | (27) | (360) |
| Remeasurement, reclassifications and others | *13* | 70 | 56 | (53,988) | 46 | - | (53,816) |
| Currency translation adjustments | | 147 | 7 | - | 1 | 5 | 160 |
| December 31, 2022 | | 17,026 | 1,242 | 113,399 | 71 | 685 | 132,423 |
| Additions | | 624 | 291 | - | - | 62 | 977 |
| Disposals/retirement | | (129) | (364) | - | - | (104) | (597) |
| Remeasurement, reclassifications and others | | 82 | (1) | - | - | 1 | 82 |
| Currency translation adjustments | | (55) | (5) | - | (2) | 4 | (58) |
| **December 31, 2023** | | **17,548** | **1,163** | **113,399** | **69** | **648** | **132,827** |
| **Accumulated Depreciation** | | | | | | | |
| January 1, 2022 | | 3,656 | 589 | 15,559 | 9 | 495 | 20,308 |
| Depreciation | *28* | 915 | 356 | 4,244 | 4 | 95 | 5,614 |
| Disposals/retirement | | (23) | (121) | - | - | (26) | (170) |
| Remeasurement, reclassifications and others | *13* | (40) | 9 | (5,520) | 2 | 7 | (5,542) |
| Currency translation adjustments | | 53 | 4 | - | - | 1 | 58 |
| December 31, 2022 | | 4,561 | 837 | 14,283 | 15 | 572 | 20,268 |
| Depreciation | *28* | 977 | 293 | 3,571 | 4 | 54 | 4,899 |
| Disposals/retirement | | (95) | (337) | - | - | (104) | (536) |
| Remeasurement, reclassifications and others | | 107 | 13 | - | - | - | 120 |
| Currency translation adjustments | | (23) | (3) | - | - | - | (26) |
| **December 31, 2023** | | **5,527** | **803** | **17,854** | **19** | **522** | **24,725** |
| **Accumulated Impairment Losses** | | | | | | | |
| January 1, 2022 | | 82 | - | - | - | - | 82 |
| Currency translation adjustments | | 6 | - | - | - | - | 6 |
| **December 31, 2023 and 2022** | | **88** | **-** | **-** | **-** | **-** | **88** |
| **Carrying Amount** | | | | | | | |
| December 31, 2022 | | P12,377 | P405 | P99,116 | P56 | P113 | P112,067 |
| **December 31, 2023** | | **P11,933** | **P360** | **P95,545** | **P50** | **P126** | **P108,014** |

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to 50 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

Total depreciation recognized in the consolidated statements of income amounted to P4,899, P5,614 and P6,524 in 2023, 2022 and 2021, respectively (Note 28).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

The reclassifications in 2022 mainly relates to the Ilijan Power Plant which was reclassified to “Property, plant and equipment - net" account following the expiration of the IPPA Agreement between SPPC and PSALM and its turnover to SPPC in June 2022 (Notes 13 and 34).

No impairment loss was recognized in 2023, 2022 and 2021.

The Group recognized interest expense related to these leases amounting to P3,772, P4,785 and P6,057 in 2023, 2022 and 2021, respectively (Note 30).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P194, P8 and P3,326, respectively, in 2023, P82, P6 and P3,415, respectively, in 2022, and P288, P6 and P2,766, respectively, in 2021.

The Group had total cash outflows for leases of P28,222, P34,237 and P35,164 in 2023, 2022 and 2021, respectively.

## 15. Investment Property

The movements in investment property are as follows:

| | *Note* | Land, Land and Leasehold Improvements | Buildings and Improvements | Machinery and Equipment | Construction in Progress | Right-of-Use Asset | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| January 1, 2022 | | P57,122 | P20,630 | P438 | P504 | P10,609 | P89,303 |
| Additions | | 3,264 | 98 | - | 415 | 638 | 4,415 |
| Reclassifications | *13* | (7,017) | (234) | (420) | 310 | 8,946 | 1,585 |
| Disposals/retirement | | (21) | (18) | - | - | (218) | (257) |
| Currency translation adjustments | | 404 | 419 | - | 4 | 62 | 889 |
| December 31, 2022 | | 53,752 | 20,895 | 18 | 1,233 | 20,037 | 95,935 |
| Additions | | 2,919 | 143 | - | 914 | 1,474 | 5,450 |
| Acquisition of subsidiaries | *5* | 214 | - | - | 916 | - | 1,130 |
| Reclassifications | *13* | 1,388 | (272) | 50 | (99) | 14 | 1,081 |
| Disposals/retirement | | (20) | (14) | - | - | (268) | (302) |
| Currency translation adjustments | | (173) | (532) | - | (10) | (471) | (1,186) |
| **December 31, 2023** | | **58,080** | **20,220** | **68** | **2,954** | **20,786** | **102,108** |
| **Accumulated Depreciation** | | | | | | | |
| January 1, 2022 | | 4,825 | 11,279 | 429 | - | 2,937 | 19,470 |
| Depreciation | *28* | 29 | 733 | 2 | - | 1,318 | 2,082 |
| Reclassifications | | (4,078) | 94 | (421) | - | 4,000 | (405) |
| Disposals/retirement | | - | (17) | - | - | (203) | (220) |
| Currency translation adjustments | | 110 | 205 | - | - | 25 | 340 |
| December 31, 2022 | | 886 | 12,294 | 10 | - | 8,077 | 21,267 |
| Depreciation | *28* | 31 | 708 | 7 | - | 1,300 | 2,046 |
| Reclassifications | | (62) | 387 | - | - | (227) | 98 |
| Disposals/retirement | | - | (10) | - | - | (268) | (278) |
| Currency translation adjustments | | - | (538) | - | - | (22) | (560) |
| **December 31, 2023** | | **855** | **12,841** | **17** | **-** | **8,860** | **22,573** |
| **Accumulated Impairment Losses** | | | | | | | |
| December 31, 2022 | | 8 | - | - | - | - | 8 |
| Impairment | *32* | - | - | - | 14 | - | 14 |
| **December 31, 2023** | | **8** | **-** | **-** | **14** | **-** | **22** |
| **Carrying Amount** | | | | | | | |
| December 31, 2022 | | P52,858 | P8,601 | P8 | P1,233 | P11,960 | P74,660 |
| **December 31, 2023** | | **P57,217** | **P7,379** | **P51** | **P2,940** | **P11,926** | **P79,513** |

Total depreciation recognized in the consolidated statements of income amounted to P2,046, P2,082 and P2,025 in 2023, 2022 and 2021, respectively (Note 28).

The reclassification in 2023 and 2022 relates to the change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party which was reclassified from “Property, plant and equipment - net” account mainly by SMPI and MVHI (Note 13).

Impairment loss of P14 was recognized in 2023. No impairment loss was recognized in 2022 and 2021.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2023, 2022 and 2021.

The fair value of investment property amounting to P143,726 and P122,861 as at December 31, 2023 and 2022, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group’s investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches:

*Cost Approach*. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

*Sales Comparison Approach.* The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

*Income Approach.* The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment range from 3.00% to 5.00%.

## 16. Biological Assets

Biological assets consist of:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| Current: | | | |
| Growing stocks | | **P2,608** | P2,418 |
| Goods in process | | **907** | 1,000 |
| | | **3,515** | 3,418 |
| Noncurrent: | | | |
| Breeding stocks - net | | **2,667** | 2,671 |
| | *4* | **P6,182** | P6,089 |

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P4,054, P3,303 and P2,896 in 2023, 2022 and 2021, respectively (Note 28).

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| **Cost** | | | |
| Balance at beginning of year | | **P6,116** | P5,901 |
| Increase (decrease) due to: | | | |
| Production | | **62,668** | 54,657 |
| Purchases | | **607** | 841 |
| Mortality | | **(320)** | (363) |
| Harvest | | **(58,792)** | (51,084) |
| Retirement | | **(4,069)** | (3,836) |
| Balance at end of year | | **6,210** | 6,116 |
| **Accumulated Amortization** | | | |
| Balance at beginning of year | | **27** | 551 |
| Amortization | *28* | **4,054** | 3,303 |
| Retirement | | **(4,053)** | (3,827) |
| Balance at end of year | | **28** | 27 |
| **Carrying Amount** | | **P6,182** | P6,089 |

The Group harvested approximately 540.4 million and 560.4 million kilograms of grown broilers in 2023 and 2022, respectively, and 0.04 million and 0.12 million heads of marketable hogs in 2023 and 2022, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P50,973 and P67,232 in 2023 and 2022, respectively.

## 17. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

| | 2023 | 2022 |
|---|---|---|
| Goodwill | **P182,791** | P184,100 |
| Other intangible assets | **306,638** | 249,321 |
| | **P489,429** | P433,421 |

The movements in goodwill are as follows:

| | *Note* | 2023 | 2022 |
|---|---|---|---|
| **Gross Carrying Amount** | | | |
| Balance at beginning of year | | **P185,771** | P130,960 |
| Additions | *5, 38* | **-** | 54,273 |
| Purchase price allocation adjustment | *5* | **(683)** | - |
| Cumulative translation adjustments | | **(428)** | 538 |
| Balance at end of year | | **184,660** | 185,771 |
| **Accumulated Impairment Losses** | | | |
| Balance at beginning of year | | **1,671** | 879 |
| Impairment | *32* | **188** | 789 |
| Cumulative translation adjustments | | **10** | 3 |
| Balance at end of year | | **1,869** | 1,671 |
| | *4* | **P182,791** | P184,100 |

The movements in other intangible assets with indefinite useful lives are as follows:

| | *Note* | Licenses | Trademarks and Brand Names | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| January 1, 2022 | | P2,010 | P910 | P2,920 |
| Reclassifications | *10* | - | (493) | (493) |
| Currency translation adjustments | | 115 | 28 | 143 |
| December 31, 2022 | | 2,125 | 445 | 2,570 |
| Currency translation adjustments | | 7 | (5) | 2 |
| **December 31, 2023** | | **2,132** | **440** | **2,572** |
| **Accumulated Impairment Losses** | | | | |
| January 1, 2022 | | - | 634 | 634 |
| Reclassifications | *10* | - | (433) | (433) |
| Currency translation adjustments | | - | 24 | 24 |
| December 31, 2022 | | - | 225 | 225 |
| Currency translation adjustments | | - | (2) | (2) |
| **December 31, 2023** | | **-** | **223** | **223** |
| **Carrying Amount** | | | | |
| December 31, 2022 | | P2,125 | P220 | P2,345 |
| **December 31, 2023** | | **P2,132** | **P217** | **P2,349** |

The movements in other intangible assets with finite useful lives are as follows:

| | Note | Concession Rights | | | | Mineral Rights and Evaluation Assets | Computer Software and Licenses and Others | Total |
|---|---|---|---|---|---|---|---|---|
| | | Toll Road | Airport | Power | Water | | | |
| **Cost** | | | | | | | | |
| January 1, 2022 | | P190,816 | P25,933 | P1,557 | P6,898 | P6,384 | P7,002 | P238,590 |
| Additions | *8* | 6,879 | 48,723 | 136 | 54 | 16 | 2,354 | 58,162 |
| Acquisition of subsidiaries | *5, 38* | - | - | - | - | 8,121 | 185 | 8,306 |
| Reclassifications and others | *8* | 2,358 | 175 | (1,693) | (1) | (1,721) | (410) | (1,292) |
| Currency translation adjustments | | - | - | - | - | - | 31 | 31 |
| December 31, 2022 | | 200,053 | 74,831 | - | 6,951 | 12,800 | 9,162 | 303,797 |
| Additions | *8* | 7,019 | 44,163 | - | 27 | 2 | 13,466 | 64,677 |
| Reclassifications and others | | 128 | (141) | - | - | 748 | 47 | 782 |
| Currency translation adjustments | | - | - | - | - | - | (30) | (30) |
| **December 31, 2023** | | **207,200** | **118,853** | **-** | **6,978** | **13,550** | **22,645** | **369,226** |
| **Accumulated Amortization** | | | | | | | | |
| January 1, 2022 | | 43,475 | 1,739 | 296 | 720 | 265 | 3,222 | 49,717 |
| Amortization | *28* | 6,235 | 352 | 67 | 257 | 242 | 312 | 7,465 |
| Reclassifications and others | | - | - | (363) | - | - | (67) | (430) |
| Currency translation adjustments | | - | - | - | - | - | 30 | 30 |
| December 31, 2022 | | 49,710 | 2,091 | - | 977 | 507 | 3,497 | 56,782 |
| Amortization | *28* | 6,825 | 358 | - | 258 | 341 | 362 | 8,144 |
| Reclassifications and others | | - | - | - | - | 2 | - | 2 |
| Currency translation adjustments | | - | - | - | - | - | (30) | (30) |
| **December 31, 2023** | | **56,535** | **2,449** | **-** | **1,235** | **850** | **3,829** | **64,898** |
| **Accumulated Impairment** | | | | | | | | |
| January 1, 2022 | | - | - | 141 | - | - | 39 | 180 |
| Disposals | | - | - | (141) | - | - | - | (141) |
| **December 31, 2023 and 2022** | | **-** | **-** | **-** | **-** | **-** | **39** | **39** |
| **Carrying Amount** | | | | | | | | |
| December 31, 2022 | | P150,343 | P72,740 | P - | P5,974 | P12,293 | P5,626 | P246,976 |
| **December 31, 2023** | | **P150,665** | **P116,404** | **P -** | **P5,743** | **P12,700** | **P18,777** | **P304,289** |

The Group has capitalized borrowing costs amounting to P549 and P63 in 2023 and 2022, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 5.87% to 9.20% and 5.06% to 5.87% in 2023 and 2022, respectively. The unamortized capitalized borrowing costs amounted to P4,634 and P8,964 as at December 31, 2023 and 2022, respectively.

Goodwill, licenses and trademarks and brand names with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Goodwill** | **Licenses, Trademarks and Brand Names** | Goodwill | Licenses, Trademarks and Brand Names |
| Energy | **P69,944** | **P -** | P69,944 | P - |
| Cement | **53,590** | **-** | 54,273 | - |
| Fuel and oil | **30,118** | **-** | 30,534 | - |
| Infrastructure | **21,950** | **-** | 21,950 | - |
| Food and beverage | **3,639** | **2,349** | 3,639 | 2,345 |
| Packaging | **3,476** | **-** | 3,686 | - |
| Others | **74** | **-** | 74 | - |
| Total | **P182,791** | **P2,349** | P184,100 | P2,345 |

The recoverable amount of goodwill has been determined based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 2.88% to 8.82% and less than 1% to 15.22% in 2023 and 2022, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 6% to 11% in 2023 and 2022. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Impairment loss recognized in 2023 and 2022 amounted to P188 and P789, respectively (Note 32). No impairment loss was recognized for goodwill in 2021.

The recoverable amount of licenses, trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% in 2023 and 2022, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 7% to 12% and 6.5% to 12% in 2023 and 2022, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2021, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

Impairment loss recognized in 2021 for La Pacita trademark amounted to P386 with a recoverable amount of P60 (Note 32). As at December 31, 2022, the recoverable amount was presented as held for sale, following the approval of the sale of La Pacita trademark on February 2, 2023, which was eventually disposed on March 10, 2023 (Note 10).

No impairment loss was recognized for licenses in 2023, 2022 and 2021 and for trademarks and brand names in 2023 and 2022.

Other than the items on which impairment losses were already recognized, management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

- *Gross Margins*. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates*. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

As at December 31, 2023 and 2022, certain other intangible assets amounting to P97,715 and P100,641, respectively, were pledged as security for syndicated project finance loans (Note 21).

## 18. Other Noncurrent Assets

Other noncurrent assets consist of:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Noncurrent receivables and deposits - net | *4, 5, 8, 33, 34, 39, 40* | **P48,319** | P39,700 |
| Advances to contractors and suppliers | | **33,053** | 31,966 |
| Deferred containers - net | *4* | **17,484** | 17,457 |
| Deposits on land for future development | | **5,311** | 3,946 |
| Restricted cash | *4, 39, 40* | **4,443** | 1,639 |
| Idle assets | *4* | **2,610** | 2,544 |
| Noncurrent prepaid expense | | **1,498** | 234 |
| Catalyst | | **629** | 422 |
| Derivative assets - noncurrent | *3, 39, 40* | **301** | 1,138 |
| Noncurrent prepaid rent | | **180** | 179 |
| Noncurrent prepaid input tax | | **115** | 877 |
| Deferred exploration and development costs | *4* | **76** | 55 |
| Retirement assets | *35* | **39** | 31 |
| Others | | **4,671** | 2,330 |
| | | **P118,729** | P102,518 |

The movements in deferred containers - net are as follows:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| **Gross Carrying Amount** | | | |
| Balance at beginning of year | | **P35,240** | P34,514 |
| Additions | | **5,563** | 6,408 |
| Disposals/retirement/reclassifications | | **(2,235)** | (5,683) |
| Currency translation adjustments | | **33** | 1 |
| Balance at end of year | | **38,601** | 35,240 |
| **Accumulated Depreciation** | | | |
| Balance at beginning of year | | **16,691** | 14,714 |
| Depreciation | *28* | **4,128** | 59 |
| Disposals/retirement/reclassifications | | **(623)** | 1,906 |
| Currency translation adjustments | | **(7)** | 12 |
| Balance at end of year | | **20,189** | 16,691 |
| **Accumulated Impairment** | | | |
| Balance at beginning of year | | **1,092** | 737 |
| Impairment | *27, 32* | **487** | 1,187 |
| Disposals/reclassifications | | **(652)** | (833) |
| Currency translation adjustments | | **1** | 1 |
| Balance at end of year | | **928** | 1,092 |
| | | **P17,484** | P17,457 |

Noncurrent receivables and deposits include amounts owed by related parties amounting to P4,410 and P4,115 as at December 31, 2023 and 2022, respectively (Note 33) and the costs related to the development of the MRT 7 Project amounting to P39,382 and P30,816 as at December 31, 2023 and 2022, respectively (Note 34).

Noncurrent receivables and deposits are net of allowance for impairment losses amounting to P567 and P582 as at December 31, 2023 and 2022, respectively (Note 4).

Restricted cash represents:

i. LPI's cash flow waterfall accounts amounting to P1,204 and P1,160 as at December 31, 2023 and 2022, respectively;

ii. MPCL's cash flow waterfall accounts and environmental guarantee fund amounting to P2,645 and P130 as at December 31, 2023 and 2022, respectively;

iii. Cash in bank maintained by NCC and SCII in accordance with the specific purpose and term as required under its loan agreement, amounting to P273 and P179 as at December 31, 2023 and 2022, respectively;

iv. Deposit in escrow by East Star Cement Phils., Inc. to settle the remaining unpaid creditors under the Court-approved Rehabilitation Plan with Final Registry of Claims amounting to P141 as at December 31, 2023;

v. Rehabilitation funds established by NCC, ECC and EERI in compliance with DENR Administrative Order No. 2005-07 for environmental protection and enhancement amounting to P130 and P120 as at December 31, 2023 and 2022, respectively; and

vi. Deposit in escrow by ECC for a pending legal case amounting to P50 as at December 31, 2023 and 2022.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 40.

"Others" include marketing assistance to dealers and other noncurrent prepaid expenses.

## 19. Loans Payable

Loans payable consist of:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| **Parent Company** | | | |
| Peso-denominated | | **P21,300** | P22,457 |
| Foreign currency-denominated | | **-** | 33,168 |
| **Subsidiaries** | | | |
| Peso-denominated | | **180,123** | 195,919 |
| Foreign currency-denominated | | **13,458** | 16,160 |
| | *38, 39, 40* | **P214,881** | P267,704 |

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates per annum for Peso-denominated loans ranged from 3.71% to 7.53% and 1.97% to 7.75% in 2023 and 2022, respectively. Interest rates per annum for foreign currency-denominated loans ranged from 3.2% to 7.53% and 1.28% to 6.88% in 2023 and 2022, respectively (Note 30).

Loans payable include interest-bearing amounts payable to BankCom amounting to P6,382 and P8,172 as at December 31, 2023 and 2022, respectively (Note 33).

## 20. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Trade | *34* | **P102,717** | P107,990 |
| Non-trade | *5* | **94,354** | 90,755 |
| Customers' deposits | *3* | **9,245** | 8,603 |
| Accrued payroll | | **6,245** | 6,400 |
| Accrued interest payable | | **5,653** | 5,047 |
| Amounts owed to related parties | *33* | **1,555** | 2,755 |
| Derivative liabilities | *39, 40* | **908** | 2,832 |
| Deferred liability on consumer loyalty program | | **747** | 813 |
| Current portion of IRO | *4* | **320** | 487 |
| Retention payable | | **249** | 210 |
| Retirement liabilities | *35* | **101** | 122 |
| Deferred rent income | | **58** | 60 |
| Redeemable preferred shares | *4* | **19** | 19 |
| Others | | **884** | 1,033 |
| | *39, 40* | **P223,055** | P227,126 |

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

*Redeemable Preferred Shares.* These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year Bloomberg Valuation or BVAL). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares are required to be redeemed at the end of the 10-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

As at December 31, 2023 and 2022, the preferred shares remain outstanding as other requirements prior to redemption are pending from the shareholders.

"Others" include ARO, accruals for materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 40.

## 21. Long-term Debt

Long-term debt consists of:

| | 2023 | 2022 |
|---|---|---|
| **Parent Company** | | |
| Peso-denominated Bonds: | | |
| Fixed interest rate of 7.4458%, 7.8467% and 8.4890% maturing in 2028, 2029 and 2032, respectively (a) | **P59,299** | P59,165 |
| Fixed interest rate of 5.284% and 5.55%, 6.625%, 5.7613%, and 7.125% maturing in 2024, 2025, 2027 and 2028, respectively (b) | **30,087** | 43,167 |
| Fixed interest rate of 3.3832% maturing in 2027 (c) | **29,762** | 29,700 |
| Fixed interest rate of 5.2704% and 5.8434% maturing in 2027 and 2029, respectively (d) | **29,699** | 29,644 |
| Peso-denominated Term Notes: | | |
| Fixed interest rate of 6.9375% with maturities up to 2026 (e) | **15,231** | 15,373 |
| Fixed interest rate of 7.1968% with maturities up to 2029 (f) | **5,148** | - |
| Foreign currency-denominated Term Notes: | | |
| Fixed interest rate of 6.55% maturing in 2028 (g) | **8,247** | - |
| Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2024 (h) | **110,301** | 110,492 |
| Floating interest rate based on SOFR plus margin, maturing in 2035 (i) | **81,332** | 47,534 |
| Floating interest rate based on SOFR plus margin, maturing in 2028 (j) | **71,892** | - |
| Floating interest rate based on SOFR plus margin, maturing in 2026 (k) | **49,074** | 49,172 |
| Floating interest rate based on SOFR plus margin, maturing in 2027 (l) | **38,099** | 38,201 |
| Floating interest rate based on SOFR plus margin, maturing in 2028 (m) | **16,244** | - |
| Floating interest rate based on SOFR plus margin, maturing in 2028 (n) | **16,166** | - |
| Floating interest rate based on SOFR plus margin, maturing in 2028 (o) | **10,837** | - |
| Floating interest rate based on SOFR plus margin, maturing in 2026 (p) | **5,488** | 5,510 |
| Floating interest rate based on SOFR plus margin, maturing in 2027 (q) | **5,487** | 5,512 |
| Floating interest rate based on (London Interbank Offered Rate) LIBOR plus margin (r) | **-** | 22,282 |
| Floating interest rate based on LIBOR plus margin (s) | **-** | 16,697 |
| Floating interest rate based on LIBOR plus margin (t) | **-** | 16,682 |

*Forward*

| | 2023 | 2022 |
|---|---|---|
| Floating interest rate based on LIBOR plus margin (u) | **P -** | P11,116 |
| Floating interest rate based on LIBOR plus margin (v) | **-** | 4,999 |
| | **582,393** | 505,246 |
| **Subsidiaries** | | |
| Peso-denominated Bonds: | | |
| Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (w) | **39,560** | 39,476 |
| Fixed interest rate of 7.8183% and 8.0551% maturing in 2024 and 2025, respectively (x) | **19,948** | 26,896 |
| Fixed interest rate of 3.4408% and 4.3368% maturing in 2025 and 2027, respectively (y) | **17,869** | 17,823 |
| Fixed interest rate of 7.1783% and 7.60% maturing in 2024 and 2026, respectively (z) | **16,111** | 16,070 |
| Fixed interest rate of 5.05% and 5.25% maturing in 2025 and 2027, respectively (aa) | **14,927** | 14,892 |
| Fixed interest rate of 6.25% and 6.625% maturing in 2024 and 2027, respectively (ab) | **10,056** | 25,012 |
| Fixed interest rate of 5.1792% maturing in 2026 (ac) | **4,740** | 8,821 |
| Fixed interest rate of 6.00% maturing in 2024 (ad) | **2,537** | 2,534 |
| Fixed interest rate of 6.4872% maturing in 2025 (ae) | **2,494** | 2,491 |
| Peso-denominated Term Notes: | | |
| Fixed interest rate of 5.556%, 5.825% and 5.997% with maturities up to 2029 (af) | **32,809** | 36,137 |
| Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (ag) | **32,497** | 35,178 |
| Fixed interest rate of 7.1913% with maturities up to 2033 (ah) | **29,791** | - |
| Fixed interest rate of 8.2104% with maturities up to 2033 (ai) | **27,538** | - |
| Fixed interest rate of 8.7118% with maturities up to 2027 (aj) | **22,832** | 26,686 |
| Fixed interest rate of 6.5077% and 7.7521% with maturities up to 2030 (ak) | **14,643** | 15,894 |
| Fixed interest rate of 6.9265% with maturities up to 2024 (al) | **14,091** | 14,216 |
| Fixed interest rate of 4.8356% with maturities up to 2031 (am) | **12,239** | 8,557 |
| Fixed interest rate of 3.80%, 3.875%, 3.95% and 4.15% with maturities up to 2028 (an) | **11,897** | 11,907 |
| Fixed interest rate of 4.63% maturing in 2024 (ao) | **9,983** | 9,967 |
| Fixed interest rate of 6.8412% and 6.5323% maturing in 2027 (ap) | **9,937** | 4,963 |

*Forward*

| | 2023 | 2022 |
|---|---|---|
| Fixed interest rate of 3.5483% with maturities up to 2029 (aq) | **P9,804** | P9,945 |
| Fixed interest rate of 5.6276% with maturities up to 2029 (ar) | **9,355** | 10,416 |
| Fixed interest rate of 7.968% and 8.541% maturing in 2028 (as) | **7,439** | - |
| Fixed interest rate of 4.6332% and 5.7513% maturing in 2025 and 2027, respectively (at) | **6,972** | 6,958 |
| Fixed interest rate of 3.846% maturing in 2026 (au) | **6,970** | 6,960 |
| Fixed interest rate of 7.1663% with maturities up to 2027 (av) | **4,975** | 4,967 |
| Fixed interest rate of 5.00% with maturities up to 2025 (aw) | **4,854** | 4,889 |
| Fixed interest rate of 7.4206% with maturities up to 2027 (ax) | **4,356** | 4,969 |
| Fixed interest rate of 7.5496% with maturities up to 2027 (ay) | **4,355** | 4,968 |
| Fixed interest rate of 8.1711%, 8.4490%, 9.0280% and 9.6350% with maturities up to 2030 (az) | **3,342** | 3,674 |
| Fixed interest rate of 6.4920% maturing in 2025 (ba) | **2,366** | 2,359 |
| Fixed interest rate of 5.1657% with maturities up to 2025 (bb) | **2,232** | 2,963 |
| Fixed interest rate of 4.20% maturing in 2026 (bc) | **1,992** | 1,989 |
| Fixed interest rate of 3.2837% with maturities up to 2026 (bd) | **1,940** | 1,992 |
| Fixed interest rate of 4.59% with maturities up to 2025 (be) | **1,873** | 3,116 |
| Fixed interest rate of 5.5276% with maturities up to 2024 (bf) | **1,606** | 3,744 |
| Fixed interest rate of 6.8672% maturing in 2025 (bg) | **622** | 621 |
| Fixed interest rate of 6.37239% (bh) | **-** | 4,770 |
| Fixed interest rate of 5.81%, 5.89% and 6.36% (bi) | **-** | 4,040 |
| Fixed interest rate of 6.5917% (bj) | **-** | 373 |
| Fixed interest rate of 4.2105% (bk) | **-** | 165 |
| Floating interest rate based on BVAL plus margin, maturing in 2025 (bl) | **19,877** | 15,628 |
| Floating interest rate based on BVAL plus margin, with maturities up to 2038 (bm) | **14,086** | - |
| Floating interest rate based on BVAL plus margin, or BSP Term Deposit Auction Facility (BSP TDF) plus margin, whichever is higher, with maturities up to 2029 (aq) | **7,842** | 7,956 |
| Floating interest rate based on BVAL plus margin, with maturities up to 2030 (bn) | **7,187** | - |

*Forward*

| | Note | 2023 | 2022 |
|---|---|---|---|
| Floating interest rate based on BVAL plus margin, or BSP Overnight Lending Facility Rate plus margin, whichever is higher, with maturities up to 2030 (bo) | | **P3,852** | P3,087 |
| Floating interest rate based on BVAL plus margin, with maturities up to 2024 (bp) | | **586** | 1,170 |
| Floating interest rate based on BVAL plus margin (bq) | | **-** | 879 |
| Foreign currency-denominated Term Notes: | | | |
| Fixed interest rate of 8.331% with maturities up to 2030 (br) | | **17,079** | 24,654 |
| Floating interest rate based on SOFR plus a spread, with maturities up to 2027 (bs) | | **36,245** | 26,794 |
| Floating interest rate based on SOFR plus margin, maturing in 2026 (bt) | | **16,421** | 16,455 |
| Floating interest rate based on SOFR plus margin, maturing in 2027 (bu) | | **16,249** | 16,282 |
| Floating interest rate based on SOFR plus margin, with maturities up to 2028 (bv) | | **12,172** | - |
| Floating interest rate based on SOFR plus margin, maturing in 2024 (bw) | | **10,993** | 10,955 |
| Floating interest rate based on SOFR plus margin, with maturities up to 2030 (br) | | **5,621** | 8,140 |
| Floating interest rate based on SOFR plus margin, maturing in 2024 (bx) | | **5,487** | - |
| Floating interest rate based on SOFR plus margin, maturing in 2025 (by) | | **5,484** | 5,485 |
| Floating interest rate based on SOFR plus margin, maturing in 2025 (bz) | | **2,719** | - |
| Floating interest rate based on Tokyo Overnight Average Rate (TONA) plus margin, with maturities up to 2025 (ca) | | **2,512** | 4,528 |
| Floating interest rate based on Bank Bill Swap Rate (BBSY) plus margin, with maturities up to 2024 (cb) | | **1,791** | 2,151 |
| Floating interest rate based on BBSY plus margin, with maturities up to 2027 (cc) | | **359** | 377 |
| Floating interest rate based on BBSY plus margin, with maturities up to 2026 (cd) | | **77** | 110 |
| Floating interest rate based on LIBOR plus margin (ce) | | **-** | 27,858 |

*Forward*

| | Note | 2023 | 2022 |
|---|---|---|---|
| Floating interest rate based on LIBOR plus margin (cf) | | **P -** | P6,276 |
| Floating interest rate based on LIBOR plus margin (cg) | | **-** | 2,767 |
| | | **608,191** | 582,950 |
| | *38, 39, 40* | **1,190,584** | 1,088,196 |
| Less current maturities | | **236,798** | 170,032 |
| | | **P953,786** | P918,164 |

a. The amount represents the P60,000 fixed rate bonds issued by the Parent Company consisting of: (i) five-year and three months Series L Bonds, due in 2028 with an interest rate of 7.4458% per annum; (ii) seven-year Series M Bonds, due in 2029 with an interest rate of 7.8467% per annum; and (iii) ten-year Series N Bonds, due in 2032 with an interest rate of 8.4890% per annum. The Bonds were listed at the Philippine Dealing & Exchange Corp (PDEx). Interest is payable every 14th of March, June, September and December of each year.

   Proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Parent Company's Series "2" Preferred Shares - Subseries "2-H"; (ii) the repayment of the Peso-denominated short-term loan facilities that were used to pay the Series A and Series D Bonds; (iii) the payment of Series E Bonds; and (iv) the refinancing of certain US dollar-denominated obligations.

   Unamortized debt issue costs amounted to P701 and P835 as at December 31, 2023 and 2022, respectively.

b. The amount represents the first, second, third and fourth tranche of the P60,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P20,000, P10,000, P20,000 and P10,000, respectively. The Bonds were listed at the PDEx.

   - The first tranche of the fixed rate bonds listed on March 1, 2017 amounting to P20,000 consists of: (i) five-year Series A Bonds, due in 2022 with an interest rate of 4.8243% per annum; (ii) seven-year Series B Bonds, due in 2024 with an interest rate of 5.284% per annum; and (iii) ten-year Series C Bonds, due in 2027 with an interest rate of 5.7613% per annum. Interest is payable every 1st of March, June, September and December of each year.

   - The second tranche of the fixed rate bonds listed on April 7, 2017 amounting to P10,000 comprises five-year Series D Bonds, due in 2022 with an interest rate of 5.1923% per annum. Interest is payable every 7th of January, April, July and October of each year.

   - The third tranche of the fixed rate bonds listed on March 19, 2018 amounting to P20,000 consists of: (i) five-year Series E Bonds, due in 2023 with an interest rate of 6.25% per annum; (ii) seven-year Series F Bonds, due in 2025 with an interest rate of 6.625% per annum; and (iii) ten-year Series G Bonds, due in 2028 with an interest rate of 7.125% per annum. Interest is payable every 19th of March, June, September and December of each year.

   - The fourth tranche of the fixed rate bonds listed on October 4, 2019 amounting to P10,000 comprises five-year Series H Bonds, due in 2024 with an interest rate of 5.55% per annum. Interest is payable every 4th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used to partially refinance various loans.

The Parent Company paid the P6,683 Series A Bonds, P10,000 Series D Bonds and P13,146 Series E Bonds on March 1, 2022, April 7, 2022 and March 20, 2023, respectively.

Unamortized debt issue costs amounted to P84 and P150 as at December 31, 2023 and 2022, respectively.

c. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P30,000. The Bonds were listed at the PDEx.

The first tranche of the fixed rate bonds listed on July 8, 2021, comprises six-year Series I Bonds, due in 2027 with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used to repay existing obligations.

Unamortized debt issue costs amounted to P238 and P300 as at December 31, 2023 and 2022, respectively.

d. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P30,000. The Bonds were listed at the PDEx.

The first tranche of the fixed rate bonds listed on March 4, 2022, consists of: (i) five-year Series J Bonds, due in 2027 with an interest rate of 5.2704% per annum; and (ii) seven-year Series K Bonds, due in 2029 with an interest rate of 5.8434% per annum. Interest is payable every 4th of March, June, September and December of each year.

Proceeds from the issuance of the bonds were used for refinancing the Parent Company’s short-term loan facilities and other general corporate purposes.

Unamortized debt issue costs amounted to P301 and P356 as at December 31, 2023 and 2022, respectively.

e. The amount represents the drawdown by the Parent Company on June 24, 2019 from its term loan facility amounting to P16,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9375% per annum payable quarterly. The proceeds were used for general corporate purposes.

The Parent Company paid the scheduled amortizations amounting to P720 and P560 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P49 and P67 as at December 31, 2023 and 2022, respectively.

f. The amount represents the drawdown by the Parent Company on June 30, 2023 from its term loan facility amounting to P5,200. The loan is amortized over six years and is subject to a fixed interest rate of 7.1968% per annum payable semi-annually and with a put option on the part of the lender on the third anniversary of the first drawdown date. The proceeds were used for the refinancing of Corona Virus Disease 2019 response activities during the period 2020 to 2022.

   Unamortized debt issue costs amounted to P52 as at December 31, 2023.

g. The amount represents the drawdown by the Parent Company on July 31, 2023 from its term loan facility amounting to US$150. The term of the loan is for five years and is subject to a fixed interest rate, payable quarterly. The proceeds of the loans 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.

   Unamortized debt issue costs amounted to P59 as at December 31, 2023.

h. The amount represents the drawdown by the Parent Company of US$50 and US$1,950 on December 27, 2019 and March 19, 2020, respectively, from its term loan facility amounting to US$2,000. The term of the loan is for five years and is subject to a floating interest rate based on SOFR plus margin. Effective June 30, 2023 the benchmark rate of US dollar-denominated loans was changed from LIBOR to SOFR. The proceeds of the loans were used for general corporate purposes.

   Unamortized debt issue costs amounted to P439 and P1,018 as at December 31, 2023 and 2022, respectively.

i. The amount represents the drawdown by the Parent Company of US$1,493 on various dates in 2023 and 2022 from its US$2,165 term loan facility. The term of the loan is for 13 years and is subject to a floating interest rate. The proceeds were used to fund the land development works of the MIA Project in Bulacan.

   Unamortized debt issue costs amounted to P1,348 and P1,043 as at December 31, 2023 and 2022, respectively.

j. The amount represents the drawdown by the Parent Company of US$1,330 on various dates in 2023 from its term loan facility. 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.

   Unamortized debt issue costs amounted to P1,750 as at December 31, 2023.

k. The amount represents the drawdown by the Parent Company on various dates in 2022 and 2021 from its term loan facility amounting to US$900. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P759 and P1,008 as at December 31, 2023 and 2022, respectively.

l. The amount represents the drawdown by the Parent Company on various dates in 2022 from its term loan facility amounting to US$700. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P660 and P828 as at December 31, 2023 and 2022, respectively.

m. The amount represents the drawdown by the Parent Company on September 20, 2023 from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used to refinance a total of US$300 term loans availed in 2018.

   Unamortized debt issue costs amounted to P367 as at December 31, 2023.

n. The amount represents the drawdown by the Parent Company of US$200 and US$100 on November 15 and 24, 2023, respectively, from its term loan facility amounting to US$300. 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.

   Unamortized debt issue costs amounted to P445 as at December 31, 2023.

o. The amount represents the drawdown by the Parent Company on July 10, 2023 from its term loan facility amounting to US$200. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loans 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.

   Unamortized debt issue costs amounted to P237 as at December 31, 2023.

p. The amount represents the drawdown by the Parent Company on December 23, 2021 from its term loan facility amounting to US$100. 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.

   Unamortized debt issue costs amounted to P49 and P65 as at December 31, 2023 and 2022, respectively.

q. The amount represents the drawdown by the Parent Company on August 2, 2022 from its term loan facility amounting to US$100. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P50 and P63 as at December 31, 2023 and 2022, respectively.

r. The amount represents the drawdown by the Parent Company on March 16, 2018 from its term loan facility amounting to US$400. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund the subscription of RPS in San Miguel Global Power to partially finance the acquisition of Masinloc Group of Companies.

   The loan was fully paid on February 24, 2023.

Unamortized debt issue costs amounted to P20 as at December 31, 2022.

s. The amount represents the drawdown by the Parent Company on June 26, 2018 from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund general corporate requirements and/or additional investments to its subsidiaries.

   The loan was fully paid on April 28, 2023.

   Unamortized debt issue costs amounted to P29 as at December 31, 2022.

t. The amount represents the drawdown by the Parent Company of US$120 and US$180 on September 25, 2018 and October 25, 2018, respectively, from its term loan facility amounting to US$300. The term of the loans is for five years and is subject to a floating interest rate. The proceeds were used to refinance existing US dollar-denominated obligations and/or for general corporate purposes.

   The loan was fully paid on September 20, 2023.

   Unamortized debt issue costs amounted to P45 as at December 31, 2022.

u. The amount represents the drawdown by the Parent Company on November 21, 2018 from its term loan facility amounting to US$200. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to repay existing US dollar-denominated obligations.

   The loan was fully paid on November 16, 2023.

   Unamortized debt issue costs amounted to P35 as at December 31, 2022.

v. The amount represents the drawdown by the Parent Company on October 24, 2017 from its term loan facilities amounting to US$300 entered into with various banks. The loans have various maturities and is subject to floating interest rate. The proceeds were used to fund general corporate requirements and/or partially repay existing loans.

   Payments made amounted to US$300 and $210 as at December 31, 2023 and 2022, respectively.

   The loan was fully paid on November 28, 2023.

   Unamortized debt issue costs amounted to P19 as at December 31, 2022.

w. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P40,000 on July 26, 2022. The Bonds were listed at the PDEX.

   The Bonds consists of: (i) three-year Series K Bonds due in 2025 with an interest rate of 5.9077% per annum; (i) five-year and nine months Series L Bonds due in 2028 with an interest rate of 7.1051% per annum; and, (iii) ten-year Series M Bonds due in 2032 with an interest rate of 8.0288% per annum. Interest is payable every 26th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power's investments in power-related assets, particularly the Liquefied Natural Gas (LNG) projects and related assets, coal power plant projects, Battery Energy Storage Systems (BESS) and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

Unamortized debt issue costs amounted to P440 and P524 as at December 31, 2023 and 2022, respectively.

x. The amount represents the first and second tranche of the P40,000 shelf registered fixed rate bonds issued by Petron amounting to P20,000 and P20,000 on October 27, 2016 and October 19, 2018, respectively. The Bonds were listed at the PDEx.

- The first tranche of the fixed rate bonds listed on October 27, 2016 amounting to P20,000, consists of: (i) five-year Series A Bonds, due in 2021 with an interest rate of 4.0032% per annum; and, (ii) seven-year Series B Bonds, due in 2023 with an interest rate of 4.5219% per annum. Interest is payable every 27th of January, April, July and October of each year.

- The second tranche of the fixed rate bonds listed on October 19, 2018 amounting to P20,000, consists of: (i) five-year and six months Series C Bonds, due in 2024 with an interest rate of 7.8183% per annum; and, (ii) seven-year Series D Bonds, due in 2025 with an interest rate of 8.0551% per annum. Interest is payable every 19th of January, April, July and October of each year.

The proceeds from the first tranche were used to partially settle the US$475 and US$550 Term Loan, repay short-term loans and for general corporate purposes.

The proceeds from the second tranche were used for the payment of short-term loans, redemption of a portion of Petron's Undated Subordinated Capital Securities (USCS) and for general corporate purposes.

Petron paid the P13,000 Series A Bonds and P7,000 Series B Bonds on October 27, 2021 and October 27, 2023, respectively.

Unamortized debt issue costs amounted to P52 and P104 as at December 31, 2023 and 2022, respectively.

y. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by Petron on October 12, 2021 amounting to P18,000. The Bonds were listed at the PDEx.

The first tranche of the fixed rate bonds amounting to P18,000, consist of four-year Series E Bonds, due in 2025 with an interest rate of 3.4408% per annum and six-year Series F Bonds, due in 2027 with an interest rate of 4.3368% per annum. Interest is payable every 12th of January, April, July and October of each year.

The proceeds were used primarily for the redemption of its outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

Unamortized debt issue costs amounted to P131 and P177 as at December 31, 2023 and 2022, respectively.

z. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P30,000 on April 24, 2019. The Bonds were listed at the PDEx.

The Bonds consist of: (i) three-year Series H Bonds, due in 2022 with an interest rate of 6.8350% per annum; (ii) five-year Series I Bonds, due in 2024 with an interest rate of 7.1783% per annum; and, (iii) seven-year Series J Bonds, due in 2026 with an interest rate of 7.60% per annum. Interest is payable every 24th of January, April, July and October of each year.

The net proceeds were used for refinancing of maturing long-term and short-term loans, investments in power-related assets and payment of transaction-related expenses.

San Miguel Global Power paid the P13,845 Series H Bonds on April 25, 2022.

Unamortized debt issue costs amounted to P44 and P85 as at December 31, 2023 and 2022, respectively.

aa. The amount represents the P15,000 fixed rate bonds issued by SMFB on March 10, 2020, divided into five-year Series A Bonds, due in 2025 with an interest rate of 5.05% per annum, and seven-year Series B Bonds, due in 2027 with an interest rate of 5.25% per annum. Interest is payable every 10th of March, June, September and December of each year. The Bonds were listed at the PDEx.

Proceeds from the issuance were used to redeem the outstanding Series "2" Perpetual Preferred Shares of SMFB and payment of transaction-related fees, costs and expenses.

Unamortized debt issue costs amounted to P73 and P108 as at December 31, 2023 and 2022, respectively.

ab. The amount represents the first and second tranche of the P35,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P20,000 and P15,000 on December 22, 2017 and August 17, 2018, respectively. The Bonds were listed at the PDEx.

- The first tranche of the fixed rate bonds listed on December 22, 2017 amounting to P20,000, consists of: (i) five-year Series D Bonds, due in 2022 with an interest rate of 5.375% per annum; (ii) seven-year Series E Bonds, due in 2024 with an interest rate of 6.25% per annum; and (iii) ten-year Series F Bonds, due in 2027 with an interest rate of 6.625% per annum. Interest is payable every 22nd of March, June, September and December of each year.

- The second tranche of the fixed rate bonds listed on August 17, 2018 amounting to P15,000 pertains to the five-year Series G Bonds, due in 2023 with an interest rate of 6.75% per annum. Interest is payable every 17th of February, May, August and November of each year.

Proceeds from the first tranche were used to refinance Peso-denominated short-term loans.

Proceeds from the second tranche were used to refinance the outstanding shareholder advances and partially refinance existing US dollar-denominated loan obligations and payment of transaction-related expenses.

San Miguel Global Power paid the P9,913 Series D Bonds and P15,000 Series G Bonds on December 22, 2022 and August 17, 2023, respectively.

Unamortized debt issue costs amounted to P31 and P75 as at December 31, 2023 and 2022, respectively.

ac. The amount represents the P15,000 fixed rate bonds issued by San Miguel Global Power on July 11, 2016, divided into: (i) five-year Series A Bonds, due in 2021 with an interest rate of 4.3458% per annum; (ii) seven-year Series B Bonds, due in 2023 with an interest rate of 4.7575% per annum; and, (iii) ten-year Series C Bonds, due in 2026 with an interest rate of 5.1792% per annum. Interest is payable every 11th of January, April, July and October of each year. The Bonds were listed at the PDEx.

Proceeds from the issuance were used to refinance the US$300 short-term loan that matured on July 25, 2016, which were used for the redemption of the US$300 bond in January 2016.

San Miguel Global Power paid the P6,153 Series A Bonds and P4,090 Series B Bonds on July 12, 2021 and July 11, 2023, respectively.

Unamortized debt issue costs amounted to P16 and P26 as at December 31, 2023 and 2022, respectively.

ad. The amount represents the P15,000 fixed rate bonds issued by SMB on April 2, 2014, divided into: (i) seven-year Series G Bonds, due in 2021 with an interest rate of 5.50% per annum; and (ii) ten-year Series H Bonds, due in 2024 with an interest rate of 6.00% per annum. Interest is payable every 2nd of April and October of each year. The Bonds were listed at the PDEx.

Proceeds from the Series G Bonds and Series H Bonds issuance were used to partially refinance the payment of Series B Bonds.

SMB paid the P12,462 Series G Bonds on April 5, 2021.

Unamortized debt issue costs amounted to P1 and P4 as at December 31, 2023 and 2022, respectively.

ae. The amount represents the P7,300 fixed rate bonds issued by SMC SLEX on May 22, 2015, divided into: (i) five-year and three months Series A Bonds, due in 2020 with an interest rate of 4.9925% per annum; (ii) seven-year Series B Bonds, due in 2022 with an interest rate of 5.5796% per annum; and, (iii) ten-year Series C Bonds, due in 2025 with an interest rate of 6.4872% per annum. Interest is payable every 22nd of February, May, August and November of each year. The Bonds were listed at the PDEx.

The proceeds from the issuance were used to prepay the Peso-denominated Corporate Notes drawn in 2012.

SMC SLEX paid the P2,400 Series B Bonds and P2,400 Series A Bonds on May 22, 2022 and August 24, 2020, respectively.

Unamortized debt issue costs amounted to P6 and P9 as at December 31, 2023 and 2022, respectively.

af. The amount represents the loan drawn by SMC Tollways from its P41,200 Corporate Notes Facility Agreement with various local banks dated December 9, 2019.

Proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction related fees, taxes and expenses. The loan is payable in 40 quarterly installments commencing on the third month from initial issue date. Final repayment date is ten years from initial issue date.

The Notes are subject to repricing on the fifth year from initial issue date.

Payments made amounted to P8,096 and P4,682 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P294 and P381 as at December 31, 2023 and 2022, respectively.

ag. The amount represents the drawdown by LPI from its P44,000 Omnibus Loan and Security Agreement (OLSA) with various banks dated June 22, 2017. The loan consists of Tranche A amounting to P42,000 and Tranche B amounting to P2,000 drawn on June 28, 2017 and January 31, 2018, respectively. The loan is payable quarterly up to June 2029.

Proceeds from the loan were used for the settlement of the US$360 short-term loan, acquisition of the Phase II Limay Greenfield Power Plant, repayment of shareholder advances and payment of transaction-related fees and expenses.

Payments made amounted to P11,185 and P8,430 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P318 and P392 as at December 31, 2023 and 2022, respectively.

ah. The amount represents the drawdown by SMEII on July 14, 2023 from its term loan facility amounting to P30,000. The loan is amortized over ten years up to May 2033 and is subject to a fixed interest rate of 7.1913% per annum. The proceeds were used for refinancing of existing short-term loan and/or other general corporate purposes.

Unamortized debt issue costs amounted to P209 as at December 31, 2023.

ai. The amount represents the drawdown by SMGP BESS from its P40,000 term loan facility on October 27, 2023 amounting to P28,000. The loan is subject to a fixed interest rate of 8.2104% per annum and payable quarterly up to October 2033. The proceeds of the loan were used for the purchase of outstanding perpetual securities issued to the Parent Company and reimbursement or repayment of reimbursable advances from San Miguel Global Power, both of which were used to finance payments for interest, design, construction and the operation of its BESS projects, and cover transaction-related costs, fees and expenses.

The drawdown includes payable to BankCom amounting to P4,060 as at December 31, 2023 (Note 33).

Unamortized debt issue costs amounted to P462 as at December 31, 2023.

aj. The amount represents the loan drawn by MMSS3 from its P31,000 OLSA with various banks dated December 15, 2014.

Proceeds of the loan were used to partially finance the design, construction and operation and maintenance of the Skyway Stage 3 Project. The loan is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one quarter after issuance of toll operation certificate by TRB. Final repayment date is 12 years after initial drawdown date.

Payments made amounted to P8,057 and P4,151 as at December 31, 2023 and 2022, respectively.

The drawdown includes payable to BankCom amounting to P2,738 and P3,205 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P111 and P163 as at December 31, 2023 and 2022, respectively.

ak. The amount represents the loan drawn by MPI from its P21,300 12-year OLSA with various banks dated August 9, 2018.

The proceeds were used by MPI for the repayment of the short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant and payment of transaction-related fees and expenses. On August 17, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced from 6.5077% and 7.7521% to 8.2443%, pursuant to the terms of the OLSA.

Payments made amounted to P6,481 and P5,184 as at December 31, 2023 and 2022, respectively.

The drawdown includes payable to BankCom amounting to P2,226 and P2,421 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P176 and P222 as at December 31, 2023 and 2022, respectively.

al. The amount represents the drawdown by San Miguel Global Power on April 26, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9265% per annum, payable quarterly. The proceeds were used for debt refinancing.

Payments made amounted to P900 and P750 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P9 and P34 as at December 31, 2023 and 2022, respectively.

am. The amount represents the loan drawn by NCC on various dates in 2023, 2022 and 2021 from the P12,500 OLSA with various banks dated June 22, 2021.

The loan is subject to a fixed interest rate of 4.8356% per annum and is payable in 34 unequal quarterly installments commencing on the seventh quarter from initial advance. Final repayment date is ten years from initial advance.

Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan.

Payments made amounted to P100 as at December 31, 2023.

The drawdown includes payable to BankCom amounting to P2,183 and P1,540 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P161 and P193 as at December 31, 2023 and 2022, respectively.

an. The amount represents the loans drawn by SMB on March 30, 2021 from its loan facilities amounting to P12,000 with various banks. The loans are subject to fixed interest rates, where P10,000 and P2,000 will mature on March 30, 2026 and March 30, 2028, respectively. The proceeds of the loans were used for the payment of Series G Bonds.

Payments made amounted to P58 and P31 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P45 and P62 as at December 31, 2023 and 2022, respectively.

ao. The amount represents the drawdown by SMB on December 19, 2019 from its term loan facility amounting to P10,000. The loan will mature on December 26, 2024 and is subject to a fixed interest rate of 4.63% per annum. The proceeds were used for general corporate purposes.

Unamortized debt issue costs amounted to P17 and P33 as at December 31, 2023 and 2022, respectively.

ap. The amount represents the loan drawn by SMB amounting to P5,000 and P5,000 on December 20, 2022 and February 21, 2023 from its P10,000 term loan facility executed on December 19, 2022 from a local bank. The loan is subject to fixed interest rates of 6.8412% and 6.5323% per annum for two years for loan drawn in 2022 and 2023, respectively, subject to repricing thereafter. The loan is payable in five years and four years and ten months and will mature in December 2027.

The proceeds of the loan were used to partially finance capital expenditures.

Unamortized debt issue costs amounted to P63 and P37 as at December 31, 2023 and 2022, respectively.

aq. The amount represents the loan drawn by SMFI amounting to P8,000 and P10,000 in 2020 and 2019, respectively, from its term loan facility amounting to P18,000. The loan is amortized for ten years and is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to a fixed interest rate. The proceeds were used to refinance its existing short-term obligations, fund capital expansion projects and for other general corporate purposes.

On December 14, 2020, SMFI exercised its one-time option to convert its P10,000 loan to a fixed interest rate of 3.5483% per annum.

Payments made amounted to P149 and P119 as at December 31, 2023, for the fixed interest loan and the floating interest loan, respectively.

Unamortized debt issue costs for the fixed interest loan amounted to P47 and P55 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs for the floating interest loan amounted to P39 and P44 as at December 31, 2023 and 2022, respectively.

ar. The amount represents the drawdown by SMCTC on December 19, 2019 amounting to P12,000 from its P42,000 Second Amendment to the OLSA with various local banks dated December 16, 2019.

Proceeds of the loan were used for consolidation of project loans, re-leveraging the project, repayment of certain shareholder advance and partial financing of operation and maintenance of the project. The loan is payable in 39 quarterly installments commencing on the third month from initial drawdown. Final repayment date shall be ten years after receipt.

The loan is subject to repricing on the fifth year from date of initial drawdown.

Payments made amounted to P2,580 and P1,500 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P65 and P84 as at December 31, 2023 and 2022, respectively.

as. The amount represents the drawdown by San Miguel Global Power from its P10,000 term loan facility on June 15 and August 8, 2023 amounting to P5,000 and P2,500, respectively. The loan is subject to a fixed interest rate of 7.968% per annum and will mature in June 2028. Proceeds of the loan were used to: (a) partially refinance maturing debt obligations, (b) fund general corporate purposes, including investments in LNG and BESS, and (c) cover transaction-related costs, fees and expenses.

Unamortized debt issue costs amounted to P61 as at December 31, 2023.

at. The amount represents the loans drawn by SMB from a local bank on April 1, 2022 amounting to P4,000 with a term of three years subject to fixed interest rate of 4.6332% per annum and P3,000 with a term of five years subject to fixed interest rate of 5.7513% per annum, payable quarterly. The proceeds of the loan were used to pay the Series F Bonds which matured on April 2, 2022.

Unamortized debt issue costs amounted to P28 and P42 as at December 31, 2023 and 2022, respectively.

au. The amount represents the drawdown by PF-Hormel on September 29, 2021 from its loan facilities with various banks amounting to P7,000. The loans will mature on September 29, 2026 and is subject to a fixed interest rate of 3.846% per annum. The proceeds of the loan were used for refinancing of existing indebtedness and general corporate purposes.

Unamortized debt issue costs amounted to P30 and P40 as at December 31, 2023 and 2022, respectively.

av. The amount represents the drawdown by Petron on May 19, 2022 from its term loan facility amounting to P5,000 which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over five years with a two-year grace period, after which the total principal will be amortized in seven semi-annual payments beginning May 19, 2024. The proceeds were used for partial financing of the power plant project.

Unamortized debt issue costs amounted to P25 and P33 as at December 31, 2023 and 2022, respectively.

aw. The amount represents the drawdown by San Miguel Global Power on May 28, 2021 from its term loan facility amounting to P5,000. The principal repayment is in semi-annual installments up to May 2025 and is subject to a fixed interest rate of 5.00% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P125 and P75 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P21 and P36 as at December 31, 2023 and 2022, respectively.

ax. The amount represents the drawdown by Petron on June 15, 2022 from its term loan facility amounting to P5,000 which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% per annum and amortized over five years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 15, 2023. The proceeds were used to partially pay its US dollar-denominated term loan.

Payments made amounted to P625 as at December 31, 2023.

Unamortized debt issue costs amounted to P20 and P31 as at December 31, 2023 and 2022, respectively.

ay. The amount represents the drawdown by Petron on June 16, 2022 from its term loan facility amounting to P5,000 which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% per annum and amortized over five years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay its US dollar-denominated term loan and various loan facilities.

Payments made amounted to P625 as at December 31, 2023.

Unamortized debt issue costs amounted to P20 and P32 as at December 31, 2023 and 2022, respectively.

az. The amount represents the drawdown by LCWDC in 2018 amounting to P4,200 from its P5,400 OLSA with various local banks dated September 16, 2016.

Proceeds of the loan were used for the Bulacan Bulk Water Supply Project.

The loan is subject to repricing on the seventh year from the initial drawdown date.

Payments made amounted to P840 and P504 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P18 and P22 as at December 31, 2023 and 2022, respectively.

ba. The amount represents the drawdown by Petron on September 8, 2022 from its term loan facility amounting to P2,375 which was signed and executed on September 6, 2022. The loan is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

Unamortized debt issue costs amounted to P10 and P16 as at December 31, 2023 and 2022, respectively.

bb. The amount represents the drawdown by SMYPC from its term loan facility amounting to P5,000. The loan will mature on January 30, 2025 and is subject to a fixed interest rate of 5.1657% per annum payable quarterly. The proceeds were used to refinance existing short-term loans.

Payments made amounted to P2,763 and P2,026 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P5 and P11 as at December 31, 2023 and 2022, respectively.

bc. The amount represents the drawdown by SMCSLC on July 14, 2021 from its term loan facilities with various banks amounting to P2,000. The loan will mature on July 14, 2026 and is subject to a fixed interest rate of 4.20% per annum payable quarterly. The proceeds were used to refinance existing indebtedness and for general corporate purposes.

Unamortized debt issue costs amounted to P8 and P11 as at December 31, 2023 and 2022, respectively.

bd. The amount represents the P2,000 seven-year term loan availed by SMMI on December 19, 2019. The loan is amortized for seven years and is subject to a floating interest rate based on BVAL plus margin with a one-time option to convert to a fixed interest rate within two years. The proceeds of the loan were used to refinance existing short-term loans, fund its capital expenditure requirements for the upgrade or expansion of its production facilities and/or finance other general corporate requirements.

On December 19, 2020, SMMI exercised its option to convert the interest rate from floating to fixed. As a result, the interest rate was fixed at 3.2837% per annum.

Payments made amounted to P54 as at December 31, 2023.

Unamortized debt issue costs amounted to P6 and P8 as at December 31, 2023 and 2022, respectively.

be. The amount represents the drawdown by Petron on April 27, 2020 from its term loan facility amounting to P5,000. The loan is amortized over five years and is subject to a fixed interest rate of 4.59% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P3,124 and P1,875 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P3 and P9 as at December 31, 2023 and 2022, respectively.

bf. The amount represents the drawdown by Petron on July 25, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 5.5276% per annum payable quarterly. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-fired Power Plant.

Payments made amounted to P13,393 and P11,250 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P1 and P6 as at December 31, 2023 and 2022, respectively.

bg. The amount represents the drawdown by Petron on September 30, 2022 from its term loan facility amounting to P625 which was signed and executed on September 6, 2022. The loan is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

Unamortized debt issue costs amounted to P3 and P4 as at December 31, 2023 and 2022, respectively.

bh. The amount represents loan drawn by SCII on December 29, 2021 from its P4,800 OLSA with various local banks dated December 22, 2021.

The loan is subject to a fixed interest rate of 6.37239% per annum and is payable in 23 unequal quarterly installments commencing on the 6th quarter from initial advance. Final repayment date is seven years from initial advance.

Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

The drawdown includes payable to BankCom amounting to P2,000 as at December 31, 2022 (Note 33).

The loan was fully paid on December 29, 2023.

Unamortized debt issue costs amounted to P30 as at December 31, 2022.

bi. The amount represents the outstanding loan drawn by ECC from its TLFSA with various local banks dated February 3, 2016, to refinance the previous loan and partially finance the line 3 expansion project of its cement plant. The loan is subject to a fixed interest rate payable in 32 quarterly installments commencing on the 9th quarter from loan availment and will be fully paid on March 2, 2026.

The drawdown includes payable to BankCom amounting to P810 as at December 31, 2022 (Note 33).

The loan was fully paid on May 29, 2023.

Unamortized debt issue costs amounted to P9 as at December 31, 2022.

bj. The amount represents the loan drawn by SIDC from its P3,500 loan facility with local banks, entered in 2013. The proceeds of the loan were used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project. Repayment period is within 32 unequal consecutive quarterly installments on each repayment date in accordance with the agreement beginning on the earlier of the 27th month from initial drawdown date or the third month from the date of receipt by SIDC of the financial completion certificate for the Project.

Payments made amounted to P3,127 as at December 31, 2022.

The loan was fully paid on June 30, 2023.

bk. The amount represents drawdown by GSMI on December 28, 2020 from its term-loan facility amounting to P500. The loan is amortized over three years and is subject to a fixed interest rate of 4.2105% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P334 as at December 31, 2022.

The loan was fully paid on December 28, 2023.

Unamortized debt issue costs amounted to P1 as at December 31, 2022.

bl. The amount represents the drawdown by SSHCI on various dates in 2023 and 2022 amounting to P4,200 and P15,800, respectively, from its P20,000 term loan facility. The term of the loan is for three years and is subject to a floating interest rate based on BVAL plus margin payable quarterly. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

The drawdown includes payable to BankCom amounting to P1,000 and P790 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P123 and P172 as at December 31, 2023 and 2022, respectively.

bm. The amount represents the drawdown by SMC MRT 7 on various dates in 2023 amounting to P14,300 from the P100,000 OLSA with various banks executed on May 18, 2023. The loan is subject to a floating interest rate and with a term of 15 years. The proceeds were used to finance the MRT 7 Project.

The drawdown includes payable to BankCom amounting to P930 as at December 31, 2023 (Note 33).

Unamortized debt issue costs amounted to P214 as at December 31, 2023.

bn. The amount represents the outstanding balance from the amended ORA executed by MPCL with local banks on January 17, 2023 (the “Amended ORA”) amounting to P8,155. The loan is subject to floating interest rate with maturities up to January 2030. MPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary as allowed under the terms of the agreement.

Payments made amounted to P877 as at December 31, 2023.

The drawdown includes payable to BankCom amounting to P4,389 as at December 31, 2023 (Note 33).

Unamortized debt issue costs amounted to P91 as at December 31, 2023.

bo. The amount represents the drawdown by SMC NAIAX on various dates in 2023 and 2022 amounting to P4,310 from the P5,656 OLSA with various banks dated December 21, 2022. Proceeds of the loan were used to prepay the balance of the 2014 OLSA and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project. The loan is payable in 30 equal quarterly installments commencing on the third month from initial drawdown date. Final repayment date is seven years and six months from the signing date of the OLSA.

The loan is subject to annual repricing from the date of initial drawdown.

Payments made amounted to P416 as at December 31, 2023.

The drawdown includes payable to BankCom amounting to P1,168 and P937 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P42 and P37 as at December 31, 2023 and 2022, respectively.

bp. The amount represents drawdowns by SMYPC of P1,449 and P551 in 2020 and 2019, respectively from its term loan facility amounting to P2,000. The loan is amortized for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

Payments made amounted to P1,413 and P827 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P1 and P3 as at December 31, 2023 and 2022, respectively.

bq. The amount represents drawdown of SMYPC from its term loan facility amounting to P4,000. The term of the loan is for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

Payments made amounted to P3,120 as at December 31, 2022.

The loan was fully paid on July 30, 2023.

Unamortized debt issue costs amounted to P1 as at December 31, 2022.

br. The amount represents total outstanding loan drawn in various tranches by MPCL from its Omnibus Expansion Financing Agreement with various local banks dated December 1, 2015, to finance the construction of the additional 335 MW coal-fired plant within MPCL existing facilities. The loan is divided into fixed interest tranche amounting to US$312 and US$335 as at December 31, 2023 and 2022, respectively, and floating interest tranche based on 6-month SOFR plus margin amounting to US$103 and US$110 as at December 31, 2023 and 2022, respectively. The loan has maturities up to December 15, 2030. On December 16, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced from 5.5959% to 8.331%, pursuant to the terms of the agreement.

Unamortized debt issue costs amounted to P173 and P209 as at December 31, 2023 and 2022, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P57 and P69 as at December 31, 2023 and 2022, respectively, for the floating interest tranche.

bs. The amount represents the drawdowns by Petron in November and December 2022 amounting to US$267 and US$228 loans, respectively, from its US$550 term loan facility. The loan is amortized over five years with a two-year grace period, after which the total principal will be amortized in seven equal semi-annual installments beginning November 8, 2024. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months. The proceeds were used to partially prepay the US$800 term loan facility availed in 2019 and the US$150 term loan availed in 2020.

In 2023, Petron drew a total of additional US$55 to partially prepay JPY15,000 and US$800 term loan facilities.

On February 17, 2023, Petron increased its term loan facility from $550 to US$669 and availed US$88 from the additional US$119 loan facility in May 2023 to fully pre-terminate the US$800 term loan facility. In August 2023, the remaining US$31 was drawn to pay Petron's P7,000 Series B Bonds on October 27, 2023

Unamortized debt issue costs amounted to P797 and P804 as at December 31, 2023 and 2022, respectively.

bt. The amount represents the balance of the US$300 five-year term loan availed in tranches by San Miguel Global Power on March 12, 2021 and June 7, 2021. These were drawn from a Syndication Agreement executed on May 21, 2021 which amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200 to US$300. The loan is subject to floating interest rate based on SOFR plus margin and will mature in March 2026. The proceeds were used as repayment of Facility A Loan that matured on March 12, 2021 and the payment of Series A Bonds in July 2021.

Unamortized debt issue costs amounted to P190 and P272 as at December 31, 2023 and 2022, respectively.

bu. The amount represents the drawdown of San Miguel Global Power on August 26, 2022 from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate based on SOFR plus margin and will mature in August 2027. The proceeds were used for general corporate purposes, including capital expenditures and refinancing of loans, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P362 and P445 as at December 31, 2023 and 2022, respectively.

bv. The amount represents the drawdown of Petron on July 13, 2023 from its term loan facility amounting to US$225. The facility was signed on March 28, 2023, which subsequently increased from US$150 to US$225 on June 8, 2023. The facility is amortized over five years with a two-year grace period, after which the total principal will be amortized in seven equal semi-annual installments beginning on March 28, 2025. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months. Proceeds from the US$225 Facility were used to partially refinance the redemption of US$500 SPCS.

Unamortized debt issue costs amounted to P286 as at December 31, 2023.

bw. The amount represents the drawdown of San Miguel Global Power on January 21, 2022 from its term loan facility amounting to US$200. The initial loan amount under the facility agreement was increased from US$100 to US$200 on December 16, 2021. The term of the loan is for three years and is subject to a floating interest rate based on SOFR plus margin and will mature in September 2024. The proceeds were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P81 and P196 as at December 31, 2023 and 2022, respectively.

bx. The amount represents drawdown by San Miguel Global Power on March 16, 2023 from its term loan facility amounting to US$100. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in September 2024. The proceeds of the loan were used for general corporate purposes, capital expenditures, refinancing of loan, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P50 as at December 31, 2023.

by. The amount represents drawdown by San Miguel Global Power on May 24, 2022 from its term loan facility amounting to US$100. The term of the loan is three years and is subject to a floating interest rate based on SOFR plus margin and will mature in May 2025. The proceeds were used for working capital requirements relating to expansion projects, for general corporate purposes, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P53 and P90 as at December 31, 2023 and 2022, respectively.

bz. The amount represents drawdown by San Miguel Global Power on October 31, 2023 from its term loan facility amounting to US$50. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in April 2025. The proceeds of the loan were used for loan refinancing and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P50 as at December 31, 2023.

ca. The amount represents the drawdown by Petron on April 22, 2020 from its term loan facility amounting to JPY15,000 with various banks. The loan is amortized over five years and is subject to a floating interest rate based on JPY LIBOR plus a spread payable every 1, 3 or 6 months as selected by the borrower. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the TONA as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15,000 facility is based on TONA plus a spread, repriced every 1, 3, or 6 months. The proceeds of the loan were used to partially prepay its US$1,000 term loan facility.

Payments made amounted to JPY8,572 and JPY4,286 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P17 and P46 as at December 31, 2023 and 2022, respectively.

cb. The amount represents the drawdown by SMYA on July 31, 2019 amounting to AU$80 from AU$100 syndicated facility agreement entered into by SMYA on July 23, 2019. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$33 and AU$23 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P6 and P17 as at December 31, 2023 and 2022, respectively.

cc. The amount represents the drawdown by SMYA on November 11, 2022 amounting to AU$10. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to finance short-term obligations and general corporate purposes.

Payments made amounted to AU$1 as at December 31, 2023.

cd. The amount represents the loan drawn by SMYA on February 25, 2021 amounting to AU$5. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$3 and AU$2 as at December 31, 2023 and 2022, respectively.

ce. The amount represents the balance of the US$700 term loan facility availed by San Miguel Global Power on March 16, 2018. The US$700 term loan facility is divided into Facility A Loan amounting to US$200 maturing on March 12, 2021 and Facility B Loan amounting to US$500 maturing on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

San Miguel Global Power fully paid Facility A Loan and Facility B loan on March 12, 2021 and March 13, 2023, respectively.

The loan was fully paid on March 13, 2023.

Unamortized debt issue costs amounted to P19 as at December 31, 2022.

cf. The amount represents the drawdowns by Petron in May and July 2019, amounting to US$536 and US$264 loans, respectively, from its US$800 term loan facility. The loan is amortized for five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to refinance US dollar-denominated and Peso-denominated bilateral short-term loans, to partially prepay its existing US$1,000 term loan and for general corporate purposes.

Payments made amounted to US$686 as at December 31, 2022.

The loan was fully paid on May 15, 2023.

Unamortized debt issue costs amounted to P72 as at December 31, 2022.

cg. The amount represents the drawdown by San Miguel Global Power on April 12, 2021 from its term loan facility amounting to US$50. The term of the loan is for three years and is subject to a floating interest rate based on LIBOR plus margin.

The proceeds were used to finance the capital expenditures of the Batangas Combined Cycle Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs and expenses of the facility.

The loan was fully paid in October 2023.

Unamortized debt issue costs amounted to P21 as at December 31, 2022.

The gross amount of long-term debt payable to BankCom amounted to P18,694 and P11,703 as at December 31, 2023 and 2022, respectively (Note 33).

The debt agreements contain, among others, covenants relating to merger and consolidation, negative pledge, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group is required to comply with the following financial ratios:

| | | |
|---|---|---|
| Parent Company | Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) to consolidated total interest expense | Not less than 2.00:1.00 |
| | Consolidated net debt to consolidated total equity | Does not exceed 2.10:1.00 |
| Major subsidiaries: | | |
| Petron | Net leverage | Not to exceed 6.50 |
| | Consolidated gross debt to consolidated net worth | Not to exceed 2.75 |
| San Miguel Global Power | Net debt to equity | Not more than 3.25x |
| | Interest coverage | Not less than 2.25x |
| SMFB | Consolidated debt to consolidated equity | Not more than 3.50x |
| | Consolidated total EBITDA to consolidated interest expense | Not less than 2.00x |

The Group is in compliance with the covenants of the debt agreements or obtained the necessary waivers as at December 31, 2023 and 2022.

Long-term debt includes syndicated project finance loans amounting to P138,481 and P146,526 as at December 31, 2023 and 2022, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

The movements in debt issue costs are as follows:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **P11,507** | P8,511 |
| Additions | | **5,525** | 6,087 |
| Amortization | *30* | **(3,717)** | (2,824) |
| Reclassification, capitalized and others | | **(65)** | (267) |
| Balance at end of year | | **P13,250** | P11,507 |

Repayment Schedule
The annual maturities of long-term debt are as follows:

| **Year** | **Gross Amount** | **Debt Issue Costs** | **Net** |
|---|---|---|---|
| 2024 | P238,332 | P1,534 | P236,798 |
| 2025 | 120,315 | 1,398 | 118,917 |
| 2026 | 166,897 | 1,746 | 165,151 |
| 2027 | 196,113 | 2,073 | 194,040 |
| 2028 and thereafter | 482,177 | 6,499 | 475,678 |
| **Total** | **P1,203,834** | **P13,250** | **P1,190,584** |

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 39.

## 22. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Retirement liabilities - noncurrent | *5, 35* | **P10,652** | P9,539 |
| Retention payable - noncurrent | | **8,109** | 8,210 |
| ARO | *4* | **4,442** | 4,264 |
| IRO | *4* | **1,248** | 899 |
| Cylinder deposits | | **748** | 736 |
| Cash bonds | | **439** | 419 |
| Customers' deposits | *39, 40* | **381** | 343 |
| Derivative liabilities - noncurrent | *4, 39, 40* | **269** | - |
| MRO and decommissioning | *4, 5* | **103** | 100 |
| Obligation to ROP - service concession agreement | *4, 34* | **46** | 43 |
| Amounts owed to related parties | *33* | **2** | 1 |
| Others | *5* | **2,306** | 1,590 |
| | *39, 40* | **P28,745** | P26,144 |

"Others" include deferred rent income and liability to contractor and supplier.

## 23. Income Taxes

The components of income tax expense are shown below:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Current | **P21,678** | P19,442 | P14,258 |
| Deferred | **6,730** | (6,125) | 3,535 |
| | **P28,408** | P13,317 | P17,793 |

The movements of deferred tax assets and liabilities are accounted for as follows:

| **2023** | **Balance at January 1** | **Recognized in Profit or Loss** | **Recognized in Other Comprehensive Income** | **Others** | **Balance at December 31** |
|---|---|---|---|---|---|
| Allowance for impairment losses on trade and other receivables and inventory | **P2,017** | **P92** | **P -** | **(P1)** | **P2,108** |
| MCIT | **808** | **366** | **-** | **-** | **1,174** |
| NOLCO | **14,816** | **7,855** | **-** | **-** | **22,671** |
| Undistributed net earnings of foreign subsidiaries | **(846)** | **-** | **-** | **-** | **(846)** |
| Leases | **(22,404)** | **(105)** | **-** | **(1,757)** | **(24,266)** |
| Unrealized intercompany charges and others | **1,866** | **(14,938)** | **614** | **1,747** | **(10,711)** |
| | **(P3,743)** | **(P6,730)** | **P614** | **(P11)** | **(P9,870)** |

| 2022 | Balance at January 1 | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Others | Balance at December 31 |
|---|---|---|---|---|---|
| Allowance for impairment losses on trade and other receivables and inventory | P2,752 | (P742) | P9 | (P2) | P2,017 |
| MCIT | 1,045 | (237) | - | - | 808 |
| NOLCO | 8,374 | 6,442 | - | - | 14,816 |
| Undistributed net earnings of foreign subsidiaries | (846) | - | - | - | (846) |
| Leases | (19,044) | (3,344) | - | (16) | (22,404) |
| Unrealized intercompany charges and others | (3,882) | 4,006 | 1,906 | (164) | 1,866 |
| | (P11,601) | P6,125 | P1,915 | (P182) | (P3,743) |

The above amounts are reported in the consolidated statements of financial position as follows:

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Deferred tax assets | *4* | **P19,633** | P22,554 |
| Deferred tax liabilities | | **(29,503)** | (26,297) |
| | | **(P9,870)** | (P3,743) |

As at December 31, 2023, the NOLCO of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statement of financial position, that can be claimed as deduction from future taxable income are as follows:

| **Year Incurred/Paid** | **Carryforward Benefits Up To** | **NOLCO** |
|---|---|---|
| 2020 | December 31, 2025 | **P5,414** |
| 2021 | December 31, 2026 | **544** |
| 2022 | December 31, 2025 | **3,320** |
| 2023 | December 31, 2026 | **27,560** |
| | | **P36,838** |

As at December 31, 2023, the MCIT of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statement of financial position, that can be claimed as deduction from corporate income tax due are as follows:

| Year Incurred/Paid | Carryforward Benefits Up To | MCIT |
|---|---|---|
| 2021 | December 31, 2024 | **P92** |
| 2022 | December 31, 2025 | **94** |
| 2023 | December 31, 2026 | **988** |
| | | **P1,174** |

As at December 31, 2023 and 2022, deferred tax assets in respect of NOLCO and others amounting to P14,284 and P9,580, respectively, has not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

For taxable years 2023 and 2022, the expiration period of NOLCO reverted to three years.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Statutory income tax rate | **25.00%** | 25.00% | 25.00% |
| Increase (decrease) in income tax rate resulting from: | | | |
| Impact of change in tax rate | **-** | - | (5.47%) |
| Interest income subject to final tax | **(4.80%)** | (4.43%) | (1.36%) |
| Equity in net earnings of associates and joint ventures | **(0.59%)** | (0.75%) | (0.39%) |
| Gain on sale of investments subject to final or capital gains tax | **(0.03%)** | (0.46%) | (0.06%) |
| Others, mainly income subject to different tax rates - net | **19.28%** | 13.87% | 9.26% |
| Effective income tax rate | **38.86%** | 33.23% | 26.98% |

*RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*

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

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. The rate of MCIT reverted to 2% based on gross income starting July 1, 2023. Accordingly, current and deferred taxes as at and for the year ended December 31, 2023 and 2022 were computed and measured using the applicable income tax rates. MCIT was computed using 1.5% and 1% tax rates in 2023 and 2022, respectively.

## 24. Equity

*a. Amendments to the Articles of Incorporation*

On July 23, 2009, during the annual stockholders' meeting of the Parent Company, the stockholders approved the amendments to the Articles of Incorporation for the declassification of the common shares of the Parent Company. The authorized capital stock of the Parent Company amounting to P22,500 was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares with a par value of P5.00 per share and 1,110,000,000 Series "1" Preferred Shares with a par value of P5.00 per share, and defined the terms and features of the Series "1" Preferred Shares. The SEC approved the amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Parent Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Parent Company, to increase the authorized capital stock of the Parent Company from P22,500 to P30,000 as follows: (a) the increase in the number of the common shares from 3,390,000,000 common shares to 3,790,000,000, or an increase of 400,000,000 common shares; and (b) the creation and issuance of 1,100,000,000 Series "2" Preferred Shares with a par value of P5.00 per share.

On September 21, 2012, the SEC approved the amendment to the Articles of Incorporation of the Parent Company to increase the authorized capital stock, and consequently creating the Series "2" Preferred Shares.

On June 9, 2015, during the annual stockholders meeting of the Parent Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares, consisting of 691,099,686 Series "1" preferred treasury shares to Series "2" preferred treasury shares and 118,900,314 Series "1" preferred unissued shares to Series "2" preferred unissued shares. With the approved reclassification, the resulting distribution of the preferred shares of the Parent Company was 300,000,000 for Series "1" Preferred Shares and 1,910,000,000 for Series "2" Preferred Shares. The stockholders also approved the issuance of the Series "2" Preferred Shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares was approved by the SEC on July 14, 2015.

*b. Capital Stock*

Common Shares

On July 27, 2010, the BOD of the Parent Company approved the offer to issue approximately 1,000,000,000 common shares (from the unissued capital stock and treasury shares) at a price of not less than P75.00 per share.

Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company were declassified and are considered as common shares without distinction, as approved by the SEC. Both are available to foreign investors, subject to the foreign ownership limit.

The Parent Company has a total of 33,379 and 33,653 common shareholders as at December 31, 2023 and 2022, respectively.

The number of issued and outstanding shares of common stock are as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Issued shares | **3,288,649,125** | 3,288,649,125 | 3,288,649,125 |
| Less treasury shares | **904,752,537** | 904,752,537 | 904,752,537 |
| Issued and outstanding shares | **2,383,896,588** | 2,383,896,588 | 2,383,896,588 |

Preferred Shares

i. Series "1" Preferred Shares

Series "1" Preferred Shares have a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the BOD of the Parent Company at a fixed rate of 8% per annum calculated in respect of each Series "1" Preferred Share by reference to the Issue Price thereof in respect of each dividend period.

Series "1" Preferred Shares are non-voting except as provided for under the Corporation Code. The Series "1" Preferred Shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the residual assets of the Parent Company, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series "1" Preferred Shares. The exchange ratio was one common share for one Series "1" preferred share and the qualified shareholders of record as at July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class "A" common shares and 396,876,601 Class "B" common shares for Series "1" Preferred Shares.

On October 15, 2009, the BOD of the Parent Company approved the issuance, through private placement, of up to 226,800,000 Series "1" Preferred Shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series "1" Preferred Shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series "1" preferred share.

On December 8, 2010 and October 3, 2011, the Parent Company listed 873,173,353 and 97,333,000 Series "1" Preferred Shares worth P65,488 and P7,300, respectively.

On August 13, 2012, the BOD of the Parent Company approved the redemption of Series "1" Preferred Shares at a redemption price of P75.00 per share.

On October 5, 2012, 970,506,353 Series "1" Preferred Shares were reverted to treasury.

On April 14, 2015, the Parent Company reissued 279,406,667 Series "1" Preferred Shares held in treasury in the name of certain subscribers at P75.00 per share. The Series "1" Preferred Shares became tradable at the PSE beginning June 10, 2015.

On March 12, 2020, the BOD of the Parent Company approved the redemption of Series "1" Preferred Shares at a redemption price of P75.00 per share.

On April 14, 2020, 279,406,667 Series "1" Preferred Shares were reverted to treasury.

The Parent Company has 279,406,667 Series "1" Preferred Shares held in treasury as at December 31, 2023 and 2022.

The Parent Company has no outstanding Series "1" Preferred Shares as at December 31, 2023 and 2022.

ii. Series “2” Preferred Shares

*Subseries 2-A, Subseries 2-B and Subseries 2-C*
In September 2012, the Parent Company issued 1,067,000,000 Series “2” Preferred Shares at the issue price of P75.00 per share. The said Series “2” Preferred Shares worth P80,025 were listed at the PSE on September 28, 2012. The SEC approved the registration and issued a permit to sell on August 10, 2012.

The Series “2” Preferred Shares were issued in three subseries (Subseries “2-A”, Subseries “2-B” and Subseries “2-C”) and are Peso-denominated, perpetual, cumulative, non-participating and non-voting.

The Parent Company has the redemption option starting on the third, fifth and seventh year and every dividend payment thereafter, with a “step-up” rate effective on the 5th, 7th and 10th year, respectively, if the shares are not redeemed. Dividend rates are 7.500%, 7.625%, and 8.000% per annum for Subseries “2-A”, Subseries “2-B” and Subseries “2-C” Preferred Shares, respectively.

On September 21, 2015, the Parent Company redeemed its 721,012,400 Series “2” Preferred Shares - Subseries “2-A” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P54,076 to the holders of Subseries “2-A” Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 20, 2015.

On September 23, 2019, the Parent Company redeemed its 90,428,200 Series “2” Preferred Shares - Subseries “2-B” at a redemption price of P75.00 per share. The Parent Company paid P6,782 to the holders of Subseries “2-B” Preferred Shares. The redemption was approved by the BOD of the Parent Company on September 12, 2019.

On September 21, 2021, the Parent Company redeemed its outstanding 255,559,400 Series “2” Preferred Shares - Subseries “2-C” at a redemption price of P75.00 per share. The Parent Company paid P19,167 to the holders of Subseries “2-C” Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

As at December 31, 2023, there are no more outstanding Series “2” Preferred Shares out of the 1,067,000,000 Series “2” Preferred Shares subject of the SEC’s permit to sell on August 10, 2012 and listed at the PSE on September 28, 2012.

*Subseries 2-D, Subseries 2-E and Subseries 2-F*
On September 21, 2015, the Parent Company issued and listed at the PSE 446,667,000 Series “2” Preferred Shares held in treasury in three subseries (Subseries “2-D”, Subseries “2-E” and Subseries “2-F”) and are Peso-denominated, perpetual, cumulative, non-participating and non-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries “2-D”, Subseries “2-E” and Subseries “2-F” Preferred Shares, respectively. The SEC approved the registration and issued a permit to sell on August 6, 2015.

On September 21, 2020, the Parent Company redeemed its 89,333,400 Series "2" Preferred Shares - Subseries "2-D" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P6,700 to the holders of Subseries "2-D" Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 6, 2020.

On September 21, 2021, the Parent Company redeemed its 134,000,100 Series "2" Preferred Shares - Subseries "2-E" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P10,050 to the holders of Subseries "2-E" Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

The Subseries "2-F" Preferred Shares include 1,333,500 shares amounting to P100 held by a subsidiary, which were reclassified to Treasury shares upon consolidation of the subsidiary on December 14, 2022 (Note 5).

As at December 31, 2023, only the Subseries "2-F" Preferred Shares remain outstanding out of the 446,667,000 Series "2" Preferred Shares subject of the SEC's permit to sell on August 6, 2015 and listed at the PSE on September 21, 2015.

*Subseries 2-G, Subseries 2-H and Subseries 2-I*
On February 24, 2016, the BOD of PSE approved the listing application of the Parent Company of up to 975,571,800 shares of Series "2" Preferred Shares under shelf registration (the Shelf Registered Shares) and the offering of up to 400,000,000 shares of Series "2" Preferred Shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved the Shelf Registered Shares and issued a permit to sell on March 8, 2016.

The Parent Company offered the "First Tranche" of up to: (i) 280,000,000 shares of Series "2" Preferred Shares consisting of Subseries "2-G", Subseries "2-H" and Subseries "2-I" and (ii) 120,000,000 shares of Series "2" Preferred Shares to cover the oversubscription option. The First Tranche was re-issued and offered from the Series "2" Preferred Shares Subseries held in treasury. The First Tranche was issued on March 30, 2016 which was also the listing date of the Shelf Registered Shares.

Dividend rates are 6.5793%, 6.3222% and 6.3355% per annum for Subseries "2-G", Subseries "2-H" and Subseries "2-I" Preferred Shares, respectively.

Following the completion of the Parent Company's follow-on offering of 280,000,000 Series "2" Preferred Shares, with an oversubscription option of 120,000,000 Series "2" Preferred Shares, the Parent Company re-issued the Series "2" Preferred Shares held in treasury, as follows: (i) 244,432,686 Series "2" Preferred Shares; and (ii) 155,567,314 Subseries "2-A" Preferred Shares (collectively, the "Offer Shares"). The Series "2" Preferred Shares were Series "1" Preferred Shares held in treasury that were reclassified to Series "2" Preferred Shares on June 9, 2015.

The remaining 575,571,800 Shelf Registered Shares were no longer be issued due to the expiration of the shelf registration, which is a period of three years from the date of approval.

On March 30, 2021, the Parent Company redeemed its 66,666,600 Series "2" Preferred Shares - Subseries "2-G" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P5,000 to the holders of Subseries "2-G" Preferred Shares. The redemption was approved by the BOD of the Parent Company on March 11, 2021.

On December 21, 2022, the Parent Company redeemed its 164,000,000 Series "2" Preferred Shares - Subseries "2-H" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P12,300 to the holders of Subseries "2-H" Preferred Shares. The redemption was approved by the BOD of the Parent Company on September 22, 2022.

As at December 31, 2023, only the Subseries "2-I" Preferred Shares remain outstanding out of the 400,000,000 shelf-registered Series "2" Preferred Shares subject of the SEC's permit to sell on March 8, 2016 and listed at the PSE on March 30, 2016.

*Subseries 2-J and Subseries 2-K*
On September 30, 2020, the BOD of PSE approved the listing application of the Parent Company of up to 533,333,334 Series "2" Preferred Shares under shelf registration (the Shelf Registered Shares) and the offering of up to 266,666,667 Series "2" Preferred Shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on October 9, 2020 and issued a permit to sell the First Tranche on the same date.

The Parent Company offered the First Tranche consisting of: (i) 133,333,400 Subseries "2-J" Preferred Shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries "2-J" Preferred Shares at an offer price of P75.00 per share. The First Tranche consisting of 266,666,667 Subseries "2-J" Preferred Shares was issued on October 29, 2020, which was also the date when the First Tranche was listed at the PSE.

The Parent Company offered a Second Tranche of the Shelf Registered Shares, consisting of (i) 133,333,400 Subseries "2-K" Preferred Shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries "2-K" Preferred Shares at an offer price of P75.00 per share. The Second Tranche consisting of 183,904,900 Subseries "2-K" was issued and listed at the PSE on December 10, 2020.

The First and Second Tranche were re-issued and offered from the Subseries "2-A" Preferred Shares held in treasury.

Dividend rates are 4.75% and 4.50% per annum for Subseries "2-J" and Subseries "2-K" Preferred Shares, respectively.

*Subseries 2-M*
On August 23, 2023, the Parent Company issued via private placement 173,333,325 Subseries "2-M" Preferred Shares at an offer price of P75.00 per share, with a fixed dividend rate of 8.375% per annum. Subseries "2-M" Preferred Shares were listed at the PSE on August 29, 2023. The Subseries "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.

*Subseries 2-L, Subseries 2-N and Subseries 2-O*
On October 17, 2023, the BOD of PSE approved the shelf registration application of the Parent Company of up to 866,666,700 Series "2" cumulative, non-voting, non-participating, non-convertible, redeemable and re-issuable (the Shelf Registered Shares) and with an offer Supplement for the First Tranche of 400,000,000 Series "2-L", Series "2-N" and Series "2-O" Preferred Shares (the "Base Offer Shares") and an Over-subscription Option of up to 266,666,700 Series "2-L", Series "2-N" and Series "2-O" Preferred Shares, with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on November 9, 2023 and issued a permit to sell the First Tranche on the same date.

On December 1, 2023, the First Tranche consisting of 165,358,600 Subseries "2-L" Preferred Shares, 100,115,100 Subseries "2-N" Preferred Shares, and 187,859,700 Subseries "2-O" Preferred Shares was issued and listed at the PSE.

Dividend rates are 7.9145%, 8.3466% and 8.5936% per annum for Subseries "2-L", Subseries "2-N" and Subseries "2-O" Preferred Shares, respectively.

The Parent Company has 288,194,494 and 916,194,719, including the 1,333,500 preferred shares held by a subsidiary (Note 5), Series "2" Preferred Shares held in treasury as at December 31, 2023 and 2022, respectively.

The Parent Company has 1,469,905,192 and 843,238,467 outstanding Series "2" Preferred Shares as at December 31, 2023 and 2022, respectively.

The Parent Company has a total of 277 and 251 preferred shareholders as at December 31, 2023 and 2022, respectively.

*c. Treasury Shares*

Treasury shares consist of:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Common | **P67,093** | P67,093 | P67,093 |
| Preferred | **42,670** | 89,670 | 77,270 |
| | **P109,763** | P156,763 | P144,363 |

Common Shares

The Parent Company has 904,752,537 common shares held in treasury as at December 31, 2023, 2022 and 2021.

1. In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series "1" Preferred Shares of the Coconut Industry Investment Fund (CIIF) companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

   On October 5, 2016, the Supreme Court of the Philippines in G.R. Nos. 177857-58 and 178193 issued a Judgment denying the "Manifestation and Omnibus Motion" filed by the Presidential Commission on Good Government to amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 CIIF Block of SMC Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government. The denial of the motion is without prejudice to the right of the ROP to file the appropriate action or proceeding to determine the legal right of the Parent Company to the 25,450,000 treasury shares of the Parent Company. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the ROP. To date, no such further action or proceeding has been filed by the ROP relating to the 25,450,000 Treasury Shares of the Parent Company.

2. In 2009, 873,173,353 common shares reverted to treasury were acquired through the exchange of common shares to preferred shares, on a one-for-one basis, at P75.00 per share amounting to P65,488.

3. On May 5, 2011, the Parent Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Parent Company consisting of 27,580,000 common shares from the treasury shares of the Parent Company and 82,740,000 SMC common shares held by Top Frontier, priced at P110.00 per share.

4. Also on May 5, 2011, US$600 worth of exchangeable bonds of the Parent Company sold to overseas investors were simultaneously listed at the Singapore Exchange Securities Trading Limited (SGX-ST). The exchangeable bonds have a maturity of three years, a coupon of 2% per annum and a conversion premium of 25% of the offer price. The exchangeable bonds are exchangeable for common shares to be re-issued from the treasury shares of the Parent Company. The initial exchange price for the exchange of the exchangeable bonds into common shares is P137.50 per share.

On December 5, 2011, 765,451 common shares were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at an exchange price of P113.24 per share. Subsequently on December 8, 2011 and February 10 and 16, 2012, the delivered common shares of stock of the Parent Company were transacted and crossed at the PSE via a special block sale in relation to the issuance of common shares pursuant to the US$600 exchangeable bonds of the Parent Company.

In 2014, 2013 and 2012, additional 1,077,573, 6,540,959 and 1,410,604 common shares, respectively, were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at exchange prices ranging from P80.44 to P113.24 per share. The additional common shares of stock of the Parent Company were transacted and crossed at the PSE on various dates via special block sales.

A total of 9,794,587 common shares were issued to the bondholders of the Parent Company's exchangeable bonds as at December 31, 2014.

5. In 2014 and 2013, 68,150 common shares and 3,410,250 common shares, respectively, under the Parent Company's Employee Stock Purchase Plan (ESPP) were cancelled and held in treasury shares.

   In 2016, the Parent Company discontinued the ESPP.

*d. Capital Securities*

SPCS

On December 5, 2019, the BOD approved the establishment of a medium term note programme amounting to US$3,000 (the "Programme"), and the issuance of US$500 perpetual securities out of the Programme. The Programme and the initial issuance of perpetual securities were both registered at the SGX-ST.

The Programme will be available for a medium term and will allow the Parent Company to tap the financial market for funding through the issuance of securities, including but not limited to corporate notes, bonds, and perpetual securities and other similar instruments at different currencies (other than Philippine peso). The establishment of the Programme will give the Parent Company ready access to funding and will give the Parent Company the flexibility to fund its contemplated investments and projects such as the MRT 7 construction, the MIA, as well as the refinancing of its existing obligations and for other general corporate purposes. All instruments and securities that will be issued out of the Programme shall be exempt securities and shall not be required to be registered with the PSE.

On July 29, 2020, the Parent Company issued US$500 (P24,595) SPCS at an issue price of 100%, with a rate of distribution of 5.5% per annum, payable every January 29 and July 29 of each year. The securities were issued under the Programme. The net proceeds were used to finance investments and various projects, to refinance existing obligations and for general corporate purposes.

RPS

On various dates in June and July 2020, the Parent Company issued a total of P14,810 RPS (including P4,000 RPS issued to a related party) at an issue price of 100%, with a rate of distribution of 5% per annum.

On September 29 and October 19, 2020, the Parent Company purchased and cancelled a total of P10,810 RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by the Parent Company to purchase the RPS.

The P4,000 RPS issued to a related party, with a distribution rate of 5% per annum, is payable every January 1, April 1, July 1 and October 1 of each year.

On May 25, 2023, the Parent Company purchased the P4,000 RPS issued to a related party at an amount equivalent to its face value. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

On August 4, 2020, the Parent Company issued US$100 (P4,909) RPS to a related party at an issue price of 100%, with a rate of distribution of 2.5% per annum, payable every February 5, May 5, August 5 and November 5 of each year.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears. The Parent Company has the right to defer this distribution under certain conditions.

The net proceeds of RPS were used by the Parent Company for general corporate purposes.

The amount of RPS presented in the consolidated financial statements was net of the RPS issued to related parties amounting to US$100 (P4,909) in 2023 and 2022 and P4,000 in 2022 (Note 5).

*e. Unappropriated Retained Earnings*

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 in 2023, 2022 and 2021, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

*f. Appropriated Retained Earnings*

The BOD of certain subsidiaries approved additional appropriations amounting to P34,817, P23,602 and P29,112 in 2023, 2022 and 2021, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P18,651, P19,228 and P22,637 in 2023, 2022 and 2021, respectively.

*g. Non-controlling Interests*

Non-controlling interests consist of:

| | **2023** | 2022 |
|---|---|---|
| Capital securities of subsidiaries | **P189,484** | P214,365 |
| Share in the net assets of subsidiaries | **116,353** | 110,383 |
| Preferred shares of subsidiaries | **43,108** | 29,611 |
| | **P348,945** | P354,359 |

The following are the developments relating to the capital securities and preferred shares of subsidiaries:

Energy

- San Miguel Global Power

  a) Issuance of SPCS

  San Miguel Global Power has the following US dollar-denominated SPCS issued and listed at the SGX-ST:

| Date of Issuance | Initial Rate of Distribution Per Annum | Issued Amount | | Balance as at December 31, 2023 | |
|---|---|---|---|---|---|
| April 25 and July 3, 2019 | 6.50% | US$800 | P41,050 | US$783 | P40,187 |
| November 5, 2019 | 5.95% | 500 | 24,837 | 492 | 24,445 |
| January 21, 2020 October 21 and | 5.70% | 600 | 30,171 | 593 | 29,836 |
| December 15, 2020 | 7.00% | 750 | 36,141 | 724 | 34,884 |
| June 9 and September 15, 2021 | 5.45% | 750 | 35,568 | 684 | 32,416 |
| | | **US$3,400** | **P167,767** | **US$3,276** | **P161,768** |

The holders of the SPCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. San Miguel Global Power has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of San Miguel Global Power with no fixed redemption date. The SPCS are redeemable in whole, but not in part, at the option of San Miguel Global Power, on step-up date or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the SPCS plus any accrued, unpaid or deferred distribution.

The net proceeds from the issuance of SPCS in 2019 were used for the redemption of the US$300 USCS in November 2019, repayment of indebtedness, capital expenditures and investments in power-related assets, the development of the BESS projects and general corporate purposes.

The net proceeds in 2020 were used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

The net proceeds in 2021 were used primarily for investments in the 1,320 MW BCCPP and related assets or for general corporate purposes.

b) Repurchase of SPCS

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US dollar-denominated SPCS listed at the SGX-ST to purchase for cash said SPCS up to a total aggregate principal amount of US$400. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which San Miguel Global Power accepted for purchase from such security holders were paid the applicable purchase price amounting to US$81 (P4,703, inclusive of transaction costs of P25) and the relevant accrued distribution amounting to US$2 (P102) on November 9, 2022.

The difference between the price paid and the net carrying value of the SPCS repurchased amounting to P1,297, net of transaction costs, was recognized as part of "Equity reserves" account in the consolidated statements of financial position.

The payment for the repurchased SPCS was funded by San Miguel Global Power's issuance of RPS to SMC.

c) Redemption of USCS

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 (P14,582) USCS issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the settlement amount and the carrying amount of the USCS amounting to P758 was recognized as part of "Equity reserves" account in the consolidated statements of financial position.

The US$300 USCS were redeemed using in part the proceeds of the US$350 SPCS issued on December 15, 2020.

Fuel and Oil

- Petron

a) Issuance of SPCS

On April 19, 2021, Petron issued US$550 (P26,231) SPCS at an issue price of 100%, with an initial rate of distribution of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

b) Redemption of SPCS

On January 19, 2023, Petron redeemed US$22 (P1,118) from US$500 SPCS issued in 2018 at a purchase price of US$927.00 per US$1,000.00 in principal amount.

On July 19, 2023, the remaining outstanding SPCS with an aggregate amount of US$478 (P23,763) was fully redeemed at a purchase price of US$1,000.00 per US$1,000.00 in principal amount. Following such redemption, distributions ceased to accrue and the redeemed securities were cancelled and delisted from the SGX-ST.

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 December 31, 2023.

c) Redemption of Series 2B Preferred Shares

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The redemption was approved by the BOD of Petron on March 9, 2021.

d) Issuance of Series 4 Preferred Shares

On July 7, 2023, Petron issued and listed at the 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 preferred share or for a total amount of P14,000. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the SEC on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares. The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US$478 SPCS issued in 2018.

Petron has the redemption option starting on the second and 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%, 7.0861% per annum for Series 4A, Series 4B and Series 4C Preferred Shares, respectively.

The details of material share in the net assets of subsidiaries are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | **Petron** | **SMFB** | Petron | SMFB |
| **Percentage of non-controlling interests** | **31.74%** | **11.24%** | 31.74% | 11.24% |
| **Carrying amount of non-controlling interests** | **P15,462** | **P70,402** | P15,964 | P65,539 |
| **Net income attributable to non-controlling interests** | **P1,836** | **P17,636** | P1,157 | P14,868 |
| **Other comprehensive income (loss) attributable to non-controlling interests** | **(P1,068)** | **(P545)** | P741 | P206 |
| **Dividends paid to non-controlling interests** | **P510** | **P12,229** | P177 | P10,260 |

The following are the audited condensed financial information of subsidiaries with material non-controlling interests:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | **Petron** | **SMFB** | Petron | SMFB |
| Current assets | **P233,007** | **P135,889** | P243,287 | P132,957 |
| Noncurrent assets | **210,897** | **219,886** | 216,784 | 206,521 |
| Current liabilities | **(234,729)** | **(103,008)** | (227,555) | (90,070) |
| Noncurrent liabilities | **(109,540)** | **(83,652)** | (118,966) | (90,335) |
| **Net Assets** | **P99,635** | **P169,115** | P113,550 | P159,073 |
| Sales | **P801,027** | **P379,822** | P857,638 | P358,853 |
| Net income | **P10,134** | **P38,105** | P6,697 | P34,665 |
| Other comprehensive income (loss) | **(2,489)** | **(1,672)** | 1,721 | 326 |
| **Total Comprehensive Income** | **P7,645** | **P36,433** | P8,418 | P34,991 |
| Cash flows provided by (used in) operating activities | **P19,204** | **P76,831** | (P22,674) | P39,811 |
| Cash flows used in investing activities | **(6,438)** | **(27,690)** | (2,382) | (35,425) |
| Cash flows provided by (used in) financing activities | **(21,753)** | **(33,194)** | 22,807 | (5,698) |
| Effect of exchange rate changes on cash and cash equivalents | **(677)** | **(39)** | 3,026 | 830 |
| **Net increase (decrease) in cash and cash equivalents** | **(P9,664)** | **P15,908** | P777 | (P482) |

## 25. Sales

Sales consist of:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Goods | | **P1,408,087** | P1,472,886 | P918,118 |
| Services | | **38,616** | 33,705 | 23,075 |
| | *6, 33* | **P1,446,703** | P1,506,591 | P941,193 |

## 26. Cost of Sales

Cost of sales consist of:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Inventories | *9, 40* | **P929,217** | P1,021,867 | P524,350 |
| Taxes and licenses | | **115,944** | 106,351 | 90,305 |
| Depreciation and amortization | *28* | **43,390** | 37,846 | 33,548 |
| Power purchases | *34* | **25,250** | 57,089 | 20,557 |
| Fuel and oil | | **21,850** | 23,212 | 12,671 |
| Personnel | *29* | **15,347** | 12,791 | 10,049 |
| Contracted services | | **14,932** | 12,794 | 15,144 |
| Freight, trucking and handling | | **13,728** | 12,367 | 7,096 |
| Communications, light and water | | **9,846** | 4,406 | 6,257 |
| Repairs and maintenance | | **7,614** | 5,328 | 5,017 |
| Tolling fees | *34* | **5,825** | 6,692 | 6,816 |
| Energy fees | *34* | **1,641** | 10,452 | 17,762 |
| Rent | | **839** | 879 | 596 |
| Others | *9, 34* | **2,987** | 2,533 | 847 |
| | | **P1,208,410** | P1,314,607 | P751,015 |

## 27. Selling and Administrative Expenses

Selling and administrative expenses consist of:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Selling | **P46,871** | P43,469 | P37,177 |
| Administrative | **46,937** | 40,503 | 40,814 |
| | **P93,808** | P83,972 | P77,991 |

Selling expenses consist of:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Personnel | *29* | **P13,769** | P12,454 | P8,218 |
| Freight, trucking and handling | | **9,833** | 10,247 | 9,387 |
| Depreciation and amortization | *28* | **7,611** | 6,801 | 5,698 |
| Advertising and promotions | | **7,015** | 5,885 | 5,586 |
| Rent | | **2,179** | 2,017 | 1,633 |
| Repairs and maintenance | | **2,171** | 1,783 | 1,534 |
| Supplies | | **1,219** | 916 | 740 |
| Taxes and licenses | | **1,056** | 949 | 836 |
| Travel, entertainment and representation | | **870** | 685 | 440 |
| Professional fees | | **575** | 561 | 540 |
| Communications, light and water | | **491** | 717 | 485 |
| Others | | **82** | 454 | 2,080 |
| | | **P46,871** | P43,469 | P37,177 |

Administrative expenses consist of:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Personnel | *29* | **P22,373** | P19,845 | P23,660 |
| Depreciation and amortization | *28* | **4,856** | 4,595 | 4,802 |
| Travel, entertainment and representation | | **4,680** | 3,119 | 2,605 |
| Taxes and licenses | | **4,673** | 3,845 | 3,488 |
| Professional fees | | **2,899** | 2,605 | 2,451 |
| Repairs and maintenance | | **1,908** | 1,855 | 1,576 |
| Supplies | | **945** | 916 | 934 |
| Communications, light and water | | **930** | 948 | 957 |
| Rent | | **478** | 408 | 534 |
| Impairment loss (reversal of impairment loss) | *8, 9, 13, 15, 18* | **319** | 115 | (455) |
| Research and development | | **80** | 45 | 38 |
| Others | *34* | **2,796** | 2,207 | 224 |
| | | **P46,937** | P40,503 | P40,814 |

## 28. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Cost of sales: | | | | |
| Property, plant and equipment | *13* | **P27,091** | P22,435 | P18,800 |
| Other intangible assets | *17* | **7,813** | 7,178 | 5,963 |
| Right-of-use assets | *14* | **3,950** | 4,532 | 5,571 |
| Biological assets and others | *15, 16, 18* | **4,536** | 3,701 | 3,214 |
| | *26* | **43,390** | 37,846 | 33,548 |
| Selling and administrative expenses: | | | | |
| Property, plant and equipment | *13* | **5,076** | 4,743 | 5,106 |
| Right-of-use assets | *14* | **949** | 1,082 | 953 |
| Investment property, deferred containers and others | *15, 17, 18* | **6,442** | 5,571 | 4,441 |
| | *27* | **12,467** | 11,396 | 10,500 |
| | | **P55,857** | P49,242 | P44,048 |

"Others" include depreciation of investment property and amortization of catalyst in cost of sales, and depreciation of idle assets and amortization of computer software and licenses in selling and administrative expenses.

## 29. Personnel Expenses

Personnel expenses consist of:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Salaries and wages | | **P29,863** | P26,543 | P23,026 |
| Retirement costs | *35* | **1,784** | 2,028 | 3,443 |
| Other employee benefits | | **19,842** | 16,519 | 15,458 |
| | | **P51,489** | P45,090 | P41,927 |

Personnel expenses are distributed as follows:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Cost of sales | *26* | **P15,347** | P12,791 | P10,049 |
| Selling expenses | *27* | **13,769** | 12,454 | 8,218 |
| Administrative expenses | *27* | **22,373** | 19,845 | 23,660 |
| | | **P51,489** | P45,090 | P41,927 |

## 30. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Interest expense | | **P83,083** | P54,269 | P42,891 |
| Other financing charges | *21, 35* | **8,220** | 6,526 | 6,374 |
| | | **P91,303** | P60,795 | P49,265 |

Amortization of debt issue costs included in "Other financing charges" amounted to P3,755, P2,824 and P2,630 in 2023, 2022 and 2021, respectively (Note 21).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Loans payable | *19* | **P15,400** | P7,718 | P3,737 |
| Long-term debt | *21* | **63,911** | 41,766 | 33,097 |
| Lease liabilities | *14, 34* | **3,772** | 4,785 | 6,057 |
| | | **P83,083** | P54,269 | P42,891 |

## 31. Interest Income

Interest income consists of:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Interest from short-term investments, cash in banks and others | *7, 12, 35* | **P13,206** | P6,761 | P3,291 |
| Interest on amounts owed by related parties | *12, 33, 35* | **821** | 347 | 300 |
| | | **P14,027** | P7,108 | P3,591 |

## 32. Other Income (Charges)

Other income (charges) consists of:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Construction revenue (a) | *4, 17, 34* | **P60,606** | P60,461 | P29,769 |
| Gain (loss) on foreign exchange - net | *39* | **2,485** | (21,518) | (4,846) |
| Miscellaneous gain (b) | *5, 43* | **2,291** | 22 | 170 |
| Dividend income (c) | *12* | **25** | 1,352 | 2,674 |
| Provision on impairment (d) | *8, 11, 13, 17, 18* | **(780)** | (1,111) | (449) |
| Gain (loss) on derivatives - net | *40* | **(1,379)** | 2,920 | 285 |
| Construction costs (a) | *4, 17, 34* | **(60,606)** | (60,461) | (29,769) |
| Others - net (e) | *4 ,34* | **1,444** | 2,157 | 398 |
| | | **P4,086** | (P16,178) | (P1,768) |

a. 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, port, water and power concession rights as at reporting date.

b. Miscellaneous gain represents the income recognized in 2023 by GSMI from the assignment of products rights amounting to P1,530, income recognized by the Group from the Tax Credit Certificates (TCC) issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light (Note 43) amounting to P761 and P162 in 2023 and 2021, respectively, and the gain recognized from the consolidation of Mema in 2022 amounting to P22.

c. In 2021, the Parent Company received US$32 (P1,594) as dividend from its investment in redeemable preferred shares of stock of Carmen Red Ltd., which was redeemed on December 28, 2021.

d. *Australian Packaging Operations*. The Group's packaging operations in Australia particularly the wine filling and bottling operations is being challenged by the ongoing restrictions imposed by China on importations from Australia, including wines. In 2021, China imposed a punitive tariff on Australian wines which severely impacted the Australian wine industry. The ongoing trade restriction and the lingering effect of COVID-19 led to the decline in demand for products of SMYA compared to forecasted revenues. Management has determined that the carrying amount of the cash generating unit is higher than the recoverable value. Accordingly, impairment loss of P188 and P789 in 2023 and 2022, respectively, were recognized by SMYA.

   *Advances for Investments.* As discussed in Note 12, SMPI made advances to future investees that will be applied against future stock subscriptions. Management assessed that the carrying amount of advances for investments may not be recoverable in full. Accordingly, additional impairment losses amounting to P498 and P241 were recognized in 2023 and 2022, respectively.

   *La Pacita Biscuit Operations.* As discussed in Notes 10 and 17, Magnolia ceased the operation of La Pacita biscuit on October 17, 2021. Impairment loss was recognized amounting to P386 in 2021 to reduce the carrying amount of trademark to recoverable amount.

e. "Others" consist of rent income, commission income, changes in fair value of financial assets at FVPL, gain on settlement of ARO, insurance claims, casualty loss, loss on retirement of breeding stocks and expenses of closed facilities.

## 33. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at December 31:

| | *Note* | Year | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | *8, 36* | **2023** | **P8** | **P -** | **P -** | **P515** | On demand; non-interest bearing | Unsecured |
| | | 2022 | 11 | - | - | 515 | | |
| | *18* | **2023** | **-** | **-** | **3,037** | **-** | To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing | Unsecured; no impairment |
| | | 2022 | - | - | 3,037 | - | | |
| Retirement Plans | *8, 35* | **2023** | **29** | **-** | **3,332** | **-** | On demand; non-interest bearing | Unsecured; no impairment |
| | | 2022 | 23 | - | 3,480 | - | | |
| | *8, 31, 35* | **2023** | **239** | **-** | **4,129** | **9** | On demand; interest bearing | Unsecured; no impairment |
| | | 2022 | 246 | - | 4,127 | - | | |
| Associates | *8, 18, 20, 22* | **2023** | **2,466** | **-** | **1,119** | **73** | On demand; non-interest bearing | Unsecured; no impairment |
| | | 2022 | 1,970 | 11 | 888 | 74 | | |
| | *8, 10, 12, 18, 19, 21, 31* | **2023** | **469** | **-** | **4,288** | **25,076** | Less than 1 to 12 years; interest bearing | Unsecured; secured; no impairment |
| | | 2022 | 6 | - | 12,346 | 19,875 | | |
| Joint Ventures | *8,18, 20, 22* | **2023** | **74** | **65** | **197** | **18** | On demand; non-interest bearing | Unsecured; no impairment |
| | | 2022 | 63 | 471 | 117 | 17 | | |
| | *8* | **2023** | **40** | **-** | **621** | **-** | On demand; interest bearing | Unsecured; with impairment |
| | | 2022 | - | - | 621 | - | | |
| | *8, 18, 31* | **2023** | **77** | **-** | **1,479** | **-** | Less than 1 to 10.5 years; interest bearing | Unsecured; no impairment |
| | | 2022 | 59 | - | 1,135 | - | | |
| Shareholder of the Ultimate Parent Company | *8, 20* | **2023** | **-** | **-** | **1,300** | **-** | On demand; Non-interest bearing | Unsecured; no impairment |
| Shareholders in Subsidiaries | *8, 20* | **2023** | **30** | **990** | **100** | **1,304** | On demand; non-interest bearing | Unsecured; no impairment |
| | | 2022 | 184 | 890 | 91 | 2,658 | | |
| Others | *8, 20, 22* | **2023** | **451** | **2,965** | **157** | **162** | On demand; non-interest bearing | Unsecured; no impairment |
| | | 2022 | 6,157 | 4,284 | 173 | 13 | | |
| **Total** | | **2023** | **P3,883** | **P4,020** | **P19,759** | **P27,157** | | |
| Total | | 2022 | P8,719 | P5,656 | P26,015 | P23,152 | | |

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, advances to suppliers and deposits and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from the Ultimate Parent Company related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

      *(i) Amounts owed by the Ultimate Parent Company amounting to P2,312:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

      *(ii) Amounts owed by the Ultimate Parent Company amounting to P725:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

   b) Amounts owed by related parties include investments in debt securities under investment agreement with BankCom for a total amount of P4,288 and P12,250 as at December 31, 2023 and 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 (Notes 10 and 12).

   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 December 31, 2023 and 2022.

   d) 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 consolidated statement of financial position as at December 31, 2023 (Note 5).

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 P4 and P6 as at December 31, 2023 and 2022, respectively, and as part of “Lease liabilities - net of current portion” amounted to P5 as at December 31, 2023. The amount owed to the Ultimate Parent Company pertains to dividends payable (Note 36).

5. The amounts owed to associates include interest bearing loans payable to BankCom presented as part of “Loans payable” account amounting to P6,382 and P8,172 and “Long-term debt” account amounting to P18,694 and P11,703 in the consolidated statements of financial position as at December 31, 2023 and 2022, respectively (Notes 19 and 21).

   The amounts owed to associates include syndicated project finance loans amounting to P8,315 and P10,913 as at December 31, 2023 and 2022, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

6. The compensation of key management personnel of the Group, by benefit type, follows:

| | ***Note*** | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Short-term employee benefits | | **P544** | P631 | P436 |
| Retirement cost | *35* | **47** | 17 | 45 |
| | | **P591** | P648 | P481 |

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

## 34. Significant Agreements and Lease Commitments

Significant Agreements

- Energy

  - *IPPA Agreements*

    As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following appointed subsidiaries:

| Subsidiary | Power Plant | Location |
|---|---|---|
| SPI | Sual Coal - Fired Power Station (Sual Power Plant) | Sual, Pangasinan Province |
| SRHI | San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant) | San Roque, Pangasinan Province |

SPPC also became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010 until the Ilijan Power Plant was turned over to SPPC in June 2022.

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of RA No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;

iv. for SPI and SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral power supply contracts;

v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;

vi. maintain the performance bond in full force and effect with a qualified bank; and

vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P1,641, P10,452 and P17,762 in 2023, 2022 and 2021, respectively (Note 26). SPI and SRHI renewed their performance bonds amounting to US$58 and US$20, which will expire on November 2, 2024 and January 25, 2025, respectively.

On June 16, 2015, SPPC renewed its performance bond amounting to US$60 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Note 43).

The lease liabilities are carried at amortized cost using the US dollar and Philippine peso discount rates as follows:

| | US Dollar | Philippine Peso |
|---|---|---|
| SPI | 3.89% | 8.16% |
| SPPC | 3.85% | 8.05% |
| SRHI | 3.30% | 7.90% |

The discount determined at the inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income. Interest expense amounted to P2,421, P3,462 and P4,706 in 2023, 2022 and 2021, respectively (Note 30).

On April 4, 2022, SPPC entered into a long-term lease agreement with PSALM for parcels of land with an aggregate area of 242,445.50 square meters. The leased premises shall be used for the operation, management, expansion and maintenance of the Ilijan Power Plant. The lease agreement shall expire after 25 years, commencing on the expiration of the IPPA Agreement between SPPC and PSALM in June 2022, and is subject to renewal upon mutual agreement of both parties.

Subsequently, upon the request of SPPC, PSALM issued an Additional Leased Premises Certification for the parcels of land with an aggregate area of 24,116 square meters where the Ilijan switchyard is located.

In 2022, SPPC paid in advance the total lease charges amounting to P1,823 covering the entire leased premises and duration of the lease term. This is presented under “Right-of-use assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 14).

In June 2022, the IPPA Agreement between SPPC and PSALM has ended. Accordingly, the Ilijan Power Plant was reclassified from "Right-of-use assets - net" to “Property, plant and equipment - net” account pursuant to the terms and conditions of the IPPA Agreement (Notes 13 and 14).

The power plants under the remaining IPPA lease arrangements with PSALM, presented under “Right-of-use assets - net” account in the consolidated statements of financial position, amounted to P95,545 and P99,116 as at December 31, 2023 and 2022, respectively (Note 14).

- *Land Lease Agreement with PSALM*

MPCL has an existing lease agreement with PSALM for the lease of the 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

The lease liability is amortized using the discount rate over the period of the agreement. Amortization is recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income which amounted to P3 in 2023, 2022 and 2021 (Note 30).

MPCL’s land under lease arrangement, presented under “Right-of-use assets - net” account in the consolidated statements of financial position amounted to P89 as at December 31, 2023 and 2022 (Notes 4 and 14).

- *Market Participation Agreements (MPA)*

  SPI, SRHI, SPPC, LPI, MPI, MPCL, SMGP Kabankalan, SMGP BESS and MPGC each entered into separate MPAs with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

  The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

  Upon the initiative of the DOE and PEMC, IEMOP was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SPI, SRHI, SPPC, LPI, SMELC, MPI and MPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

  Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by IEMOP to SPI, SRHI, SPPC, LPI, MPI, MPCL, SMGP BESS, SMGP Kabankalan and MPGC amounted to P372, P201 and P126 in 2023, 2022 and 2021, respectively (Note 26).

  LPI and MPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM which expired in 2021. Subsequently, LPI and MPCL has extended its validity until October 24, 2024 and February 15, 2025, respectively.

- *PSAs and RSCs*

  SPI, SPPC, SRHI, MPI, LPI, SMELC, SEDI and MPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Suppliers (RES) and other entities.

  Counterparties for RSCs are contestable customers, or large industrial users which have been certified contestable by the ERC.

  Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

SPI, SPPC, SRHI, MPI, LPI, MPCL, SMGP Kabankalan and MPGC can also purchase power from WESM or other power generation companies during periods when power generated from the power plants is not sufficient to meet the customers' power requirements. Power purchases amounted to P25,250, P57,089 and P20,557 in 2023, 2022 and 2021, respectively (Note 26).

On March 2, 2021, EERI and MPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively.

On March 17, 2023, EERI and MPCL each submitted a Notice of Termination to Meralco due to the non-occurrence of the acceptance date of ERC's Final Approvals on or before the longstop date prescribed in the respective agreements. The termination of the agreements took effect upon the lapse of 15 days from the receipt of the notice and will not result in any liability on the part of EERI and MPCL.

- *Ancillary Service Procurement Agreement (ASPA)*

  On September 8, 2017, MPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of five years commencing on May 26, 2018 to allocate the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

  On May 6, 2021, SMGP Kabankalan entered into an ASPA with NGCP for a period of five years commencing on January 26, 2022, allocating its 20 MW Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC.

  On May 2, 2023, SMGP BESS entered into several ASPA with NGCP for a period of five years commencing on various dates in 2023, allocating its 220 MW BESS located in several sites nationwide to provide ancillary services to the NGCP based on the Provisional Authority Granted by the ERC.

- *Coal Supply Agreements*

  SPI, MPI, LPI, MPCL and MPGC have supply agreements with various coal suppliers for the coal requirements of the power plants.

- *Liquefied Natural Gas Supply Agreements*

  SPPC has supply agreements with various LNG suppliers for the natural gas requirements of the Ilijan Power Plant.

- *Distribution Wheeling Service (DWS) Agreements*

  As RES, LPI and MPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

  The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

  SMELC's DWS Agreements were no longer renewed relative to the expiration of its RES license in September 2021.

- *Concession Agreement*

  San Miguel Global Power entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

  On January 28, 2014, San Miguel Global Power and APEC, entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of San Miguel Global Power under the Concession Agreement effective January 2, 2014.

  The Concession Agreement include, among others, the following rights and obligations:

  i) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement, and (b) the amount of P2 every quarter for the upkeep of residual ALECO (fixed concession fee);

  ii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,049;

  iii) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and

  iv) at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

  In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

  On September 27, 2022, APEC received from ALECO its notification to terminate the Concession Agreement. APEC refuted the claims made by ALECO in a letter dated November 4, 2022.

On November 18, 2022, APEC served its Notice of Termination to ALECO based on ALECO's default of its obligations under the Concession Agreement.

Effective November 21, 2022, the Concession Agreement was terminated. Notwithstanding the pending dispute, APEC agreed to turn-over the operations of the distribution business to ALECO and agreed to provide assistance and cooperation to ALECO during the transition period beginning on November 21, 2022 and ending on December 21, 2022, without prejudice to APEC's remedies against ALECO under the terms of the Concession Agreement.

- Fuel and Oil

  - *Supply Agreements*

    Petron has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco) and Kuwait Petroleum Corporation (KPC). The contract with Saudi Aramco is from January 1, 2023 to December 31, 2023 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice. The contract with KPC is from July 1, 2023 to December 31, 2024.

    PMRMB acquires crude oil and condensate for the Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. The PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. ("EMEPMI") for a period of two years until March 2024 supplemented by other short-term supply contracts and spot crude purchases. As at December 31, 2023, about 47% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

    Outstanding liabilities of the Group for such purchases are shown as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 20).

  - *Lease Agreement with Philippine National Oil Company (PNOC)*

    On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Also, as at December 31, 2023 and 2022, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 43).

- Infrastructure

  - *Airport Concession Agreement*

    i. *Boracay Airport*

    The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations.

    On June 22, 2009, TADHC entered into a Concession Agreement with the ROP, through the Department of Transportation (DOTr) and Civil Aviation Authority of the Philippines. Based on the Concession Agreement, TADHC has been granted with the concession of the Airport Project which includes the development and upgrade of the Caticlan Airport (marketed and promoted as Boracay Airport) as an international airport. Subject to existing law, the Concession Agreement also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of 25 years (as may be renewed or extended for another 25 years upon written agreement of the parties), and to collect the fees, rentals and other charges as may be determined in accordance with the Concession Agreement.

    The salient features of the Concession Agreement are presented below:

    1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.

    2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As at December 31, 2021, TADHC has yet to pay the OMPS as the Airport Project has not yet entered the In-Service Date.

    3. Immediately upon receiving the Notice to Commence Implementation (NCI) and provided all conditions precedent in the Concession Agreement are fulfilled or waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.

4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to a loan with BankCom. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leverage to the loan obtained (Notes 21 and 33).

5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC of the works required to be carried out in connection with the construction and completion of civil, structural, sanitary, mechanical, electrical and architectural infrastructure. This performance security shall be partially released by the ROP from time to time to the extent of the percentage-of-completion of the Airport Project. TADHC has paid P1 and P2 premiums in 2022 and 2021, respectively, for the Work Performance Security and is included as part of "Airport concession rights" under "Other intangible assets" account in the consolidated statements of financial position (Note 17). The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statements of financial position (Note 10).

6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The first payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

After fulfillment of all contractual and legal requirements, the Concession Agreement became effective on December 7, 2009. The NCI issued to TADHC by the DOTr was accepted by TADHC on December 18, 2009.

In accordance with the license granted by the ROP, as expressly indicated in the Concession Agreement, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Construction work for the extension of runway has been completed in 2016. The construction of the new terminal building is ongoing and expected to be completed in 2025.

ii. *MIA*

On August 14, 2019, the ROP, through the DOTr, issued a NOA to SMHC, awarding the MIA Project. In accordance with the NOA, SMAI was registered by SMHC as the concessionaire.

The MIA Project shall create a gateway for international and domestic travel, with the necessary ancillary facilities to support the creation of a new airport city outside Metro Manila to decongest the existing road networks and provide an alternative higher capacity airport facility.

*A. Concession Agreement*

On September 18, 2019, SMAI entered into a Concession Agreement with the ROP, through the DOTr, for the right to finance, design, construct, supply, complete, test, commission and eventually operate and maintain the MIA Project for a period of 50 years from the issuance of the Certificate of Substantial Completion for the first phase.

The salient features of the Concession Agreement are presented below:

1. The MIA shall consist of airfield facilities, passenger and cargo terminal buildings, airport support facilities and an airport toll road facility which will connect the MIA to the North Luzon Expressway and will be implemented in three phases, with increasing capacity for each phase completed.

2. The implementation of the first phase shall be completed within a period of five years from the date of commencement of construction, with the remaining phases subject to the timely submission and approval of the required documentation for each phase.

3. SMAI shall turnover 100 hectares of land to the ROP as government center land area and execute the necessary documents to transfer full ownership in favor of the ROP.

4. SMAI shall be responsible for the acquisition of right-of-way and possession of sufficient title to the facilities of the site of the MIA and the removal or abatement of all liens, encumbrances and hazardous substances within the MIA's vicinities as the case may be.

5. SMAI shall provide proper maintenance of the MIA's facilities and ensure that all airport facilities and airport toll road are in the condition required upon turnover to the ROP at the end of the concession period.

6. All revenues derived from the operations, maintenance and management of the MIA shall accrue to SMAI, including the lease or sublease of all business or commercial ventures and activities consistent with the MIA's operations.

*B. Legislative Franchise*

On December 20, 2020, RA No. 11506 lapsed into law, granting SMAI a franchise to construct, develop, establish, operate and maintain a domestic and international airport in the municipality of Bulakan and to construct, develop, establish, operate and maintain an adjacent Airport City (the MIA Project). The franchise is for a period of 50 years. RA No. 11506 became effective on January 15, 2021 and enhances the earlier Concession Agreement.

The salient features of RA No. 11506 are as follows:

1. SMAI shall be exempt from any and all direct and indirect taxes of any kind, nature and description, including but not limited to income taxes, value-added taxes, excise taxes, customs duties and tariffs, business taxes, among others during a ten-year construction period beginning from the effectivity of RA No. 11506. After the construction period, SMAI shall be exempt from income and real estate taxes until SMAI has fully recovered the costs incurred in the construction of the MIA Project.

2. After SMAI has fully recovered the costs, SMAI shall be entitled to generate income from its operations equivalent to an internal rate of return of 12% per annum. Any amount in excess shall be remitted to the national government.

3. SMAI is also required to offer at least 20% of its outstanding capital stock to any securities exchange in the Philippines for public participation within 5 years upon full recovery of costs incurred in the construction of the MIA Project.

- *MRT 7 Concession Agreement*

The ROP awarded ULC BVI the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme, which is a modified Build-Transfer-Operate arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC BVI entered into the MRT 7 Agreement or Concession Agreement with the ROP through the DOTr, for a 25-year concession period, subject to extensions as may be provided for under the Concession Agreement and by law. Based on the Concession Agreement, ULC BVI has been granted the right to finance, design, test, commission, construct and operate and maintain the MRT 7 Project, which consists of a highway, Intermodal Transport Terminal and Metro Rail Transit System including the depot and rolling stock.

The ROP through the DOTr granted ULC BVI the following rights under the Concession Agreement:

- To finance, design, construct, supply, complete and commission the MRT 7 Project;

- To designate a Facility Operator and/or a Maintenance Provider to Operate and Maintain the MRT 7 Project;

- To receive the Amortization Payments and the Revenue Share as specified in the Concession Agreement;

- To charge and collect the Agreed Fares or the Actual Fares and/or to receive the Fare Differential, if any;

- Development Rights as specified in the Concession Agreement; and

- To do any and all acts which are proper, necessary or incidental to the exercise of any of the above rights and the performance of its obligations under the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The MRT 7 Project cost shall be financed by ULC BVI through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the Concession Agreement, ULC BVI's estimated capital commitment to develop the MRT 7 Project amounts to US$1,236, adjusted to 2008 prices at US$1,540 per National Economic and Development Authority Investment Coordination Committee approval on July 14, 2014.

2. ULC BVI shall post a Performance Security for Construction and Operations and Maintenance in favor of the ROP as guarantee for faithful performance by ULC BVI to develop the MRT 7 Project. This performance security for operations and maintenance shall be reduced every year of the concession period to the amounts as specified in the Concession Agreement.

3. All rail-based revenues above 11.90% internal rate of return of ULC BVI for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC BVI and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.

4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC BVI a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the Concession Agreement. The ROP's amortization payment to ULC BVI shall start when the MRT 7 Project is substantially completed.

5. For every semi-annual full payment made by the ROP through the DOTr, and actually received by ULC BVI, the latter shall issue a Certificate of Transfer of Ownership, in favor of the former representing a pro-indiviso interest in the assets of the MRT 7 Project in proportion to the amortization payment made over the total amortization payment to be made during the concession period. After the end of the concession period but provided that all the amortization payment and other amounts due to ULC BVI under the Concession Agreement shall have been fully paid, settled and otherwise received by ULC BVI, full ownership of the assets of the MRT 7 Project shall be transferred to it, free from all liens and encumbrances.

6. The amortization payments shall be adjusted pursuant to the escalation formula based on parametric formula for price adjustment reflecting changes in the prices of labor, materials and equipment necessary in the implementation/completion of the MRT 7 Project both local and at the country where the equipment/components shall be sourced.

7. Net passenger revenue shall be shared by the ROP and ULC BVI on a 30:70 basis.

8. The ROP grants ULC BVI the exclusive and irrevocable commercial Development Rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the Concession Agreement until the end of the concession period, which can be extended for another 25 years, subject to the ROP's approval. In consideration of the Development Rights granted, ULC BVI or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the Development Rights.

9. Upon the expiration of the concession period and payment in full of the amortization payments and the other obligations of the ROP through the DOTr, the Concession Agreement shall be deemed terminated, and all the rights and obligations thereunder shall correspondingly cease to exist, other than all rights and obligations accrued prior to the date of such expiration including, without limitation, the obligations of ROP through the DOTr to make termination payments in accordance with the Concession Agreement and following expiration of the concession period, the Development Rights of ULC BVI pursuant to the Concession Agreement shall survive.

10. If ULC BVI and ROP through the DOTr are not able to agree on the solution to be adopted in an appropriate Variation Order within the period specified in the Concession Agreement, then ULC BVI may proceed to terminate the Concession Agreement. Also, if either of ULC BVI and ROP through the DOTr intends to terminate the Concession Agreement, by mutual agreement under the Concession Agreement, it shall give a notice of intention to terminate to the other. Following receipt of the Intent Notice, the parties shall meet for a period of up to eight weeks and endeavor to agree on the terms, conditions arrangements, and the necessary payments for such termination. If at the expiration of the said period, ULC BVI and ROP through the DOTr are unable to agree on and execute an agreement for the mutual termination of the Concession Agreement, the same shall remain valid and in effect.

On July 23, 2014, the ROP through the DOTr confirmed their obligations under the MRT 7 Agreement dated June 18, 2008 through the Performance Undertaking issued by the Department of Finance, which was received by ULC BVI on August 19, 2014. The Performance Undertaking is a recognition of the obligations of the ROP through the DOTr under the Concession Agreement, particularly the remittance of semi-annual amortization payment in favor of ULC BVI. The issuance of the Performance Undertaking triggers the obligation of ULC BVI to achieve financial closure within 18 months from the date of the receipt of the Performance Undertaking. Within the aforementioned period, ULC BVI achieved Financial Closure, as defined in the MRT 7 Agreement. There were no changes in the terms of the Concession Agreement in 2023.

On April 20, 2016, ULC BVI through the Parent Company, led the ground breaking ceremony for the MRT 7 Project.

Pursuant to Section 19.1 of the Concession Agreement, on September 30, 2016, ULC BVI sent a request letter to the ROP through the DOTr to secure the latter's prior approval in relation to the intention of ULC BVI to assign all its rights and obligations under the Concession Agreement to SMC MRT 7, the designated special purpose company for the MRT 7 Project. The assignment of the rights and obligations from ULC BVI to SMC MRT 7 will be achieved through execution of Accession Agreement. Based on the Concession Agreement, ULC BVI may assign its rights, title, interests or obligations therein, provided that the following conditions are met:

- The assignment will not in any way diminish ULC BVI's principal liability under the Concession Agreement; and

- ULC BVI secures from ROP, through the DOTr, its prior approval, which shall not be unreasonably withheld.

In addition, the letter dated September 30, 2016 from ULC BVI also requested that upon submission by SMC MRT 7 of the lenders' recognition that the Financing Agreements for the MRT 7 Project is for its benefit, the DOTr shall cause the amendment of the Performance Undertaking dated July 23, 2014 by changing the addressee and beneficiary thereof from ULC BVI to SMC MRT 7.

On December 12, 2016, the ROP through the DOTr gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC MRT 7.

Following the DOTr's approval, SMC MRT 7 and ULC BVI carried out the Accession Agreement on January 12, 2017.

- *Toll Road Concession Agreements*

  *i. SLEX*

  *SMC SLEX.* On February 1, 2006, SMC SLEX executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SMC SLEX by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX, comprising of: Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

  On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e., TR1, TR2 and TR3, and approved the implementation of the initial toll rate starting April 1, 2011.

  In 2012, SMC SLEX received a letter from the Department of Finance informing SMC SLEX of the conveyance by PNCC to the ROP of its shares of stock in SMC SLEX, by way of deed of assignment. Moreover, SMC SLEX also received the Declarations of Trust signed by the individual nominees of PNCC, in favor of the ROP, in which each nominee affirmed their holding of single, qualifying share in SMC SLEX in favor of the ROP.

On July 21, 2015, SMC SLEX entered into a MOA with Ayala Corporation (AC), on the inter-operability of the SLEX and Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road). AC is the concession holder of MCX while MCX Tollway, Inc. is the facility operator of MCX.

The MOA on inter-operability provides the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users. MCX opened and operated as a toll expressway on July 24, 2015.

In 2019, SMC SLEX commenced the construction of TR4 and is ongoing as at December 31, 2023.

*SLEXTR5*. On June 3, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, SLEXTR5 as the Investor, and MATES as the Operator, wherein the SLEXTR5 was granted the exclusive right, privilege, responsibility, and obligation to design and construct the TR5 Project, and to finance the same, while MATES was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the TR5 Project.

The TR5 Project is a 416.48-kilometer extension of SLEX from Lucena City, Quezon to Matnog, Sorsogon.

The TR5 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of SLEXTR5 and MATES under the STOA. The legal transfer of ownership of the TR5 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the TR5 Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire TR5 Project to SLEXTR5 and/or MATES.

*ii. NAIA Expressway*

On July 8, 2013, SMC NAIAX entered into a Concession Agreement with the ROP, through the Department of Public Works and Highways (DPWH), wherein SMC NAIAX was granted the right to finance, design, construct, and operate and maintain the NAIA Expressway Project. The NAIA Expressway Project links the three NAIA terminals to the Skyway, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation.

On September 22, 2016, SMC NAIAX started commercial operations of NAIA Expressway upon receipt of the Toll Operations Permit from the TRB. The Toll Operations Permit for Phase II A and B was issued on September 9, 2016 and December 19, 2016, respectively.

At the end of the concession period, SMC NAIAX shall turnover the NAIA Expressway to the DPWH in the condition required for turnover as described in the Minimum Performance Standards Specifications of the Concession Agreement.

*iii. Skyway*

On June 10, 1994, PNCC, the franchise holder for the construction, operations and maintenance of the Metro Manila Expressway, including any and all extensions, linkages or stretches thereof, such as the proposed Skyway, and PT Citra Lamtoro Gung Persada (Citra), as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering not only the proposed Skyway but also the planned Metro Manila Tollways. The Joint Investment Proposal embodied, among others, that Citra in cooperation with PNCC committed itself to finance, design and construct the Skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995.

- Skyway Stages 1 and 2

  The STOA for SMMS was executed on November 27, 1995 by and among SMC Skyway, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of SMC Skyway as investor. On the other hand, the operations and maintenance of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly-owned subsidiary, the PNCC Skyway Corporation (PSC).

  On July 18, 2007, the STOA was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to SMC Skyway to nominate to the TRB a qualified party to perform the operations and maintenance of the SMMS to replace PSC. SMC Skyway, PNCC and PSC then entered into a MOA for the successful and seamless turnover of the operations and maintenance responsibilities for the SMMS from PSC to SOMCO.

  The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of SMC Skyway and SOMCO under the STOA. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among SMC Skyway, SOMCO and PNCC for the operations and maintenance of the SMMS.

  The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

Under the STOA, SMC Skyway may file an application to adjust the toll rates which shall be of two kinds, namely periodic and provisional adjustments. Periodic adjustments for the Integrated Stage 1 and Stage 2 may be applied for every year. SMC Skyway may file an application for provisional adjustment upon the occurrence of a force majeure event or significant currency devaluation. A currency devaluation shall be deemed significant if it results in a depreciation of the value of the Philippine peso relative to the US dollar by at least five percent. The applicable exchange rate shall be the exchange rate between the currencies in effect as at the date of approval of the prevailing preceding toll rate.

- Skyway Stage 3

  The Stage 3 STOA was executed on July 8, 2013 by and among the ROP as the Grantor, acting by and through the TRB, PNCC, MMSS3 as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein MMSS3 was granted the primary and exclusive privilege, responsibility, and obligation to design and construct the Skyway Stage 3 Project, and to finance the same, while CMMSC was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain the Skyway Stage 3 Project.

  The Skyway Stage 3 Project is an elevated roadway with the entire length of approximately 17.93 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway Stage 1 and 2. This is envisioned to inter-connect the northern and southern areas of Metro Manila to help decongest traffic in Metro Manila and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

  The Skyway Stage 3 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS3 and CMMSC under the Stage 3 STOA. The legal transfer of ownership of the Skyway Stage 3 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

  The franchise period for the Skyway Stage 3 Project is 30 consecutive years commencing from the issuance of the Toll Operation Certificate for the entire Skyway Stage 3 Project to MMSS3 and/or CMMSC.

  MMSS3 and CMMSC shall enter into a revenue sharing agreement to set forth the terms and conditions of their sharing of the toll revenues from the Skyway Stage 3 Project.

  On December 29, 2020, the Skyway Stage 3 Project was partially opened to the public. It was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee. On July 1, 2021, MMSS3 received the Toll Operation Permit and started its full toll operation.

- Skyway Stage 4

  On July 14, 2014, the Stage 4 STOA was executed by and among the ROP as the Grantor, acting through the TRB and PNCC, MMSS4 as the Investor, and Metro O&M Corporation (MOMCO) as the Operator. MMSS4 was granted the primary and exclusive privilege, responsibility, and obligation to finance the design and construction of Skyway Stage 4 Project, while MOMCO was granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the same.

  The Skyway Stage 4 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS4 and MOMCO under the Stage 4 STOA. The legal transfer of ownership shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof. The 30-year concession period shall commence from the date of issuance of the Toll Operation Certificate by the TRB to MMSS4 and/or MOMCO.

  As at December 31, 2023, the Skyway Stage 4 Project is in the inception of its construction stage.

*iv. TPLEX*

SMCTC entered into a Concession Agreement with the ROP through the DPWH and the TRB to finance, design, construct, operate and maintain and impose and collect tolls from the users of the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 89.21 kilometers and consists of four-lane expressway with nine toll plazas from start to end.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of SMCTC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each segment of the TPLEX Project.

The toll revenue collected from the operation of the TPLEX Project is the property of SMCTC. SMCTC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

The concession period shall be for a term of 35 years starting from the effective date of the Concession Agreement and may be extended.

On October 31, 2013, SMCTC opened the first section of the TPLEX Project from Tarlac to Gerona. The Section 1B from Gerona to Rosales was opened to motorists on December 23, 2013. The 30.31-km stretch from Gerona to Carmen was fully operational on April 16, 2014. The 14.91-km stretch from Carmen (Tomana) to Urdaneta was fully operational starting February 17, 2015.

On July 28, 2016, the Segment 7A (Urdaneta to Binalonan) was opened. Segment 7B (Binalonan to Pozorrubio) was opened to motorists on December 7, 2017, while Segment 8 (Pozorrubio to Rosario), which is the final phase of the TPLEX Project, was completed and became operational on July 15, 2020.

*v. STAR*

On June 18, 1998, SIDC and the ROP, individually and collectively through the DPWH and the TRB, entered into a Toll Concession Agreement covering the STAR Project. The STAR Project consists of two stages as follows:

| Stage | Project Description |
|---|---|
| Stage I | Operations and maintenance of the 22.16-km toll road from Sto. Tomas, Batangas to Lipa City, Batangas |
| Stage II (Phases I and II) | Finance, design, construction, operations and maintenance of the 19.74-km toll road from Lipa City, Batangas to Batangas City, Batangas |

Under the Toll Concession Agreement, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP's issuance of the Certificate of Substantial Completion. The right of way shall be titled in the ROP's name regardless of the construction.

In December 2006, the Toll Concession Agreement was amended to extend the original concession period from 30 years beginning January 1, 2000 to 36 years and shall be valid until December 31, 2035.

The TRB issued the Toll Operations Certificate for Stage II Phase II on December 13, 2016.

*vi. PAREX*

On November 29, 2019, the PNCC and SMHC, as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering the PAREX Project. The said proposal embodied, among others, that SMHC in cooperation with PNCC committed itself to finance, design and construct the PAREX Project in three segments. The Joint Investment Proposal was approved by the TRB on March 4, 2020 and the STOA was executed on September 21, 2021 by and among PREC, SOMCO, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the PAREX Project and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of PREC as investor. Whereas, the operations and maintenance of the PAREX Project shall be the primary and exclusive privilege, responsibility and obligation of SOMCO as operator.

The PAREX Project shall consist of three segments:

| | | |
|---|---|---|
| Segment I | - | Radial Road No. 10 to Skyway Stage 3 to Plaza Azul, approximately 5.740 km |
| Segment II | - | Skyway Stage 3 to San Juan River Circumferential Road No. 5 (C-5), approximately 7.325 km |
| Segment III | - | C-5 to Southeast Metro Manila Expressway or (C-6), approximately 6.300 km |

The PAREX shall be owned by the ROP, without prejudice to the rights and entitlement of PREC and SOMCO under the STOA. The legal transfer of ownership of the PAREX to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed between PREC and SOMCO for the operations and maintenance of the PAREX.

The 30-year franchise period shall commence from the issuance of the Toll Operation Certificate.

Under the STOA, PREC may file an application to adjust the toll rates which shall be of two kinds, namely periodic and contingency. Periodic adjustments can be applied every two years of the existing toll rate to a new toll rate on the respective toll review date. On the other hand, contingency adjustment can be applied upon the occurrence of a force majeure event and/or additional cost of any required repair or reconstruction works arising out of force majeure to the extent not covered by insurance.

*vii. NALEX*

On March 21, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, NALEC as the Investor, and SOMCO as the Operator, wherein NALEC was granted the exclusive right, privilege, responsibility, and obligation to design and construct the NALEX Project, and to finance the same, while SOMCO was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the NALEX Project.

The NALEX Project is a mixed at-grade and elevated viaduct expressway, with the entire length of approximately 136.4 kilometers from Balintawak, Quezon City to Tarlac City, that will link the existing Skyway Stage 3 to TPLEX.

The NALEX Project shall be owned by the ROP, without prejudice to the rights and the entitlements of NALEC and SOMCO under the STOA. The legal transfer of ownership of the NALEX Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the NALEX Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire NALEX Project to NALEC and/or SOMCO.

*viii. SALEX*

On June 20, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, SALEC as the Investor, and SOMCO as the Operator, wherein SALEC was granted the exclusive right, privilege, responsibility, and obligation to design and construct the SALEX Project, and to finance the same, while SOMCO was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the SALEX Project.

The SALEX Project is a mixed at-grade and elevated viaduct expressway, with the entire length of approximately 40.65 kilometers, that will link the existing Skyway Stage 3, PAREX, NAIA Expressway to the MIA.

The SALEX Project shall be owned by the ROP, without prejudice to the rights and the entitlements of SALEC and SOMCO under the STOA. The legal transfer of ownership of the SALEX Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the SALEX Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire SALEX Project to SALEC and/or SOMCO.

*ix. PLEX*

On October 19, 2023, SMC PLEX Inc. (SMC PLEX) entered into a Tollway Concession Agreement (TCA) with the Provincial Government of Pangasinan (PGP). Under the TCA, the PLEX Project will include the financing, engineering, design, construction, operation and maintenance of 76.8 km toll road. Subject to existing law, the TCA also grants to SMC PLEX the franchise to operate and maintain the PLEX Project up to the end of the concession period, which is for a period of 35 years (as may be renewed or extended upon written agreement of the parties), and to collect the toll fees, rentals and other charges, as may be determined in accordance with the TCA.

The following are the salient features of the TCA:

1. The PLEX Phase 1 involves the financing, engineering, design, construction, operation and maintenance 42.76 km toll road. The PLEX Project covers the construction of a four-lane expressway composing of three Segments and a spur road as follows: (a) Segment 1: Binalonan - Manaoag (6.90 km); (b) Segment 2: Manaoag - Calasiao (11.30 km); (c) Segment 2-A: Calasiao Spur (2.39 km); and (d) Segment 3: Calasiao - Lingayen (22.17 km).

2. PLEX Phase 2 is approximately a 34.04 km toll road, from Lingayen, Pangasinan to Alaminos, Pangasinan. The PLEX Phase 2 covers the construction of a four-lane expressway beginning from the end of PLEX Phase 1.

3. SMC PLEX shall have the right to designate an operator, with prior consent of the PGP, to operate and maintain the PLEX Project. As at December 31, 2023, SMC PLEX has not yet designated an operator.

4. To guarantee the faithful performance by SMC PLEX of the construction of the PLEX Project, PLEX shall post in favor of the Grantor, prior to the Construction Commencement Date, a Construction Performance Security which shall be two percent of the total project cost before financing. This performance security shall be partially released by the PGP from time to time to the extent of the percentage-of-completion of the PLEX Project.

5. As concessionaire, SMC PLEX shall have full responsibility for all aspects of the Operation and Maintenance of the PLEX Project and shall collect, for its own account, the fees generated from the PLEX Project. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the PLEX Project, SMC PLEX shall post in favor of the PGP an OMPS amounting to P56, which must be valid for at least one year, and shall be renewed every year thereafter until the end of Concession Period.

6. SMC PLEX shall finance the cost of the PLEX Project, while maintaining a debt-to-equity ratio of 70:30.

7. SMC PLEX shall enter into an interoperability agreement with the concessionaire/s and operator/s of other existing toll road projects, one year prior to the start of Operation and Maintenance.

8. The PGP shall be entitled to a five percent share in the Toll Revenue and Commercial Development Revenue of PLEX Phase 1 from the start of the concession period and shall terminate at the end of the concession period.

9. Ten years after the date of issuance of the Toll Operations Certificate for the PLEX Phase 1 and every year thereafter until the end of the Concession Period, SMC PLEX shall submit to the PGP its actual historical cash flows from Revenues based on the audited financial statements to test if the Project Internal Rate of Return has exceeded ten percent as of the relevant testing date. If the Project Internal Rate of Return has not exceeded ten percent as of the relevant testing date, the PGP shall not be entitled to any Province Earnings Share. If it exceeded ten percent as of the relevant testing date, the PGP shall be entitled, starting from the calendar year immediately following the calendar year of such testing date, to thirty percent of the Earnings before Taxes of the Concessionaire. The amount of the Province Earnings Share shall be determined every quarter of the relevant calendar year where the PGP is entitled for such share. If it has exceeded twelve percent as of the relevant testing date, the PGP shall be entitled, starting from the calendar year immediately following the calendar year of such testing date, to seventy percent of the Earnings before Taxes of the Concessionaire.

10. At the end of the concession period, SMC PLEX shall transfer the ownership and all its rights, title to, and interest in the PLEX Phase 1 to the PGP, free from any lien and encumbrance and in consideration of the sum of One Peso. On the transfer date, SMC PLEX shall deliver the Warranty Security, amounting to P100, which shall be valid for a period of one year from the turnover of the Facilities.

*x. CBEX*

On February 7, 2023, SMC CBEX Inc. (SMC CBEX) entered into a TCA with the Provincial Government of Cavite (PGC). Under the TCA, the CBEX Project will include the financing, engineering, design, construction, operation and maintenance of 27.06 km toll road. Subject to existing law, the TCA also grants to SMC CBEX the franchise to operate and maintain the CBEX Project up to the end of the concession period, which is for a period of 35 years (as may be renewed or extended for another 50 years upon written agreement of the parties), and to collect the toll fees, rentals and other charges, as may be determined in accordance with the TCA.

The following are the salient features of the TCA:

1. SMC CBEX shall have the right to designate an operator, with prior consent of the PGC, to operate and maintain the CBEX Project. As at December 31, 2023, SMC CBEX has not yet designated an operator.

2. To guarantee the faithful performance by SMC CBEX of the construction of the CBEX Project, SMC CBEX shall post in favor of the Grantor, prior to the Construction Commencement Date, a Construction Performance Security which shall be two percent of the total project cost before financing. This performance security shall be partially released by the PGC from time to time to the extent of the percentage-of-completion of the CBEX Project.

3. As concessionaire, SMC CBEX shall have full responsibility in all aspect of the operation and maintenance of the CBEX Project and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the CBEX Project, SMC CBEX shall post in favor of the PGC an OMPS amounting to P100, which must be valid for the entire concession period of 35 years.

4. SMC CBEX shall finance the cost of the CBEX Project, while maintaining a debt-to-equity ratio of 70:30.

5. SMC CBEX shall enter into an interoperability agreement with the concessionaire/s and operator/s of other existing toll road projects within three months from issuance of the Toll Operation Permit.

6. SMC CBEX shall remit to the PGC the province earnings share of 70% of the net income of the CBEX Project after SMC CBEX has achieved Return of Investment based on the CBEX Project's free cash flows. The province earnings share shall be remitted quarterly after the date of issuance of Toll Operation Permit and every year thereafter until the end of the concession period.

7. At the end of the concession period, SMC CBEX shall transfer the ownership to the PGC without lien and encumbrance in an operational/serviceable condition as provided for by the TCA. On the transfer date, SMC CBEX shall deliver the Warranty Security, amounting to P100, which shall be valid for a period of one year from the turnover of the Facilities.

*xi. NBEX*

On July 31, 2023, SMC NBEX Inc. (SMC NBEX) entered into a TCA with the Provincial Government of Batangas (PGB), following the issuance of a NOA on March 22, 2023. Under the TCA, the NBEX Project will include the financing, engineering, design, construction, operation and maintenance of 60.9 km toll road. Subject to existing law, the TCA also grants to SMC NBEX the franchise to operate and maintain the NBEX Project up to the end of the concession period, which is for a period of 35 years (as may be renewed or extended for another 50 years upon written agreement of the parties), and to collect the toll fees, rentals and other charges, as may be determined in accordance with the TCA.

The following are the salient features of the TCA:

1. SMC NBEX shall have the right to designate an operator, with prior consent of the PGB, to operate and maintain the project. As at December 31, 2023, SMC NBEX has not designated an operator.

2. To guarantee the faithful performance by SMC NBEX of the construction of the NBEX Project, SMC NBEX shall post in favor of the Grantor, prior to the Construction Commencement Date, a Construction Performance Security which shall be two percent of the total project cost before financing. This performance security shall be partially released by the PGB from time to time to the extent of the percentage-of-completion of the NBEX Project.

3. As concessionaire, SMC NBEX shall have full responsibility in all aspect of the operation and maintenance of the NBEX Project and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the NBEX Project, SMC NBEX shall post in favor of the PGB an OMPS amounting to P100, which must be valid for the entire concession period of 35 years. As at December 31, 2023, SMC NBEX has yet to pay the OMPS as the NBEX Project has not yet entered the In-Service Date.

4. SMC NBEX shall finance the cost of the NBEX Project, while maintaining a debt-to-equity ratio of 70:30.

5. SMC NBEX shall enter into an interoperability agreement with the concessionaire/s and operator/s of other existing toll road projects within three months from issuance of the Toll Operation Permit.

6. SMC NBEX shall remit to the PGB the province earnings share of 70% of the net income of the NBEX Project after SMC NBEX has achieved Return of Investment based on the NBEX Project's free cash flows. The province earnings share shall be remitted quarterly after the date of issuance of Toll Operation Permit and every year thereafter until the end of the concession period.

7. At the end of the concession period, SMC NBEX shall transfer the ownership to the PGB without lien and encumbrance in an operational/serviceable condition as provided for by the TCA. On the transfer date, SMC NBEX shall deliver the Warranty Security, amounting to P100, which shall be valid for a period of one year from the turnover of the Facilities.

- *Water Concession Agreements*

  On December 7, 2015, MWSS issued a NOA to SMC - K-water Consortium (the Consortium) awarding the Bulacan Bulk Water Supply Project. In accordance with the NOA, the LCWDC was registered by the Consortium as the concessionaire.

  On January 15, 2016, a Concession Agreement was executed between MWSS and LCWDC for a 30-year period, subject to extensions as may be provided for under the Concession Agreement. The Bulacan Bulk Water Supply Project shall comprise of the supply of treated bulk water, planning, financing, development, design, engineering and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the province of Bulacan.

  On January 24, 2019, LCWDC commenced operations upon issuance of the Certificate of Final Acceptance by the MWSS for the completion of all works required under Stage 1 of the Bulacan Bulk Water Supply Project.

  On April 25, 2019, the MWSS issued the Certificate of Final Acceptance for Stage 2 of the Bulacan Bulk Water Supply Project.

  Upon issuance of the Certificate of Final Acceptance by MWSS for completion of all works for Stage 1, LCWDC has officially commenced its operations and started delivery of potable bulk water to the first seven Water Districts of Bulacan. Thereafter, on 24 April 2020, LCWDC has successfully completed Stages 1 & 2 of the Project and delivered bulk water to a total of 12 Water Districts.

  Other salient features of the Concession Agreement are as follows:

  1. LCWDC shall pay annual water rights fee to the Provincial Government of Bulacan amounting to P5 for the first five years of operation, subject to adjustment based on the Concession Agreement starting on the sixth contract year onwards.

  2. LCWDC shall pay an annual Concession Fee and Operation and Maintenance Fee to MWSS amounting to the equivalent of 2.5% of the Annual Gross Revenue of LCWDC and P5, respectively.

  3. MWSS and the Water Service Providers (WSPs) of the Province of Bulacan entered into a Memoranda of Understanding where the parties agreed to cooperate with each other towards the successful implementation of the Bulacan Bulk Water Service Project. Pursuant thereto, MWSS, LCWDC, and the individual WSPs for Stages 1 & 2 has entered into individual MOA where the MWSS, through LCWDC, has committed to supply the potable bulk water and the WSPs have agreed to accept the water and/or pay the Bulk Water Charges at the rate of Eight Pesos and Fifty Centavos plus VAT, subject to certain adjustments as provided under the Concession Agreement and the MOA.

  4. LCWDC utilized the National Housing Authority (NHA) site for the water treatment facility. The NHA site is the 5.5 hectares located at Pleasant Hills, San Jose Del Monte, Bulacan intended as the site for the water treatment facility. LCWDC paid in staggered cash in the aggregate

amount of P165.

5. At the end of the concession period, LCWDC shall transfer the facilities to MWSS in the condition required for turnover as described in the Minimum Performance Standards and Specifications of the Concession Agreement.

- Food and Beverage

  - *Toll Agreements*

    The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

    - The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.

    - Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

    - The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

    Total tolling expenses included as part of "Cost of sales" account in the consolidated statements of income amounted to P5,825, P6,692 and P6,816 in 2023, 2022 and 2021, respectively (Note 26).

- Cement

  - *Mineral Production Sharing Agreement (MPSA)*

    NCC, ECC and its subsidiaries have the following existing MPSAs granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) and the DENR. Details of the MPSA are as follows:

    i. NCC

| MPSA No. | Location | Date of Issuance |
|---|---|---|
| 106-98-1 | Labayug, Sison, Pangasinan | March 12, 1998 |

    The MPSA has an initial term of 25 years from the date of issuance and an approved renewal of another 25 years or until March 12, 2048.

    NCC has the following key commitments under its MPSA:

    - The Philippine Government share shall be the excise tax on mineral products at the time of removal and at the rate provided for in RA No. 7729 amending Section 151 (a) of the Revised National Internal Revenue Code, as well as other taxes, duties and fees levied by existing laws.

      Excise taxes paid to the Philippine Government aggregated to P14 and P11 in 2023 and 2022, respectively.

- Allotment of a minimum of 1.50% of the direct drilling and milling costs necessary to implement the activities for community development.

  Allotment made amounted to P6 as at December 31, 2023 and 2022.

On July 23, 2021, NCC filed its MPSA renewal to the DENR, as part of the covenants of the OLSA. The application was consequently received by the Office of the Regional Director, Mines and Geoscience Bureau Region I on July 26, 2021.

ii. ECC and subsidiaries

| MPSA No. | Location | Date of Issuance |
|---|---|---|
| 245-2007-III | Dona Remedios Trinidad and San Ildefonso, Bulacan | July 25, 2007 |
| 181-2002-III | Akle, San Ildefonso, Bulacan | December 9, 2002 |
| 161-00-III | Akle, San Ildefonso, Bulacan | September 12, 2000 |
| 100-97-VII | Ginatilan, Cebu | December 29, 1997 |
| 101-97-VII | Ginatilan and Malabuyoc, Cebu | December 29, 1997 |
| 059-96-VII | Lo-oc, Malabuyoc, Cebu | August 6, 2020 |
| 060-96-VII | Lo-oc, Malabuyoc, Cebu | August 6, 2020 |
| 083-97-IX | Siayan, Sindangan and Jose Dalman, Zamboanga del Norte | November 20, 1997 |

The MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. On August 6, 2020, the MGB approved the extension of the terms of the MPSAs 059-96-VII and 060-96-VII from Cebu sites for a period of nine years until November 18, 2030.

In August 2022, ECC applied for an extension of the term of MPSAs 100-97-VII and 101-97-VII from Cebu sites. As at March 11, 2024, ECC has not yet received the approval for the extension.

ECC and subsidiaries have the following key commitments under the MPSAs:

- Payment to the Philippine Government of 4% excise tax of the market value of the minerals or mineral products extracted from the area and annual occupation fee based on the rate provided in the existing rules and regulations.

- Allotment of a minimum of 1% of the direct drilling and milling costs necessary to implement the activities for community development.

Pursuant to Administrative Order No. 2010-21: “Revised Implementing Rules and Regulations of RA No. 7942, otherwise known as the Philippine Mining Act of 1995,” the allotment for community development activities was revised to 1.5% of the operating costs.

As at December 31, 2023, ECC and subsidiaries are compliant with the foregoing commitments and obligations.

Lease Commitments

- Group as Lessor

  The Group has entered into operating leases on its investment property portfolio, consisting of certain service stations and other related structures, machinery and equipment, surplus office spaces as well as leased property (Note 15). These non-cancellable leases will expire up to year 2036. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

  The future minimum lease receipts under non-cancellable operating leases are as follows:

| | **2023** | 2022 |
|---|---|---|
| Within one year | **P1,370** | P1,149 |
| One to two years | **657** | 701 |
| Two to three years | **402** | 396 |
| Three to four years | **361** | 316 |
| Four to five years | **342** | 305 |
| More than five years | **2,486** | 2,656 |
| | **P5,618** | P5,523 |

Rent income recognized in the consolidated statements of income amounted to P2,004, P1,766 and P1,496 in 2023, 2022 and 2021, respectively (Note 32). Income from sub-leasing recognized in the consolidated statements of income amounted to P1,608, P1,275 and P796 in 2023, 2022 and 2021, respectively.

## 35. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Parent Company and majority of its subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2023. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Group's Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of the Parent Company and its subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Parent Company.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

| | Fair Value of Plan Assets | | Present Value of Defined Benefit Retirement Obligation | | Effect of Asset Ceiling | | Net Defined Benefit Retirement Liability | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| **Balance at beginning of year** | **P22,249** | P29,505 | **(P31,873)** | (P30,539) | **(P6)** | (P1,821) | **(P9,630)** | (P2,855) |
| **Benefit asset (obligation) of consolidated subsidiaries** | **-** | 99 | **-** | (172) | **-** | - | **-** | (73) |
| **Recognized in Profit or Loss** | **-** | | | | **-** | | | |
| Current service costs | **-** | - | **(1,785)** | (1,770) | **-** | - | **(1,785)** | (1,770) |
| Past service costs | **-** | - | **(2)** | (258) | **-** | - | **(2)** | (258) |
| Interest expense | **-** | - | **(2,264)** | (1,532) | **-** | - | **(2,264)** | (1,532) |
| Interest income | **1,632** | 1,506 | **-** | - | **-** | - | **1,632** | 1,506 |
| Interest on the effect of asset ceiling | **-** | - | **-** | - | **-** | (93) | **-** | (93) |
| | **1,632** | 1,506 | **(4,051)** | (3,560) | **-** | (93) | **(2,419)** | (2,147) |
| **Recognized in Other Comprehensive Income** | | | | | | | | |
| Remeasurements | | | | | | | | |
| Actuarial gains (losses) arising from: | | | | | | | | |
| Experience adjustments | **-** | - | **(1,612)** | (501) | **-** | - | **(1,612)** | (501) |
| Changes in financial assumptions | **-** | - | **(1,249)** | (148) | **-** | - | **(1,249)** | (148) |
| Changes in demographic assumptions | **-** | - | **(710)** | 1,028 | **-** | - | **(710)** | 1,028 |
| Return on plan assets excluding interest income | **1,296** | (10,445) | **-** | - | **-** | - | **1,296** | (10,445) |
| Changes in the effect of asset ceiling | **-** | - | **-** | - | **4** | 1,908 | **4** | 1,908 |
| | **1,296** | (10,445) | **(3,571)** | 379 | **4** | 1,908 | **(2,271)** | (8,158) |
| **Others** | | | | | | | | |
| Contributions | **3,301** | 3,507 | **-** | - | **-** | - | **3,301** | 3,507 |
| Benefits paid | **(2,567)** | (1,984) | **2,802** | 2,246 | **-** | - | **235** | 262 |
| Transfers from other plans | **19** | 16 | **(19)** | (21) | **-** | - | **-** | (5) |
| Transfers to other plans | **(19)** | (16) | **19** | 21 | **-** | - | **-** | 5 |
| Other adjustments | **(3)** | 61 | **73** | (227) | **-** | - | **70** | (166) |
| | **731** | 1,584 | **2,875** | 2,019 | **-** | - | **3,606** | 3,603 |
| **Balance at end of year** | **P25,908** | P22,249 | **(P36,620)** | (P31,873) | **(P2)** | (P6) | **(P10,714)** | (P9,630) |

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized as part of "Personnel expenses" in the consolidated statements of income by the Parent Company amounted to P89, P87, and P108 in 2023, 2022 and 2021, respectively (Note 29).

Retirement costs recognized as part of "Personnel expenses" in the consolidated statements of income by the subsidiaries amounted to P1,695, P1,941 and P3,335 in 2023, 2022 and 2021, respectively (Note 29). Certain subsidiaries made amendments to their respective Retirement Plans in terms of the percentage of final pay based on the adjusted credited years of service. As a result, the Group recognized past service costs amounting to P2, P258 and P1,708 in 2023, 2022 and 2021, respectively.

The net interest income (expense) on the defined benefit retirement asset (liability) recognized as part of "Interest expense and other financing charges" and "Interest income" accounts in the consolidated statement of income by the Parent Company amounted to (P75), P191 and P91 in 2023, 2022 and 2021, respectively (Notes 30 and 31).

The net interest expense on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" and "Interest income" accounts in the consolidated statements of income by the subsidiaries amounted to P560, P310 and P227 in 2023, 2022 and 2021, respectively (Notes 30 and 31).

As at December 31, 2023, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P39 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P101 and P10,652, respectively (Notes 20 and 22).

As at December 31, 2022, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P31 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P122 and P9,539, respectively (Notes 20 and 22).

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2023 and 2022.

The Group's plan assets consist of the following:

| | In Percentages | |
|---|---|---|
| | **2023** | 2022 |
| Investments in marketable securities and shares of stock | **79.53** | 76.41 |
| Investments in pooled funds: | | |
| Fixed income portfolio | **4.11** | 6.42 |
| Stock trading portfolio | **0.74** | 1.06 |
| Investments in real estate | **2.74** | 3.02 |
| Others | **12.88** | 13.09 |

*Investments in Marketable Securities*

As at December 31, 2023, the plan assets include:

- 43,044,317 common shares and 9,151,060 Subseries "2-F", 9,782,770 Subseries "2-I", 3,900,620 Subseries "2-J", 4,008,450 Subseries "2-K", 2,680,200 Subseries "2-L", 7,441,600 Subseries "2-N" and 3,873,600 Subseries "2-O" Preferred Shares of the Parent Company with fair market value per share of P102.10, P72.50, P70.50, P67.95, P68.00, P78.00, 77.00 and P78.00, respectively;

- 821,600,597 common shares and 12,960 Series 3A, 474,160 Series 3B, 136,500 Series 4B and 736,500 Series 4C Preferred Shares of Petron with fair market value per share of P3.55, P970.00, P980.00, P1,000.00 and P973.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 19,154,430 common shares of GSMI with fair market value per share of P168.70;

- 24,179,970 common shares of SMFB with fair market value per share of P51.00;

- 300 common shares of SMPI with fair market value per share of P134.12;

- 5,997,311 common shares of Top Frontier with fair market value per share of P101.90; and

- 435,246,060 common shares of BankCom with fair market value per share of P7.27.

As at December 31, 2022, the plan assets include:

- 48,939,687 common shares and 8,923,000 Subseries "2-F", 9,782,770 Subseries "2-I", 3,884,220 Subseries "2-J" and 4,008,450 Subseries "2-K" Preferred Shares of the Parent Company with fair market value per share of P92.95, P75.00, P75.00, P72.85 and P71.00, respectively;

- 753,454,797 common shares and 12,960 Series 3A and 474,160 Series 3B Preferred Shares of Petron with fair market value per share of P2.40, P1,015.00 and P1,030.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 19,154,430 common shares of GSMI with fair market value per share of P105.00;

- 16,887,260 common shares of SMFB with fair market value per share of P38.70;

- 300 common shares of SMPI with fair market value per share of P134.12;

- 5,997,311 common shares of Top Frontier with fair market value per share of P95.00; and

- 435,246,060 common shares of BankCom with fair market value per share of P7.89.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized a gain (loss) on the investment in marketable securities of Top Frontier, Parent Company and its subsidiaries amounting to P2,180, (P9,544) and P21 in 2023, 2022 and 2021, respectively.

Dividend income from the investment in shares of stock of the Parent Company and its subsidiaries amounted to P618, P395 and P369 in 2023, 2022 and 2021, respectively.

*Investments in Shares of Stock*

BPI

The Group's plan assets also include San Miguel Brewery Inc. Retirement Plan's investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method since cost approximates fair value, amounting to P859 as at December 31, 2023 and 2022.

*Investments in Pooled Funds*

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 86% and 84% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2023 and 2022, respectively.

Approximately 64% and 61% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2023 and 2022, respectively.

*Investments in Real Estate*

The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P989 as at December 31, 2023 and 2022.

*Others*

Others include the Retirement Plans' investments in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P2,447 to the Retirement Plans in 2024.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Rate Risks.* The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

*Longevity and Salary Risks.* The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

| | **In Percentages** | |
|---|---|---|
| | **2023** | 2022 |
| Discount rate | **3.00 - 7.00** | 4.60 - 7.62 |
| Salary increase rate | **3.00 - 8.00** | 2.00 - 8.00 |

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 1.5 to 20.10 years and 3.6 to 19 years as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below:

| | **Defined Benefit Retirement Obligation** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **1 Percent Increase** | **1 Percent Decrease** | 1 Percent Increase | 1 Percent Decrease |
| Discount rate | **(P1,862)** | **P2,081** | (P1,646) | P1,859 |
| Salary increase rate | **2,324** | **(2,129)** | 1,920 | (1,698) |

The outstanding balances of the Group's receivable from the retirement plans are as follows:

a. The Parent Company has advances to and receivables from SMCRP amounting to P6,522 and P6,713 as at December 31, 2023 and 2022, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). Portion of the advances are subject to interest per annum of 5.75% in 2023 and 2022. Interest income earned from the advances amounted to P188 in 2023 and 2022 (Notes 31 and 33).

b. Petron has advances to Petron Corporation Employee Retirement Plan (PCERP) amounting to P937 and P894 as at December 31, 2023 and 2022, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). The advances are subject to interest per annum of 5% in 2023 and 2022. Interest income earned from the advances amounted to P45 and P58 in 2023 and 2022, respectively (Notes 31 and 33).

   In 2022, portion of Petron's advances to PCERP were converted into contribution to the retirement plan (Note 33).

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as at December 31, 2023 and 2022 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the Retirement Plans in 2023, 2022 and 2021.

## 36. Dividends and Distributions

Dividends

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

**2023**

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend Per Share |
|---|---|---|---|---|
| **Common** | | | | |
| | March 9, 2023 | March 31, 2023 | April 28, 2023 | **P0.35** |
| | June 13, 2023 | June 30, 2023 | July 26, 2023 | **0.35** |
| | September 7, 2023 | October 6, 2023 | October 27, 2023 | **0.35** |
| | December 7, 2023 | January 5, 2024 | January 26, 2024 | **0.35** |
| Preferred | | | | |
| SMC2F | January 26, 2023 | March 21, 2023 | April 4, 2023 | **1.27635** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **1.27635** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **1.27635** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **1.27635** |
| SMC2I | January 26, 2023 | March 21, 2023 | April 4, 2023 | **1.18790625** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **1.18790625** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **1.18790625** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **1.18790625** |
| SMC2J | January 26, 2023 | March 21, 2023 | April 4, 2023 | **0.890625** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **0.890625** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **0.890625** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **0.890625** |
| SMC2K | January 26, 2023 | March 21, 2023 | April 4, 2023 | **0.84375** |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | **0.84375** |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | **0.84375** |
| | November 9, 2023 | December 21, 2023 | January 4, 2024 | **0.84375** |
| SMC2M | November 9, 2023 | December 21, 2023 | January 4, 2024 | **1.5703125** |

2022

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend Per Share |
|---|---|---|---|---|
| Common | | | | |
| | March 10, 2022 | April 1, 2022 | April 29, 2022 | P0.35 |
| | June 14, 2022 | July 1, 2022 | July 27, 2022 | 0.35 |
| | September 22, 2022 | October 7, 2022 | October 28, 2022 | 0.35 |
| | December 7, 2022 | January 6, 2023 | January 27, 2023 | 0.35 |
| Preferred | | | | |
| SMC2F | February 10, 2022 | March 21, 2022 | April 1, 2022 | 1.27635 |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | 1.27635 |
| | August 4, 2022 | September 21, 2022 | October 4, 2022 | 1.27635 |
| | November 14, 2022 | December 21, 2022 | January 3, 2023 | 1.27635 |
| SMC2H | February 10, 2022 | March 21, 2022 | April 1, 2022 | 1.1854125 |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | 1.1854125 |
| | August 4, 2022 | September 21, 2022 | October 4, 2022 | 1.1854125 |
| | November 14, 2022 | December 21, 2022 | January 3, 2023 | 1.1854125 |
| SMC2I | February 10, 2022 | March 21, 2022 | April 1, 2022 | 1.18790625 |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | 1.18790625 |
| | August 4, 2022 | September 21, 2022 | October 4, 2022 | 1.18790625 |
| | November 14, 2022 | December 21, 2022 | January 3, 2023 | 1.18790625 |
| SMC2J | February 10, 2022 | March 21, 2022 | April 1, 2022 | 0.890625 |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | 0.890625 |
| | August 4, 2022 | September 21, 2022 | October 4, 2022 | 0.890625 |
| | November 14, 2022 | December 21, 2022 | January 3, 2023 | 0.890625 |
| SMC2K | February 10, 2022 | March 21, 2021 | April 1, 2022 | 0.84375 |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | 0.84375 |
| | August 4, 2022 | September 21, 2022 | October 4, 2022 | 0.84375 |
| | November 14, 2022 | December 21, 2022 | January 3, 2023 | 0.84375 |

On January 18, 2024, the BOD of the Parent Company declared cash dividends to all preferred shareholders of record as at March 21, 2024 on the following shares to be paid on April 4, 2024, as follows:

| Class of Shares | Dividends Per Share |
|---|---|
| SMC2F | P1.27635 |
| SMC2I | 1.18790625 |
| SMC2J | 0.890625 |
| SMC2K | 0.84375 |
| SMC2L | 1.48396875 |
| SMC2M | 1.5703125 |
| SMC2N | 1.5649875 |
| SMC2O | 1.611300 |

On March 11, 2024, the BOD of the Parent Company declared cash dividends at P0.35 per share to all common shareholders of record as at March 27, 2024 to be paid on April 26, 2024.

Distributions

The Parent Company paid P2,007 to the holders of SPCS in 2023, and P1,957 and P200 to the holders of SPCS and RPS, respectively, in 2022, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

## 37. Basic and Diluted Earnings Per Common Share

Basic and diluted EPS is computed as follows:

| | *Note* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Net income (loss) attributable to equity holders of the Parent Company | | **P198** | (P12,968) | P13,925 |
| Dividends on preferred shares | *24, 36* | **(4,185)** | (4,293) | (6,002) |
| Distributions to capital securities | *24, 36* | **(2,007)** | (2,157) | (2,004) |
| Net income (loss) attributable to common shareholders of the Parent Company (a) | | **(P5,994)** | (P19,418) | P5,919 |
| Weighted average number of common shares outstanding (in millions) - basic and diluted (b) | | **2,384** | 2,384 | 2,384 |
| Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b) | | **(P2.51)** | (P8.15) | P2.48 |

As at December 31, 2023, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

## 38. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Trade and other receivables - net | **(P24,104)** | (P66,502) | (P34,503) |
| Inventories | **27,789** | (43,902) | (36,751) |
| Prepaid expenses and other current assets | **(13,928)** | (19,926) | (13,006) |
| Accounts payable and accrued expenses | **(2,026)** | 16,744 | 37,519 |
| Income and other taxes payable and others | **6,883** | 19,817 | 3,133 |
| | **(P5,386)** | (P93,769) | (P43,608) |

b. Acquisition of subsidiaries, net of cash and cash equivalents acquired.

| | ***Note*** | 2022 |
|---|---|---|
| Cash and cash equivalents | | P12,957 |
| Trade and other receivables - net | | 2,155 |
| Inventories | | 2,299 |
| Prepaid expenses and other current assets | *10* | 4,724 |
| Investments and advances - net | | 165 |
| Property, plant and equipment - net | | 36,969 |
| Right-of-use assets - net | | 26 |
| Other intangible assets - net | | 1,346 |
| Deferred tax assets | | 103 |
| Other noncurrent assets - net | | 1,108 |
| Accounts payable and accrued expenses | | (9,505) |
| Income and other taxes payable | | (205) |
| Long-term debt - net of debt issue costs | | (4,040) |
| Deferred tax liabilities | | (13) |
| Other noncurrent liabilities | | (170) |
| Lease liabilities | | (36) |
| Non-controlling interests | | (23) |
| Net assets | | 47,860 |
| Cash and cash equivalents | | (12,957) |
| Goodwill in subsidiaries | | 54,273 |
| Other intangible assets - net | | 6,960 |
| Investments in equity and debt instruments | | 4,077 |
| Investments and advances - net | | (2,987) |
| Gain on consolidation | | (22) |
| Net cash flows | | P97,204 |

c. Changes in liabilities arising from financing activities

| | Loans Payable | Long-term Debt | Lease Liabilities | Dividends and Distributions Payable |
|---|---|---|---|---|
| **Balance as at January 1, 2023** | **P267,704** | **P1,088,196** | **P75,475** | **P4,037** |
| **Changes from Financing Cash Flows** | | | | |
| Proceeds from borrowings | **1,145,761** | **292,879** | **-** | **-** |
| Payments of borrowings | **(1,197,861)** | **(190,822)** | **-** | **-** |
| Payments of lease liabilities | **-** | **-** | **(20,995)** | **-** |
| Dividends and distributions paid | **-** | **-** | **-** | **(44,145)** |
| **Total Changes from Financing Cash Flows** | **(52,100)** | **102,057** | **(20,995)** | **(44,145)** |
| **The Effect of Changes in Foreign Exchange Rates** | **(1,007)** | **(3,328)** | **(234)** | **-** |
| **Other Changes** | **284** | **3,659** | **2,326** | **44,713** |
| **Balance as at December 31, 2023** | **P214,881** | **P1,190,584** | **P56,572** | **P4,605** |

| | Loans Payable | Long-term Debt | Lease Liabilities | Dividends and Distributions Payable |
|---|---|---|---|---|
| Balance as at January 1, 2022 | P190,779 | P813,965 | P94,992 | P4,296 |
| Changes from Financing Cash Flows | | | | |
| Proceeds from borrowings | 1,148,669 | 353,451 | - | - |
| Payments of borrowings | (1,074,087) | (115,948) | - | - |
| Payments of lease liabilities | - | - | (26,031) | - |
| Dividends and distributions paid | - | - | - | (42,123) |
| Total Changes from Financing Cash Flows | 74,582 | 237,503 | (26,031) | (42,123) |
| The Effect of Changes in Foreign Exchange Rates | 2,343 | 29,588 | 3,369 | 1 |
| Acquisition of Subsidiaries and Other Changes | - | 7,140 | 3,145 | 41,863 |
| Balance as at December 31, 2022 | P267,704 | P1,088,196 | P75,475 | P4,037 |

## 39. 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, dividends and distributions payable, 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 accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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 SEC and/or the PSE.

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

Interest Rate Risk

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

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

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

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

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

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

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

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

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

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

| **December 31, 2023** | **<1 Year** | **1-2 Years** | **>2-3 Years** | **>3-4 Years** | **>4-5 Years** | **>5 Years** | **Total** |
|---|---|---|---|---|---|---|---|
| **Fixed Rate** | | | | | | | |
| Philippine Peso-denominated | **P98,099** | **P73,303** | **P75,000** | **P118,771** | **P87,199** | **P142,861** | **P595,233** |
| Interest rate | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.3832% - 9.635%** | **3.5483% - 9.635%** | **3.5483% - 9.635%** | |
| Foreign currency-denominated (expressed in Philippine peso) | **1,330** | **1,391** | **1,454** | **1,520** | **9,895** | **9,967** | **25,557** |
| Interest rate | **8.331%** | **8.331%** | **8.331%** | **8.331%** | **6.55% - 8.331%** | **8.331%** | |
| **Floating Rate** | | | | | | | |
| Philippine Peso-denominated | **2,286** | **21,819** | **1,938** | **1,938** | **2,398** | **23,561** | **53,940** |
| 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) | **136,617** | **23,802** | **88,505** | **73,884** | **120,336** | **85,960** | **529,104** |
| Interest 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** | |
| | **P238,332** | **P120,315** | **P166,897** | **P196,113** | **P219,828** | **P262,349** | **P1,203,834** |

| 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 | P58,936 | P98,015 | P71,237 | P71,549 | P109,409 | P174,118 | P583,264 |
| Interest rate | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.2837% - 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 | |
| | P170,751 | P241,146 | P104,334 | P154,897 | P181,968 | P246,607 | P1,099,703 |

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 P5,830, P4,916 and P3,080 in 2023, 2022 and 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

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

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

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

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

- changes in the timing of the hedged transactions.

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **US$1,720** | **P95,227** | US$3,024 | P168,753 |
| Trade and other receivables | **1,322** | **73,163** | 1,163 | 64,833 |
| Prepaid expenses and other current assets | **21** | **1,165** | 99 | 5,525 |
| Noncurrent receivables | **33** | **1,857** | 24 | 1,379 |
| | **3,096** | **171,412** | 4,310 | 240,490 |
| **Liabilities** | | | | |
| Loans payable | **243** | **13,458** | 890 | 49,613 |
| Accounts payable and accrued expenses | **2,497** | **138,309** | 2,702 | 150,725 |
| Long-term debt (including current maturities) | **10,018** | **554,661** | 8,743 | 487,462 |
| Lease liabilities (including current portion) | **434** | **24,066** | 616 | 34,363 |
| Other noncurrent liabilities | **25** | **1,447** | 118 | 6,516 |
| | **13,217** | **731,941** | 13,069 | 728,679 |
| Net foreign currency-denominated monetary liabilities | **US$10,121** | **P560,529** | US$8,759 | P488,189 |

The Group reported net gain (loss) on foreign exchange amounting to P2,485, (P21,518) and (P4,846) in 2023, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 32). 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** |
|---|---|
| **December 31, 2023** | **55.370** |
| December 31, 2022 | 55.755 |
| 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** | |
|---|---|---|---|---|
| **December 31, 2023** | **Effect on Income before Income Tax** | **Effect on Equity** | **Effect on Income before Income Tax** | **Effect on Equity** |
| Cash and cash equivalents | **(P1,238)** | **(P1,425)** | **P1,238** | **P1,425** |
| Trade and other receivables | **(429)** | **(1,076)** | **429** | **1,076** |
| Prepaid expenses and other current assets | **(10)** | **(19)** | **10** | **19** |
| Noncurrent receivables | **(31)** | **(25)** | **31** | **25** |
| | **(1,708)** | **(2,545)** | **1,708** | **2,545** |
| Loans payable | **-** | **242** | **-** | **(242)** |
| Accounts payable and accrued expenses | **1,338** | **2,054** | **(1,338)** | **(2,045)** |
| Long-term debt (including current maturities) | **9,977** | **7,775** | **(9,977)** | **(7,775)** |
| Lease liabilities (including current portion) | **341** | **349** | **(341)** | **(349)** |
| Other noncurrent liabilities | **16** | **21** | **(16)** | **(21)** |
| | **11,672** | **10,441** | **(11,672)** | **(10,441)** |
| | **P9,964** | **P7,896** | **(P9,964)** | **(P7,896)** |

| | 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 | (P2,586) | (P2,389) | P2,586 | P2,389 |
| Trade and other receivables | (284) | (914) | 284 | 914 |
| Prepaid expenses and other current assets | (93) | (76) | 93 | 76 |
| Noncurrent receivables | (22) | (19) | 22 | 19 |
| | (2,985) | (3,398) | 2,985 | 3,398 |
| Loans payable | 600 | 739 | (600) | (739) |
| Accounts payable and accrued expenses | 1,462 | 2,378 | (1,462) | (2,378) |
| 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 | 108 | 95 | (108) | (95) |
| | 11,398 | 10,612 | (11,398) | (10,612) |
| | P8,413 | P7,214 | (P8,413) | (P7,214) |

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.

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.

The Parent Company 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.

| December 31, 2023 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | **P261,358** | **P261,358** | **P261,358** | **P -** | **P -** | **P -** |
| Trade and other receivables - net | **263,119** | **263,119** | **263,119** | **-** | **-** | **-** |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **2,364** | **2,364** | **2,063** | **-** | **301** | **-** |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **1,401** | **1,401** | **1,012** | **-** | **-** | **389** |
| Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **7,424** | **7,738** | **54** | **54** | **1,970** | **5,660** |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,158** | **16,822** | **1,333** | **846** | **2,636** | **12,007** |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **48,319** | **49,751** | **843** | **13,587** | **14,383** | **20,938** |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **18,519** | **18,519** | **14,076** | **3,111** | **-** | **1,332** |
| **Financial Liabilities** | | | | | | |
| Loans payable | **214,881** | **217,073** | **217,073** | **-** | **-** | **-** |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities) | **220,205** | **220,205** | **220,205** | **-** | **-** | **-** |
| Dividends and distributions payable | **4,605** | **4,605** | **4,605** | **-** | **-** | **-** |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **1,177** | **1,177** | **908** | **-** | **269** | **-** |
| Long-term debt (including current maturities) | **1,190,584** | **1,521,481** | **312,675** | **181,041** | **699,563** | **328,202** |
| Lease liabilities (including current portion) | **56,572** | **69,146** | **20,878** | **6,467** | **22,334** | **19,467** |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **11,023** | **11,023** | **-** | **5,577** | **3,671** | **1,775** |

| 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 | P318,214 | P318,214 | P318,214 | P - | P - | P - |
| Trade and other receivables - net | 238,782 | 238,782 | 238,782 | - | - | - |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 3,624 | 3,624 | 2,486 | 843 | 295 | - |
| 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) | 7,319 | 7,617 | 54 | 54 | 930 | 6,579 |
| 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) | 39,700 | 39,825 | 923 | 10,435 | 18,404 | 10,063 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 19,050 | 19,050 | 17,411 | 358 | - | 1,281 |
| Financial Liabilities | | | | | | |
| Loans payable | 267,704 | 269,289 | 269,289 | - | - | - |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities) | 222,038 | 222,038 | 222,038 | - | - | - |
| Dividends and distributions payable | 4,037 | 4,037 | 4,037 | - | - | - |
| Derivative liabilities (included under "Accounts payable and accrued expenses" account) | 2,832 | 2,832 | 2,832 | - | - | - |
| Long-term debt (including current maturities) | 1,088,196 | 1,343,871 | 231,452 | 291,910 | 531,319 | 289,190 |
| Lease liabilities (including current portion) | 75,475 | 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) | 11,334 | 11,411 | - | 2,596 | 7,659 | 1,156 |

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 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 was 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.

| | ***Note*** | **2023** | 2022 |
|---|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | *4, 7* | **P256,366** | P315,823 |
| Trade and other receivables - net | *8* | **263,119** | 238,782 |
| Derivative assets | *10, 18* | **2,364** | 3,624 |
| Investments in debt instruments at FVPL | *10, 12* | **1,012** | 997 |
| Investments in debt instruments at FVOCI | *10, 12* | **667** | 740 |
| Investments in debt instruments at amortized cost | *4, 10, 12* | **12,158** | 12,134 |
| Noncurrent receivables and deposits - net | *4, 18* | **48,319** | 39,700 |
| Restricted cash | *4, 10, 18* | **18,519** | 19,050 |
| | | **P602,524** | P630,850 |

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 ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

| | **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) | **P256,366** | **P -** | **P -** | **P -** | **P -** | **P256,366** |
| Trade and other receivables | **-** | **263,119** | **13,120** | **-** | **-** | **276,239** |
| Derivative assets | **-** | **-** | **-** | **1,270** | **1,094** | **2,364** |
| Investments in debt instruments at FVPL | **-** | **-** | **-** | **1,012** | **-** | **1,012** |
| Investments in debt instruments at FVOCI | **-** | **-** | **-** | **-** | **667** | **667** |
| Investments in debt instruments at amortized cost | **12,158** | **-** | **-** | **-** | **-** | **12,158** |
| Noncurrent receivables and deposits | **-** | **48,319** | **567** | **-** | **-** | **48,886** |
| Restricted cash | **18,519** | **-** | **-** | **-** | **-** | **18,519** |

| | 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) | P315,823 | P - | P - | P - | P - | P315,823 |
| Trade and other receivables | - | 238,782 | 12,913 | - | - | 251,695 |
| Derivative assets | - | - | - | 1,592 | 2,032 | 3,624 |
| Investments in debt instruments at FVPL | - | - | - | 997 | - | 997 |
| Investments in debt instruments at FVOCI | - | - | - | - | 740 | 740 |
| Investments in debt instruments at amortized cost | 12,134 | - | - | - | - | 12,134 |
| Noncurrent receivables and deposits | - | 39,700 | 582 | - | - | 40,282 |
| Restricted cash | 19,050 | - | - | - | - | 19,050 |

The aging of receivables is as follows:

| **December 31, 2023** | **Trade** | **Non-trade** | **Amounts Owed by Related Parties** | **Total** |
|---|---|---|---|---|
| Current | **P127,332** | **P42,108** | **P8,709** | **P178,149** |
| Past due: | | | | |
| 1 - 30 days | **17,482** | **8,071** | **66** | **25,619** |
| 31 - 60 days | **5,049** | **282** | **14** | **5,345** |
| 61 - 90 days | **3,322** | **1,331** | **14** | **4,667** |
| Over 90 days | **35,262** | **24,939** | **2,258** | **62,459** |
| | **P188,447** | **P76,731** | **P11,061** | **P276,239** |

| December 31, 2022 | Trade | Non-trade | Amounts Owed by Related Parties | Total |
|---|---|---|---|---|
| Current | P118,097 | P39,480 | P8,509 | P166,086 |
| Past due: | | | | |
| 1 - 30 days | 16,555 | 776 | 83 | 17,414 |
| 31 - 60 days | 7,207 | 926 | 133 | 8,266 |
| 61 - 90 days | 6,086 | 4,015 | 5 | 10,106 |
| Over 90 days | 24,428 | 24,475 | 920 | 49,823 |
| | P172,373 | P69,672 | P9,650 | P251,695 |

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 (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The Group's cash and cash equivalents, derivative assets, investments in debt instruments at FVPL, investments in debt instruments at FVOCI, investments 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 BankCom which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

## 40. Financial Assets and Financial Liabilities

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **P261,358** | **P261,358** | P318,214 | P318,214 |
| Trade and other receivables - net | **263,119** | **263,119** | 238,782 | 238,782 |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **2,364** | **2,364** | 3,624 | 3,624 |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **1,401** | **1,401** | 1,349 | 1,349 |
| Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **7,424** | **7,424** | 7,319 | 7,319 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,158** | **12,158** | 12,134 | 12,134 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **48,319** | **48,319** | 39,700 | 39,700 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **18,519** | **18,519** | 19,050 | 19,050 |
| **Financial Liabilities** | | | | |
| Loans payable | **214,881** | **214,881** | 267,704 | 267,704 |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities) | **220,205** | **220,205** | 222,038 | 222,038 |
| Dividends and distributions payable | **4,605** | **4,605** | 4,037 | 4,037 |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **1,177** | **1,177** | 2,832 | 2,832 |
| Long-term debt (including current maturities) | **1,190,584** | **1,211,878** | 1,088,196 | 1,091,731 |
| Lease liabilities (including current portion) | **56,572** | **56,572** | 75,475 | 75,475 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **11,023** | **11,023** | 11,334 | 11,334 |

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, Accounts Payable and Accrued Expenses and Dividends and Distributions Payable.* The carrying amount of loans payable, accounts payable and accrued expenses and dividends and distributions payable 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 5.1% to 6.0% and 3.6% to 7.0% as at December 31, 2023 and 2022, respectively. The discount rates used for foreign currency-denominated loans range from 3.9% to 5.3% and 3.1% to 5.4% as at December 31, 2023 and 2022, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

| | Maturity | | | |
|---|---|---|---|---|
| **December 31, 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$30** |
| Average strike rate | **P50.635** | **-** | **-** | |
| Fixed interest rate | **3.60% to 4.01%** | **-** | **-** | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | **US$ -** | **US$ -** | **US$525** | **US$525** |
| Interest rate | **-** | **-** | **0.39% to 6.35%** | |

| | 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 53.70 | P51.35 to 55.40 | |
| 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:

| **December 31, 2023** | **Change in Fair Value Used for Measuring Hedge Ineffectiveness** | **Hedging Reserve** | **Cost of Hedging Reserve** |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | **P4** | **P -** | **(P290)** |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | **(142)** | **(23)** | **20** |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | **59** | **(148)** | **(258)** |

| 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:

| December 31, 2023 | Notional Amount | Carrying Amount | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | **US$270** | **P832** | **P -** | Prepaid expenses and other current assets, and Other noncurrent assets - net | **(P4)** | **P10** | **P4** | **P197** | Interest expense and other financing charges, and Other income - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | **30** | **137** | **-** | Prepaid expenses and other current assets | **142** | **105** | **(291)** | **(9)** | Interest expense and other financing charges, and Other income - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | **525** | **125** | **(269)** | Other noncurrent assets - net, and Other noncurrent liabilities | **(59)** | **(202)** | **(77)** | **(21)** | Interest expense and other financing charges |

| December 31, 2022 | Notional Amount | Carrying Amount | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | | |
| 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 income - 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 income - 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 |

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. 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.

| | **2023** | | 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 | **(4)** | **10** | 552 | (397) |
| Foreign currency and interest rate risks | **142** | **105** | 2,236 | (886) |
| Interest rate risk | **(59)** | **(202)** | 343 | (102) |
| Amount reclassified to profit or loss | **(364)** | **167** | (1,606) | 243 |
| Tax effect | **71** | **(13)** | (381) | 275 |
| Ending balance | **P125** | **(P528)** | 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$90 and US$365 as at December 31, 2023 and 2022, respectively. Under the agreement, the Group receives floating interest rate based on LIBOR/SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P47 and P45 as at December 31, 2023 and 2022, respectively.

*Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$978 and US$959 as at December 31, 2023 and 2022, respectively, and with various maturities in 2023 and 2024. The net negative fair value of these currency forwards amounted to P385 and P47 as at December 31, 2023 and 2022, respectively.

*Currency Options*

The Group has outstanding currency options with aggregate notional amount of US$200 and US$1,665 as at December 31, 2023 and 2022, respectively, and with various maturities in 2023 and 2024. The net negative fair value of these currency options amounted to P18 and P1,801 as at December 31, 2023 and 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 51.1 million barrels and 31.4 million barrels as at December 31, 2023 and 2022, respectively. The net positive fair value of these swaps amounted to P738 and P506 as at December 31, 2023 and 2022, respectively.

The outstanding notional quantity of coal was 117,000 metric tons as at December 31, 2022. The positive fair value of these swaps amounted to P178 as at December 31, 2022. As at December 31, 2023, the Group has no outstanding commodity swaps on the purchase of coal.

In 2023, the Group recognized realized marked-to-market loss on commodity hedges amounting to P1,290, presented as part of "Inventories" under "Cost of sales" in the consolidated statements of income. In 2022 and 2021, realized marked-to-market loss on commodity hedges amounting to P26,521 and P9,712, respectively, were reclassified from "Other income (charges) - net" to "Inventories" under "Cost of sales" in the consolidated statements of income, as this provides a more relevant presentation of the impact of commodity hedges on cost of sales (Note 26).

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$145 and US$141 as at December 31, 2023 and 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 P20 and P121 as at December 31, 2023 and 2022, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to (P1,379), P2,920 and P285 in 2023, 2022 and 2021, respectively (Note 32).

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

| | **2023** | 2022 |
|---|---|---|
| Balance at beginning of year | **P792** | (P463) |
| Net change in fair value of derivatives: | | |
| Designated as accounting hedge | **43** | 1,746 |
| Not designated as accounting hedge | **(1,379)** | 2,920 |
| | **(544)** | 4,203 |
| Less fair value of settled instruments | **(1,731)** | 3,411 |
| Balance at end of year | **P1,187** | P792 |

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 (Note 3).

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

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** | Level 1 | Level 2 | Total |
| **Financial Assets** | | | | | | |
| Derivative assets | **P -** | **P2,364** | **P2,364** | P - | P3,624 | P3,624 |
| Financial assets at FVPL | **1,012** | **389** | **1,401** | 997 | 352 | 1,349 |
| Financial assets at FVOCI | **1,407** | **6,017** | **7,424** | 843 | 6,476 | 7,319 |
| **Financial Liabilities** | | | | | | |
| Derivative liabilities | **-** | **1,177** | **1,177** | - | 2,832 | 2,832 |

The Group has no financial instruments valued based on Level 3 as at December 31, 2023 and 2022. In 2023 and 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.

## 41. Events After the Reporting Date

Parent Company

*Payment of P7,294 Series B Fixed Rate Peso-denominated Bonds*

On March 1, 2024, the Parent Company paid the P7,294 Series B fixed rate Peso-denominated bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by the Parent Company in 2017.

SMHC

*Rehabilitation, Operation and Maintenance of NAIA by SMC SAP & Company Consortium (Consortium)*

On February 16, 2024, the Consortium, led by SMHC, has officially won the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway. The Consortium is comprised of SMHC owning 33%, RMM Asian Logistics Inc. owning 30%, RLW Aviation Development Inc. owning 27% and Incheon International Airport Corp owning 10%. Together, the members of the consortium incorporated the concession company, New NAIA Infra Corp. in the same ownership percentage sharing.

On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA is expected to be turned-over by the Manila International Airport Authority to the concession company, six months after the execution of the Concession Agreement.

San Miguel Global Power

*Joint Investment in an Integrated LNG Facility by San Miguel Global Power and Chromite Gas Holdings, Inc. (CGHI)*

On March 1, 2024, the BOD of San Miguel Global Power approved the following transactions:

1) Subscription by CGHI, a joint venture company owned by Meralco PowerGen

Corporation and Therma NatGas Power Inc., of approximately 67% equity interest in the wholly-owned subsidiaries of San Miguel Global Power, namely: SPPC, EERI and IPIEC; and

2) Purchase by San Miguel Global Power of approximately 33% of the total outstanding capital stock of Linseed Field Power Corporation (LFC) from Eurodite Universal Power Incorporated.

The assets covered by the transaction consists of the: (a) 1,275 MW Ilijan Combined Cycle Gas Power Plant owned by SPPC which is currently operational, (b) 1,320 MW BCCPP owned by EERI which is under construction, (c) 390,829 square meters land where the BCCPP of EERI is situated, and (d) import and regasification LNG terminal owned by LFC which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

The transaction is subject to customary closing conditions and regulatory approvals, including the review and approval of the PCC.

## 42. Registration with the Board of Investments (BOI) and Others

a. San Miguel Global Power

- In 2013, MPI and LPI were granted incentives by the BOI on a pioneer status for six years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987 (Executive Order (EO) No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted LPI's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or one month from the date of such commissioning or testing, whichever comes earlier as certified by NGCP. Subsequently, on December 21, 2016, BOI granted a similar request of MPI to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. MPI’s request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of LPI commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations. The ITH incentives of MPI expired on September 26, 2023.

- On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW Circulating Fluidized Bed Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to LPI's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for three years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI’s BOI registrations. LETI’s ITH for Phase II expired on May 25, 2023.

In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to LPI. On July 13, 2018, BOI granted the request of LPI to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

- On October 12, 2012, MPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPCL is entitled to ITH for three years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPCL's request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

  On December 21, 2015, MPCL received the BOI approval for the application as new operator of 10 MW BESS Project on a pioneer status. The BESS Facility provides 10 MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPCL is entitled to incentives that include, among others, an ITH for six years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPCL's BOI registration. The ITH period for the 10 MW BESS of MPCL commenced on December 1, 2018. On October 1, 2020, MPCL likewise received the BOI approval on the additional 20 MW BESS Phase 2 Project of MPCL.

  On February 23, 2021, MPCL received the BOI approval for the applications as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a four-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

- On August 24, 2016, SMGP Kabankalan received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMGP Kabankalan, a registered entity, is entitled to incentives that include, among others, an ITH for six years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SMGP Kabankalan filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SMGP Kabankalan Storage for the movement of start of commercial operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SMGP Kabankalan's BOI registration.

- On November 29, 2019, the BOI has approved the application of SMGP BESS as new operator of BESS Component of Integrated Renewable Power Facility (R-Hub) covering various sites across the Philippines. The BOI has also approved SMGP BESS' subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

- On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850 MW BCCPP Phase 1, and 850 MW BCCPP Phase 2 located in Barangay Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a four-year ITH reckoned from April 2023 and October 2026, for Phase 1 and Phase 2, respectively, or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

  On December 19, 2023, the BOI approved EERI's request to move the start of commercial operations from April 2023 to August 2024 for Phase 1. The BOI further granted EERI's request to amend the registered capacity from 850 MW to 1,320 MW for Phase 1 and 850 MW to 440 MW for Phase 2.

- On November 29, 2022, the BOI has approved the application of San Miguel Global Power Light and Power Corp. (SGLPC) as a Renewable Energy Developer of Solar Energy Resources located at Lucanin Industrial Estate, Mariveles, Bataan. SGLPC was granted with certain incentives including a seven-year ITH reckoned from the start of commercial operation in October 2023, among others. SGLPC requested BOI to move the start of commercial operation due to events that are beyond its control.

Registration with the Authority of the Freeport Area of Bataan (AFAB)

On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for four years for original project effective on the committed date or actual date of start of commercial operations, whichever is earlier. On December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB which now remains valid and in effect as long as MPGC remains in good standing or until revoked or cancelled.

License Granted by the ERC

On August 4, 2008, August 22, 2011 and August 24, 2016, MPCL, SMELC and LPI, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another five years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete the transfer of its remaining contestable customer to LPI.

On December 13, 2023, the ERC granted the renewal of the RES License of MPCL and LPI for another five years valid from September 30, 2023 until September 29, 2028.

b. SMFB

SMFI

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of EO No. 226 and the RA No. 9728, also known as "The Freeport Area of Bataan Act of 2009", pursuant to RA No. 11534 or the CREATE Act, the projects are entitled, among others, to fiscal incentives described as follows:

- *New Producer of Hogs.* SMFI's (formerly Monterey Foods Corporation [MFC]) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Certificate of Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

  SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. SMFI's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

  Notwithstanding the expiration of ITH benefit in 2016, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

  On February 11, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2008-192. On July 21, 2021, by virtue of Resolution No. 27-02, series of 2021, the Management Committee of the BOI noted the action taken by the Executive Director in approving the request for cancellation and removal of said registration from the BOI's Book of Registry.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. The four-year ITH period of the project which commenced on July 1, 2018 had expired last June 30, 2022.

  Notwithstanding the expiration of ITH benefit in 2022, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain

conditions, but in no case should the aggregate ITH period exceed eight years.

On May 24, 2019, the BOI approved SMFI's request to move the Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The four-year ITH period of the project which commenced on April 1, 2019 had expired last March 31, 2023.

Notwithstanding the expiration of ITH benefit in 2023, the SMFI is still required to continue the submission of annual reports to the BOI until 2028, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

  On May 24, 2019, the BOI approved SMFI's request to move the Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019. The four-year ITH period of the project which commenced on December 1, 2019 had expired last November 30, 2023.

  Notwithstanding the expiration of ITH benefit in 2023, the SMFI is still required to continue the submission of annual reports to the BOI until 2028, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017 under Certificate of Registration No. 2017-057, valid for a period of one year, renewable annually subject to qualifications as determined by AFAB.

  Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

| Registration Renewal Date | Certificate of Registration No. | Annual Period Covered |
|---|---|---|
| March 6, 2018 | 2018-096 | 2018 |
| February 14, 2019 | 2019-079 | 2019 |
| December 10, 2019 | 2020-047 | 2020 |
| December 29, 2020 | 2021-081 | 2021 |
| May 30, 2022 | 2022-111 | 2022 |

Under the terms of SMFI's AFAB registration, the Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project which commenced on May 1, 2018 had expired last April 2022.

Notwithstanding the expiration of ITH benefit in 2022, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered with the BOI on a non-pioneer status on December 13, 2017 under Certificate of Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

  On March 19, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2017-335. On May 19, 2021, by virtue of Resolution No. 19-07, series of 2021, the Management Committee of the BOI noted the cancellation of said registration undertaken by the Executive Director and the deletion of the registration from the BOI's Book of Registry.

- *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Phividec, Tagoloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered with the BOI on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. ITH period of the project commenced on June 1, 2020 and will expire on May 2024.

- *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Barangay Soyung, Echague, Isabela feedmill project (Echague Feedmill Project) was registered with the BOI on a non-pioneer status on June 5, 2023 under Certificate of Registration No. 2023-100 pursuant to RA No. 11534 (CREATE Act). The Echague Feedmill Project is entitled to ITH for six years from June 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. ITH period of the project commenced on June 5, 2023 and will expire on June 4, 2029.

With the current provisions of RA No. 11534 or the CREATE Act, registered investment projects prior to CREATE granted with ITH are entitled to finish their ITH entitlement as scheduled, and are given an option to reapply for new tax incentives for the same activity as provided under Section 294 (B) of the same Act.

SMMI

SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Products (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in EO No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI granted SMMI's request for amendment of ITH Base Figure from peso sales value of P9,582 to sales volume of 388,447 metric tons, which shall be effective only from taxable year 2020 onwards.

The three-year ITH period of the project which commenced on December 1, 2019 had expired last June 30, 2022.

Notwithstanding the expiration of ITH benefit in 2022, SMMI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in EO No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

Notwithstanding the expiration of ITH benefit in 2020, PF-Hormel is still required to submit the annual reports to the BOI until 2025, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

c. Petron

Petron Bataan Refinery

In December 2021, the Petron Bataan Refinery (PBR) renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, PBR, under Sec. 311 of Republic Act No. 11534 or the CREATE Act is granted duty-free importation of merchandise including capital equipment, raw materials, spare parts, and accessories subject to compliance with the conditions specified under the CREATE Act. Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, PBR's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon the withdrawal of finished products sourced from the crude oil importation.

d. Packaging

SMYPC

On December 7, 2018, the BOI issued the certificate of registration to SMYPC's Plastic Caps Plant in Laguna as an expanding producer of injection plastic caps on a non-pioneer status under EO No. 226. The registration entitles SMYPC to certain tax and other incentives including but not limited to a three-year ITH starting June 1, 2019 when it started its commercial operations and will expire on May 31, 2022. On May 13, 2022, the BOI approved SMYPC's request for the deferment of its ITH availment for the year 2021. SMYPC is therefore entitled for the remaining ITH entitlement period from January 2022 to May 31, 2023.

On June 19, 2019, the BOI issued the certificate of registration to SMYPC's Plastics Plant in Cebu as a new producer of plastic products such as but not limited to crates and poultry flooring on a non-pioneer status. The registration entitles SMYPC to a four-year ITH starting July 1, 2019 when it started its commercial operations and will expire on June 30, 2023.

In addition to the ITH, SMYPC is entitled to the following benefits:

i. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of EO No. 85 and its Implementing Rules and Regulations for a period of three years from the effectivity of the EO or on July 25, 2019 and until July 24, 2022.

ii. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Custom Bonded Manufacturing Warehouse (CBMW) exporting at least 70% of production.

iii. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

iv. Additional deduction for labor expense for a period of five years from registration an amount equivalent to 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from the date of registration but not simultaneously with ITH.

v. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

vi. Employment of foreign nationals.

vii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

viii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from the date of registration.

ix. Access to CBMW subject to the Customs rules and regulations.

The BOI issued a certificate of registration for SMYPC's Glass Plant in Cavite for its Glass Expansion Project under EO No. 226 was transferred to SMYPC. The registration entitles SMYPC to certain tax and other incentives including but not limited to ITH incentive starting March 1, 2019 and will expire on February 28, 2022. On May 13, 2022, the BOI approved SMYPC's request for the deferment of its ITH availment for the year 2021. SMYPC is therefore entitled for the remaining ITH entitlement period from January 2022 to February 28, 2023.

SYFMC

On December 3, 2019, the BOI issued the certificate of registration to SYFMC's project as a new producer of molds for glass on a pioneer status under EO No. 226. The registration entitles SYFMC to certain tax and other incentives.

The ITH incentive is for a period of six years starting May 1, 2020 when it started its commercial operations. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue granted from the registered project.

e. Cement

ECC

On July 31, 2017, the BOI approved the application of ECC as an expanding producer of cement (Line 3) in Bulacan on a non-pioneer status. ECC's registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

i. ITH for income directly attributable to Line 3 for three years from May 2018 or actual start of commercial operations, whichever is earlier.

ii. Importation of capital equipment, spare parts and accessories at zero duty.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate.

iv. Importation of consigned equipment for a period of ten years from date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of ten years from start of commercial operation.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration.

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

In April 2022, the ITH incentive for Line 3 expired.

On September 14, 2022, the BOI approved the application of ECC as an expanding producer of cement in under Tier 1, “All Qualified Manufacturing Activities including Agro-Processing” of the 2022 Strategic Investment Priority Plan (SIPP). ECC’s registration with the BOI entitled to provide for the following fiscal and nonfiscal incentives:

- ITH for income directly attributable to Finishing Mill 5 for two years from December 2022 or actual start of commercial operations, whichever is earlier.

- After ITH, enhanced deductions for five years.

- Duty exemption on importation of capital equipment, raw materials, spare parts, or accessories for 11 years from date of registration, unless otherwise extended in the SIPP.

- Employment of foreign nationals.

- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

In 2023 and 2022, ECC availed benefits from ITH amounting to P327 and P263, respectively.

NCC

Lines A and B Cement Plant and Grinding Facility registration entitles NCC to the following benefits:

i. ITH for four years from January 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

viii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

NCC requested for the amendment of project timetable, movement of start of commercial operation and ITH Reckoning date and amendment of Line B from fully integrated cement manufacturing line to cement grinding facility.

On January 18, 2024, the BOI has approved NCC's request for the amendment of project timetable, including the movement of start of commercial operation and ITH reckoning date and the amendment of Line B from fully integrated cement manufacturing line to cement griding facility only.

Solid North Mineral Corp. (SNMC)
On March 23, 2018, the BOI approved the application of SNMC as a new producer of good, fine and coarse limestone on a non-pioneer status. SNMC's registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

i. Four-year ITH incentive, starting April 1, 2019, for activities directly attributable in producing good, fine and coarse limestone.

ii. Importation of capital equipment, spare parts and accessories at zero duty.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate.

iv. importation of consigned equipment for a period of ten years from date of registration, subject to posting of re-export bond.

v. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vi. Additional deduction from taxable income of expenses incurred in the development of necessary and major infrastructure facilities.

On October 5, 2020, the BOI granted the deferment of SNMC’s ITH availment for taxable year 2020 due to the adverse effects of the COVID-19 pandemic. SNMC is entitled to its remaining ITH entitlement equivalent to three years and three months or from January 1, 2021 to March 31, 2024.

In 2023 and 2022, ITH incentives availed by SNMC amounted to P64 and P94, respectively.

South Western Cement Corporation (SWCC)
On August 23, 2017, SWCC was registered with the BOI as a new producer of cement on a non-pioneer status but with pioneer incentives (the project being located in a less-developed area) under the heading "All Qualified Manufacturing Activities including Agro-Processing" of the 2017 Investment Priorities Plan under EO No. 226. SWCC's registration with BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH for six years from May 2020 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its implementing rules and regulations. Only equipment directly needed and exclusively used in its operation shall be entitled to capital equipment incentives.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from date of registration but not simultaneously with ITH.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and suppliers and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals may be allowed in supervisory, technical or advisory positions for five years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not subject to the foregoing limitations.

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

ix. Additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure and facilities.

On August 26, 2020, the BOI approved the request of SWCC for the movement of start of commercial operation and ITH reckoning date of its registered activity from May 2020 to December 2023 due to ongoing processing of permits in the Cebu site.

On September 6, 2022, the BOI approved the request of SWCC for the movement of start of commercial operation from December 2023 to January 2027 and partially granted the request for the movement of ITH reckoning date of December 2023 to December 2025 noting that its operation has been affected by the COVID-19 pandemic for two years. Accordingly, no tax benefits from ITH incentives have been availed of in 2023 and 2022.

Ionic Cementworks Industries Inc. (ICII)

- *New Producer of Cement (Barangay Ilayang Palsabangon, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status on April 17, 2018 under Certificate of Registration No. 2018-086. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

  i. ITH

    - ITH for four years from May 2021 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

    - Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

  ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No.22 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

- *New Producer of Cement (Malicboy Cement Plant Project, Barangay Kanlurang Malicboy, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status under Certificate of Registration No. 2021-095 on May 21, 2021. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

  i. ITH

     - ITH for four years from January 2026 or actual start of commercial operations of Line 1, whichever is earlier, but in no case earlier than the date of registration.

     - Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

  ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 85 and its Implementing Rules and Regulation.

  iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

  iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

  v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

  vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

  vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

ICII has not started commercial operations as at December 31, 2023. Thus, ICII has not availed yet of any tax incentives.

Armstrong Fly-Ash and Logistics Company, Inc. (AFALCI)
On December 1, 2017, the BOI approved the application of AFALCI as a new producer of Hi Carbon Fly-ash (Ecotherm) and Low Carbon Fly-ash (ProAsh) on a non-pioneer status. AFALCI's registration with the BOI entitled to provide for the following fiscal and nonfiscal incentives:

i. ITH for income directly attributable to the revenue generated from the registered project Ecotherm and ProAsh for four years from May 2018 or actual start of commercial operations, whichever is earlier.

ii. Importation of capital equipment, spare parts and accessories at zero duty.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate.

iv. Importation of consigned equipment for a period of ten years from date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of ten years from start of commercial operation.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration.

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On May 1, 2018, AFALCI started its commercial operations.

On September 17, 2020, the BOI granted the deferment of AFALCI's ITH availment for taxable year 2020 up to April 2023 due to the adverse effects of the COVID-19 pandemic.

AFALCI has availed ITH incentive amounting to P10 and P6 in 2023 and 2022, respectively.

Southern Concrete Industries Inc. (SCII)
SCII is registered with the BOI as a new producer of cement on a non-pioneer status under Certificate of Registration No. 2022-044 on April 08, 2022. In accordance with the provisions of EO No. 226, also known as the Omnibus Investments Code of 1987, SCII is eligible to the grant of several incentives.

SCII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH

   a) ITH for two years from July 2022 for income directly attributable to the eligible revenue generated from the registered project.

b) Enhanced deductions for five years, after ITH, as follows:

- Additional depreciation allowance of the assets acquired for the entity's production of goods and services (qualified capital expenditure) – additional 10% for buildings; and additional 25% for machineries and equipment;

- Additional 50% deduction on the labor expense incurred in the taxable year;

- Additional 50% deduction on power expense incurred in the taxable year;

- Deduction for reinvestment allowance to manufacturing industry;

- Enhanced NOLCO; and

- Other types of enhanced deductions that shall be determined relevant and applicable to the registered project under SIPP.

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ii. Importation of capital equipment, raw materials, spare parts and accessories at zero duty.

iii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

iv. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On November 26, 2022, SCII requested the BOI to defer the start of its ITH availment period from July 1, 2022 to January 1, 2023 due to the delay in its commencement of commercial operations brought about by COVID-19 pandemic and the corresponding implementation of lockdowns and mobility restrictions.

On June 14, 2023, SCII request for the deferment of its ITH availment was approved and confirmed pursuant to Section 2, Rule 23 of the Implementing Rule and Regulations of Republic Act No. 11534 or the CREATE Act and Fiscal Incentives Review Board Resolution No. 24-21, Series of 2021 authorizing BOI to implement temporary measure for exceptional circumstances such as the COVID-19 Pandemic.

f. SMCSLC

<u>SMCSLC</u>
SMCSLC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers, where SMCSLC is entitled to the following incentives:

i. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

ii. *Additional Deduction for Labor Expense.* For the first five years from registration, SMCSLC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

iii. *Importation of Capital Equipment, Spare Parts and Accessories*. For the *operation* of motor tankers, SMCSLC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

SLHBTC

In 2014, SLHBTC's registration with the BOI as an oil terminal for storage and bulk marketing of petroleum products in its Main Office located at Tondo Manila was granted with registration number 2013-068. In 2015, SLHBTC registered its own fuel storage facilities at Limay, Bataan under Registration No. 2015-027. In 2016, its newly built oil terminal located at Tagoloan, Cagayan de Oro was also registered with the BOI under Registration No. 2016-145. With the registration, SLHBTC is entitled to the following incentives under the RA No. 8479 from date of registration or date of actual start of commercial operations, whichever is earlier, and upon fulfillment of the terms enumerated below:

i. *ITH*

SLHBTC is entitled to ITH for five years without extension until August 31, 2021.

Only income directly attributable to the revenue generated from the registered project [Storage and Bulk Marketing of 172,000,000 liters (Tagoloan) or 35,000,000 liters (Limay) of petroleum products covered by Import Entry Declaration or sourced locally from new industry participants] pertaining to the capacity of the registered storage terminal shall be qualified for the ITH.

ii. *Additional Deduction from Taxable Income.* SLHBTC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH.

iii. *Minimum Duty of 3% and VAT on Imported Capital Equipment.* Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to the following conditions:

- they are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices;

- the equipment is reasonably needed and will be exclusively used in the registered activity; and

- prior BOI approval is obtained for the importation as endorsed by the DOE.

iv. *Tax Credit on Domestic Capital Equipment.* This shall be granted on locally fabricated capital equipment equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

v. *Importation of Consigned Equipment.* SLHBTC is entitled for importation of consigned equipment for a period of five years from the date of registration subject to posting of the appropriate bond, provided that such consigned equipment shall be for the exclusive use of the registered activity.

vi. *Exemption from Taxes and Duties on Imported Spare Parts for Consigned Equipment with Bonded Manufacturing Warehouse.* SLHBTC is entitled to this exemption upon compliance with the following requirements:

- at least 70% of production is imported;
- such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; and
- all such spare and supplies shall be used only on bonded manufacturing warehouse on the registered enterprise under such requirements as the Bureau of Customs may impose.

vii. *Exemption from Real Property Tax on Production Equipment or Machinery.* Equipment and machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity. BOI Certification to the appropriate Local Government Unit will be issued stating therein the fact of the applicant's registration with the BOI.

viii. *Exemption from the Contractor's Tax.* BOI certification to the BIR will be issued stating therein the fact of the applicant's registration with the BOI.

ix. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from date of registration. The President, General Manager and Treasurer of foreign-owned registered enterprise or their equivalent shall not be subject to the foregoing limitations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operation and/or date of registration.

No ITH incentive was availed in 2023 and 2022 because entitlements were already expired.

Molave Tanker Corporation (MTC)

MTC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers where MTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Apitong, 2,993GT).* The project was registered on January 11, 2017, where MTC is entitled to ITH for four years until January 10, 2021. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Guijo - 2,993 GT).* The project was registered on May 24, 2017, where MTC is entitled to ITH for four years until May 23, 2021. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, MTC is entitled to importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, MTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional Deduction for Labor Expense*. For the first five years from registration, MTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

No ITH incentive was availed in 2023 and 2022 because entitlements were already expired.

Balyena Tanker Corporation (BTC)

BTC is registered with the BOI under the Omnibus Investments Code of 1987, as amended, for the operation of domestic cargo vessels and motor tankers where BTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (LPG Carrier/Tanker Vessel - BTC Balyena, 3,404 GT).* The project was registered on December 14, 2016, where BTC is entitled to ITH for four years until December 13, 2020.

- *New Domestic Shipping Operator (One Cargo Vessel - BTC Mt. Samat, 1,685 GT)*. The project was registered on July 30, 2018, where BTC is entitled to ITH for four years until July 29, 2022.

- *New Domestic Shipping Operator (Cargo Vessel BTC - Harina, 872 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years until November 8, 2022.

- *New Domestic Shipping Operator (Deck Cargo Vessel - BTC Mount Makiling, 1,685 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years until November 8, 2022. On December 14, 2023, BOI approved BTC's request for deferment of ITH incentive availment period until November 8, 2023 noting that its operation has been affected by COVID-19 pandemic and it has not fully enjoyed the incentives granted.

- *New Domestic Shipping Operator (Cargo Vessel - BTC Soya, 2,426 GT).* The project was registered on July 19, 2019, where BTC is entitled to ITH for four years until July 18, 2023.

- *New Domestic Shipping Operator* (*Cargo Vessel - BTC Cassava, 2,426 GT*). The project was registered on July 19, 2019, where BTC is entitled to ITH for four years until July 18, 2023.

The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, BTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, BTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, BTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

vii. *Exemption from wharfage dues and any export tax, duty, impost and fees for a period of ten years from date of registration.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

ITH incentives availed in 2023 and 2022 amounted to P0.4 and P1, respectively.

Narra Tanker Corporation (NTC)
NTC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers where NTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - NTC Agila, 1-2,112 GT).* The project was registered on May 24, 2017, where NTC is entitled to ITH for four years from May 2017, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Haribon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from May 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Falcon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from May 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Heron, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Flamingo, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, NTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, NTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, NTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

ITH incentives availed in 2023 and 2022 amounted to P28 and P47, respectively.

## 43. Other Matters

*a. Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- Excess Excise Tax Payments

  Filed by the Parent Company

  In 2004, the Parent Company was assessed excise taxes by the BIR on "San Mig Light" which at that time was one of its products. These assessments were contested by the Parent Company but nonetheless made the corresponding payments. Consequently, the Parent Company filed three claims for refund for overpayments of excise taxes with the BIR.

  The first and second claims for refund were then elevated to the Court of Tax Appeals (CTA) and went all the way to the Supreme Court which was resolved in favor of the Parent Company. On September 8, 2020, the BIR issued TCC Nos. 121-20-00012 and 121-20-00013 amounting to P782 and P926, respectively in favor of SMC (Note 32). P773 out of P782 TCC and P274 out of P926 were partially applied to the Parent Company's tax obligations as at December 31, 2023.

  The third claim for refund was consolidated with a claim for refund which was filed by SMB, a company to which, effective October 1, 2007, the Parent Company had spun off its domestic beer business. The claim was also favorably resolved in favor of the Parent Company and SMB. On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to P105 in favor of SMC (Note 32), which was applied in full to the Parent Company's tax obligations as at December 31, 2021.

  Filed by SMB

  SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review. Four of these claims (i.e., CTA Case Nos. 7973, 8209, 8400, 8591 and 8748) were decided by the Supreme Court in favor of SMB and tax credit certificates amounting to P1,430, P1,569 and P769 were received in 2019, 2020 and 2023, respectively. One claim (CTA Case No. 10241) was withdrawn with the issuance of a tax credit certificate in the amount of P162 in 2021. The remaining eight claims for refund are still pending before the courts, as follows:

  (a) Claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

  (b) Claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(c) Claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(d) Claim for refund of overpayments for the period from January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(e) Claim for refund of overpayments for the period from January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);

(f) Claim for refund of overpayments for the period from January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019); and

(g) Claim for refund for overpayments for the period of January 23, 2020 to February 9, 2020 - First Division docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022).

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the RTC rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA *En Banc* by way of a Petition for Review. On September 19, 2018, the CTA *En Banc* reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA *En Banc* in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records were remanded to the CTA Third Division and the case is now submitted for the CTA Third Division's decision.

CTA Third Division partially granted SMB's Petition on September 14, 2023. The BIR is ordered to refund or issue a TCC in the reduced amount of P83, representing overpayment of excise taxes on the "San Mig Light' removals for the period from January 1, 2013 to December 31, 2013. The BIR filed a Motion for Reconsideration with CTA Third Division which was denied.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division in April 2019. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 21, 2022, the CTA *En Banc* rendered a Decision denying the separate Petitions for Review. On March 21, 2022, SMB elevated the Decision of the CTA *En Banc* by way of a Petition for Review to the Supreme Court, where it was docketed as G.R. No. 258812. The BIR also elevated the CTA *En Banc's* Decision to the Supreme Court which was docketed as G.R. No. 261197. In GR No. 258812, the Supreme Court issued a Resolution requiring the BIR to comment on SMB's Petition. The Office of the Solicitor General (OSG) filed a Manifestation and Motion praying that it be excused from filing a comment since the CTA decision is in order. In GR No. 261197, the OSG filed a Manifestation and Motion informing the Supreme Court that it decided not to file the Petition since the CTA decision is in order.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc.* On February 4, 2021, the CTA *En Banc* affirmed the decision of the CTA Second Division. Both parties filed motions for partial reconsideration of the CTA *En Banc's* Decision. In its October 22, 2021 Resolution, the CTA *En Banc* denied the parties' motion for reconsideration. SMB and the BIR filed separate Petitions for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784 and 259263, respectively. These were consolidated by the Supreme Court, after which the BIR filed its comment to SMB's Petition as directed by the court.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA *En Banc*. On February 10, 2022, the CTA *En Banc* rendered a Decision denying the Petitions for Review. The BIR moved for reconsideration while SMB filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 258813. Upon denial by the CTA *En Banc* of the BIR's motion for reconsideration, the BIR also filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 261196. In G.R. No. 258813, the Supreme Court issued a Resolution dated October 2, 2023 ordering the BIR to refund the amount of P3. In G.R. No. 261196, the Supreme Court issued a Resolution dated April 19, 2023 denying the petition for failure to sufficiently show that the CTA committed any reversible error.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration which was denied by the CTA Third Division. The BIR filed a Petition for Review with CTA *En Banc* docketed as CTA *En Banc* No. 2625. SMB filed its Comment dated July 25, 2022. On August 2, 2023, the CTA *En Banc* promulgated its Decision in CTA EB No. 2625 affirming the decision of the CTA Third Division in favor of SMB. The BIR moved for reconsideration but the same was denied by the CTA *En Banc* on January 8, 2024. The BIR then filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 271254.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA Second Division. In its Resolution dated July 19, 2022, the case was submitted for decision. On July 5, 2023, the CTA Second Division promulgated its Decision which ordered the CIR to refund or to issue a TCC in favor of SMB in the amount of P147 representing erroneously, excessively, and/or illegally collected excise taxes due on the removals of its subject beer products for the period covering January 1, 2018 to December 31, 2018.

On July 25, 2023, the CIR filed a Motion for Reconsideration on the aforesaid Decision, to which SMB filed an Opposition. In a Resolution dated October 9, 2023, the Court denied the Motion for Reconsideration of the CIR.

On December 14, 2023, the CIR appealed the Decision and Resolution of the CTA Second Division to the CTA *En Banc* by way of a Petition for Review, which was docketed as CTA EB No. 2834.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022 and is pending with the CTA First Division. The case is a consolidation of two claims, to wit:

i. P8 under RA No. 10351 - the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on Revenue Memorandum Circular (RMC) No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the National Internal Revenue Code (NIRC), as amended by RA No. 10351 beginning January 1, 2020.

ii. P1,061 under RA No. 11467 - the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

The case is now submitted for decision.

Administrative Case

SMB filed an administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8 (Note 32), which was fully utilized against SMB's tax obligations in 2022.

Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

(a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA *En Banc* the Decision dated July 28, 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA EB No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA *En Banc* elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division, and the same was docketed as CTA EB No. 2544.

On March 28, 2022, the Court *En Banc* ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review. On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review. On May 30, 2022, the Court *En Banc* promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On June 13, 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court *En Banc* promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On January 18, 2023, the CTA *En Banc* granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544 and admitted GSMI's Comment as part of the records of the case.

These Petitions for Review are now submitted for decision.

(b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA *En Banc* denied the Petition for Review filed by GSMI. The Decision dated February 6, 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA *En Banc* to the Supreme Court by way of a Petition for Review, which was docketed as Supreme Court G.R. No. 25839.

This case is still pending resolution before the Supreme Court as at December 31, 2023.

- Deficiency Tax Liabilities

  IBI

  On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax (DST) and miscellaneous tax deficiencies with administrative penalties. IBI filed a Protest. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657.

  On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, DST and compromise penalty are cancelled and set aside. However, the assessment for deficiency expanded withholding tax is affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

  On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review. On July 21, 2022, the CTA *En Banc* denied the BIR's Petition for Review. Thereafter, the BIR filed for a motion for reconsideration which was also denied by the CTA *En Banc*.

  The BIR filed a Petition for Review on Certiorari dated January 9, 2023 with the Supreme Court docketed as G.R. No. 264402.

  SMFI

  (a) SMFI (as the surviving corporation in a merger involving MFC) vs. CIR CTA Case 9046

      In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a Final Decision on Disputed Assessment (FDDA) was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and DST assessments against SMFI.

      SMFI filed a Request for Reconsideration which the CIR denied prompting SMFI to file a Petition for Review with the CTA, docketed as CTA Case No. 9046.

      The CTA First Division granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

The BIR filed a Motion for Reconsideration with the CTA First Division, which was denied.

The BIR then filed a Petition for Review before the CTA *En Banc*, which was also denied.

While the Petition was pending, the BIR issued a Warrant of Distraint and/or Levy (WDL) against SMFI (as the surviving corporation). SMFI requested BIR for the lifting and cancellation of the WDL and filed an Urgent Omnibus Motion with the CTA to suspend collection of taxes and declare the WDL null and void.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a Judicial Compromise Agreement (JCA), which the Supreme Court approved on June 28, 2021. The Supreme Court further ruled that the case should be considered closed and terminated.

(b) SMFI vs. CIR CTA Case No. 9241

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI's position that the use of the NOLCO and input tax credit from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

SMFI filed a Petition for Review before the CTA, docketed as CTA Case No. 9241.

The CTA Third Division rendered its decision granting SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR. The BIR then filed a Motion for Reconsideration which was denied.

Despite the finality of the Decision, the BIR issued a WDL against SMFI. SMFI requested BIR for the lifting and cancellation of the WDL.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a JCA, which was approved by the CTA Third Division.

The CTA Third Division also declared the WDL null and void and ordered it to be cancelled and withdrawn.

(c) SMFI vs. Office of the City Treasurer, City of Davao

SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

Following the dismissal of the appeals filed by SMFI with the Davao RTC, the following Petitions for review were filed with the CTA:

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018
- CTA Case AC No. 249, filed on February 26, 2021

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post-mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

In CTA Case AC No. 209, the CTA First Division dismissed SMFI's Petition on May 29, 2020 and denied the Motion for Reconsideration on February 22, 2021. A Petition for Review was filed on May 12, 2021 with the CTA *En Banc* and docketed as CTA Case EB No. 2474. On January 31, 2023, the CTA *En Banc* denied SMFI's Petition. SMFI filed for a Motion for Reconsideration which was likewise denied on August 4, 2023. Following the denial, SMFI elevated and filed for Petition for Review with the Supreme Court on December 27, 2023, which is pending resolution as at March 11, 2024.

Moreover, the CTA First Division also dismissed on July 3, 2020 the Petition docketed as CTA Case AC No. 210, and on July 28, 2021, SMFI's Motion for Reconsideration was denied. On October 8, 2021, SMFI filed a Petition for Review with the CTA *En Banc* docketed as CTA Case EB No. 2535, which was likewise denied on May 18, 2023. Thus, a Motion for Reconsideration was filed on September 15, 2023 with the same being denied on March 4, 2024.

Last, the CTA Special Third Division on October 12, 2022, dismissed the Petition for Review docketed as CTA Case AC No. 249 on the grounds of lack of jurisdiction on permit fees as it is not a tax, therefore outside the CTA's jurisdiction. In December 2022, SMFI filed a Motion for Reconsideration but was denied on November 9, 2023.

- Oil Spill Incident in Guimaras

  On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTr and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

  Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2023. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the Court of Appeals issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering Petron to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, Petron filed a motion for reconsideration of said Resolution which remains pending as at March 11, 2024. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far. As at December 31, 2023 and 2022, the Group has not set up any provision related to this case because while the case is still pending Petron believes the resolution will be in its favor.

- Lease Agreements with PNOC

  On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

  The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and Petron executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, Petron, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

  The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to

PNOC, a government-owned-and-controlled corporation.
On December 11, 2017, the trial court granted Petron's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting Petron from possession of the subject properties until the case is decided.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. Petron also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted Petron's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to Petron's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to Petron of all such properties, and (iii) the payment by Petron to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. Petron also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to Petron all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Petron's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Petron's lease thereby depriving Petron a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the decision dismissed Petron's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of Petron and PNOC. In consideration of the possible delay in the final resolution of the case if Petron were to proceed with the filing of a petition for review with the Supreme Court on the issue of rental payments it seeks to recover and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the Court of Appeals, Petron has decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022. On November 30, 2023, Petron received a copy of the Supreme Court's resolution dated July 25, 2023, denying PNOC's petition for review on certiorari, on the ground that PNOC failed to sufficiently show that

the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. On December 6, 2023, Petron received a copy of PNOC's motion for reconsideration of the Supreme Court's resolution, coupled with motion to refer the case to the Supreme Court *En Banc* citing, among others, the involvement of prime vital government assets. As at December 31, 2023, Petron had yet to receive from the Supreme Court any notice on its action on PNOC's motions for reconsideration and referral of the case to the Supreme Court *En Banc*.

- Generation Payments to PSALM

  SPPC and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

  SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments calculated based on its interpretation and the amount which has already been paid by SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

  On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the performance bond posted by SPPC pursuant to the Ilijan IPPA Agreement.

  On September 8, 2015, SPPC filed a Complaint with the RTC of Mandaluyong City requesting the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld and asked that a 72-hour Temporary Restraining Order (TRO) be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended for until September 28, 2015.

  On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending. PSALM sought for reconsideration of the said order but was later on denied by the RTC. PSALM filed with the Court of Appeals a Petition for Review on Certiorari assailing the RTC's order of denial. The Court of Appeals ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

  PSALM filed a Motion for Reconsideration of the 2017 CA Decision but it was denied by the Court of Appeals in its resolution dated July 12, 2018 (the

"2018 CA Resolution").
On September 19, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the Supreme Court praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the Supreme Court in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution"). PSALM filed a Motion for Reconsideration thereof and was denied by the Supreme Court in a resolution dated August 5, 2019 which became final and executory on the same date.

Prior to the Court of Appeals Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself from the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018.

On July 26, 2019, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction with the Court of Appeals, seeking the reversal of the orders of the RTC dated September 24, 2018 and April 29, 2019 (CA-G.R. SP No. 161706). In compliance with the Court of Appeals' directive, PSALM filed an Amended Petition on April 29, 2019 (the "PSALM 2019 CA Petition").

On April 7, 2022, the Court of Appeals promulgated a Decision dismissing the PSALM 2019 CA Petition (the "April 7, 2022 CA Decision"). PSALM filed a Motion for Reconsideration dated April 29, 2022. SPPC filed a Motion for Leave to File Opposition to the Motion for Reconsideration with an Opposition to the said Motion for Reconsideration on July 15, 2022.

In a Resolution dated October 4, 2022, the Court of Appeals denied PSALM's motion for reconsideration of the April 7, 2022 CA Decision (the "October 4, 2022 CA Resolution").

On December 1, 2022, PSALM filed a Petition for Review on Certiorari with the Supreme Court, appealing the April 7, 2022 CA Decision denying its petition for certiorari and October 4, 2022 CA Resolution denying its motion for reconsideration. The Petition for Review has been docketed as G. R. No. 263773. SPPC has not yet received a directive to file a Comment on the petition.

In a Resolution dated November 8, 2023, which SPPC received on March 6, 2024, the Supreme Court denied PSALM's Petition for Review of the Court of Appeals' Decision dated April 7, 2022 and Resolution dated October 4, 2022 in CA-G.R. SP No. 161706. The Supreme Court deemed it was not necessary to delve into PSALM's arguments that the trial court committed grave abuse of discretion in directing PSALM to respond to SPPC's modes of discovery because the Court of Appeals found that the trial court acted in accordance with law, the facts, and evidence, and that PSALM had complied with the directive. The Supreme Court also found that it was the regular courts that have jurisdiction and not the ERC.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its opposition to this motion in March 2020.

On May 26, 2020, SPPC filed a Supplemental Opposition to PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM also filed several other pleadings: (i) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (ii) Motion for Reconsideration of the RTC Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (iii) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. SPPC filed a Motion for Leave to File Consolidated Rejoinder with Consolidated Rejoinder dated September 14, 2020 to PSALM's Reply to Opposition to the Motion to Dissolve.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam (the "November 27, 2020 RTC Order"). On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. On January 29, 2021 PSALM filed a Motion for Reconsideration of the November 27, 2020 RTC Order.

In an Order dated March 23, 2021 (the "March 23, 2021 RTC Order"), the RTC denied PSALM's Motion for Reconsideration of the November 27, 2020 RTC Order. In the same Order, the RTC also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

On May 21, 2021, SPPC filed a Motion for Reconsideration of the March 23, 2021 RTC Order. PSALM filed an Opposition to the Motion for Reconsideration and SPPC filed a Motion for Leave to File a Reply to the Opposition with an incorporated Reply.

In June 2021, PSALM also filed a Petition for Certiorari under Rule 65 of the rules of Court to annul the November 27, 2020 RTC Order and the March 23, 2021 RTC Order with the Court of Appeals, which was denied by the Court of Appeals in its Decision dated May 30, 2022 (the "May 30, 2022 CA Decision").

On October 3, 2022, the Court of Appeals promulgated a Resolution denying PSALM's Motion for Reconsideration of the May 30, 2022 Decision (the "October 3, 2022 CA Resolution").

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the Supreme Court, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the Supreme Court denied the petition for failure to show any reversible error in the May 30, 2022 Court of Appeals Decision and October 3, 2022 Court of Appeals Resolution as to warrant the exercise of the Supreme Court of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. SPPC has not yet received a directive to file a Comment.

The mediation scheduled on April 19, 2021 did not push through, in view of the restrictions imposed by the enhanced community quarantine and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled the portion of the March 23, 2021 RTC Order, where it set the case for mediation, given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case on June 18, 2021, which was however cancelled.

On September 13, 2021, the RTC denied SPPC's Motion for Partial Reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021. Pre-trial proceeded on November 19, 2021 and the parties filed the Joint Stipulation of Facts on April 6, 2022.

SPPC filed a Motion to Amend Pre-trial Order and Minutes of the Pre-trial issued by the RTC on April 7, 2022, which was later granted by the RTC on May 20, 2022 The RTC accordingly issued an Amended Pre-trial Order.

SPPC presented its first witness on July 29, 2022 and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC presented its second witness for the cross-examination of SPPC's second witness. No additional trial dates have been scheduled because the presiding judge will retire in June 2024.

Related to the foregoing, in a Resolution dated December 7, 2021, the RTC denied PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction on the grounds that: (a) the arguments in the Motion had been previously denied with finality by the RTC, Court of Appeals, and Supreme Court and the propriety of the issuance of the writ of preliminary injunction in favor of SPPC "should be considered a settled matter, so long as the facts and circumstances upon which the writ was issued still continue to exist"; (b) "PSALM cannot substantiate its contentions that the continuance of the preliminary injunction would cause it damage or that SPPC can be fully compensated for such damages as it may suffer"; and (c) the counter-bond offered by PSALM would be inadequate to answer for the damages that SPPC might sustain as a result of the lifting of the preliminary injunction.

In an Order dated February 17, 2022, the RTC denied PSALM's Motion for Reconsideration of the Resolution of December 7, 2021 for failing to raise any new or substantial ground.

PSALM filed a Petition for Certiorari dated May 13, 2022, assailing the RTC's Resolution of December 7, 2021 and Order of February 17, 2022 for allegedly having been rendered with grave abuse of discretion. On October 14, 2022, SPPC filed its Comment on the petition. In a Resolution dated February 23, 2023, the Court of Appeals noted that PSALM did not file a Reply to SPPC's Comment thus deemed the petition as submitted for decision.

Although the proceedings before the RTC remain pending, the Ilijan Power Plant was turned over by PSALM to SPPC pursuant IPPA Agreement and the Deed of Sale executed between PSALM and SPPC on June 3, 2022.

- Intellectual Property Rights

  i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

     When the Court of Appeals affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the Petition) with the Supreme Court. The Supreme Court denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the Supreme Court *En Banc*. The Supreme Court denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the Supreme Court *En Banc*.

     Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of "*League of Cities vs. Commission of Elections*" (G.R. Nos. 176951, 177499 and 178056) to invite the Supreme Court *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the Supreme Court *En Banc* issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the Supreme Court Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R Nos. 216104, 210224 and 219632) with the *En Banc* case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of Tanduay Distillers, Inc. (TDI) and GSMI before the IPOPHL.

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPOPHL Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPOPHL Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPOPHL Director General's Decision dated December 27, 2019.

On March 10, 2023, GSMI received a copy of the Notice of Judgment dated March 7, 2023 and consolidated Decision promulgated by the Supreme Court *En Banc* on August 9, 2022. In gist, the Supreme Court held that: (1) "GINEBRA" is not a generic mark; (2) Based on the totality of evidence, GSMI presented overwhelming proof, through empirical survey evidence, more than a century of advertisement, and documentary and testimonial evidence, that public perception views "GINEBRA" not as a generic English term for gin; rather, "GINEBRA," through its long usage in the Philippines, now refers to the gin products of GSMI to the public; (3) "GINEBRA" may be considered a descriptive mark which may be subject to trademark protection under the doctrine of secondary meaning. Based on the evidence, "GINEBRA" had already become distinctive of the products of GSMI under the primary

significance test; (4) Applying the dominancy test, the simple use of the "GINEBRA" in "GINEBRA KAPITAN" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product, in particular "GINEBRA SAN MIGUEL" and/or "GINEBRA S. MIGUEL." TDI committed trademark infringement against GSMI; and (5) TDI's intent to pass off should be presumed in the instant case. If there was no intent to palm off TDI's products as those of GSMI, it is uncanny that aside from the use of the same word "GINEBRA", the general appearance of the two competing products are also strikingly similar. Therefore, TDI should be held liable for unfair competition.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022.

On August 29, 2023, the Supreme Court *En Banc* issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in these consolidated cases.

ii. G.R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against TDI filed with the RTC, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the Court of Appeals, due to technicalities, two cases were lodged in the Court of Appeals: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the Court of Appeals reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the Court of Appeals ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The Court of Appeals likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the Court of Appeals also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term, there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the Court of Appeals, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The Court of Appeals added that "the mere use of the word 'GINEBRA' in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product", and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the Supreme Court, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the Supreme Court on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPOPHL Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPOPHL Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPOPHL Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court *En Banc* promulgated a Decision in the four consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the Court of Appeals reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The Court of Appeals ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the Supreme Court, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPOPHL Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPOPHL Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPOPHL Director General's Decision dated December 27, 2019.

- Imported Industrial Fuel Oil

SLHBTC has an on-going case with the CTA against the Commissioner of Customs (the Commissioner). On January 16, 2016, a Warrant of Seizure and Detention was issued against the 44,000 metric tons of fuel imported by SLHBTC with approximate value of P751. The Commissioner alleged that SLHBTC discharged fuel directly from the vessel carrying SLHBTC's imported fuel to another vessel via loop loading without paying duties and taxes and therefore, violating the Customs Modernization Tariff Act and other customs regulations. On January 20, 2017, the District Collector of Customs issued a decision forfeiting the fuel in favor of the government.

Subsequently on March 23, 2017, SLHBTC filed with the CTA a petition seeking the lifting and termination of the Warrant of Seizure and Detention and the reversal of the decision issued by the District Collector of Customs.

On April 19, 2017, SLHBTC filed with the CTA a Motion for Special Order to release the 44,000 metric tons of fuel, which was granted on January 28, 2018 subject to the posting of a surety bond amounting to P123 or one and one-half times of the assessed amount of P82 representing VAT. SLHBTC posted the surety bond and the 44,000 metric tons of fuel were released.

On December 1, 2021, the customs officer representing the District Collector of Customs was cross-examined by the SLHBTC legal counsel. He admitted that he did not examine the imported documents prior to recommending the issuance of a Writ of Seizure and Detention.

On February 24, 2022, the CTA decided to lift and terminate the Warrant of Seizure and Detention issued by the Commissioner and reversed the decision issued by the District Collector of Customs in January 2017 to forfeit the fuel in favor of the government. Moreover, the order granted by the CTA in January 2018 to release the 44,000 metric tons of fuel is now permanent and the surety bond of P123 shall be released and discharged to SLHBTC upon finality of judgment.

On October 5, 2022, the Commissioner filed a Petition for Review with the CTA *En Banc*. After technical issues were clarified, SLHBTC filed its comment on January 30, 2023. There has been no action from the CTA since then. As at March 11, 2024, the Commissioner has not appealed the decision of the CTA.

SLHBTC and its legal counsel assessed that it has a meritorious case and the final outcome will not have a material adverse effect on the SLHBTC's business financial condition and results of operations.

- Criminal Cases

  SPPC

  On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of RA No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, before the DOJ, against certain officers of PSALM, in connection with the termination of SPPC's Ilijan's IPPA Agreement, which was made by PSALM with manifest partially and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount US$60 (P3,345). On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action where it is still pending as at March 11, 2024.

  On a related matter, on November 14, 2018, SPPC filed with the Office of the Ombudsman-Field Investigation Office, an administrative complaint against an executive officer of PSALM and several unidentified persons for violation of the Ombudsman Act and the Revised Administrative Code, in the performance of their functions as public officers.

In a Resolution dated March 10, 2021, which was approved by the Ombudsman on February 15, 2022, the Graft Investigation and Prosecution Officer ("GIPO") dismissed the criminal complaint against the Respondents. In a Decision of the same date, approved by the Ombudsman also on February 15, 2022, the GIPO also dismissed the administrative complaint against the Respondents.

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint. In an Order dated May 25, 2022, the Office of the Ombudsman denied SPPC's Motion for Reconsideration. SPPC has decided not to question the dismissal of the criminal complaint.

SPI

On October 21, 2015, SPI filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of TPEC and TSC, relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SPI.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file an Information against the respondents for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019 (the "July 29, 2016 DOJ Resolution"). The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said DOJ's Resolution of July 29, 2016 DOJ Resolution, through the filing of a Petition for Review with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SPI filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution dated October 25, 2017.

While the said Motion for Partial Reconsideration is pending, SPI and the Respondents filed before the DOJ a Joint Motion to Dismiss dated June 6, 2022 praying for the dismissal of the criminal complaint filed by SPI.

In a Resolution promulgated on May 5, 2023, the DOJ affirmed its Resolution dated October 25, 2017. The DOJ held that considering SPI's desistance, SPI's Motion for Partial Reconsideration of the DOJ's Resolution of October 25, 2017 was considered dismissed and/or withdrawn.

- Civil Case

On June 17, 2016, SPI filed with the RTC Pasig a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SPI's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant ("Sale of the Excess Capacity"). With the filing of the complaint, SPI also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

PSALM filed an Answer dated August 17, 2016 stating that it has no right to, and is not the owner of, the proceeds of the sale on the WESM of electricity generated from the capacity in excess of 1,000 MW of the Sual Plant and that "the consignation should belong to TPEC as it is rightfully entitled to the 200 MW and to the payments which SPI made consequent therewith."

On October 3, 2016, SPI filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender (the "Omnibus Motion"). Together with this Omnibus Motion, SPI consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

On July 5, 2017, SPI consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SPI also filed a Motion to Admit Second Supplemental Complaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignation filed by SPI on the ground that the court has no jurisdiction over the subject matter of the complaint and finding that the ERC has the technical competence to determine the proper interpretation of "contracted capacity", the fairness of the settlement formula and the legality of the memorandum of agreement.

On July 4, 2018, SPI filed its Motion for Reconsideration to the May 22, 2018 order which dismissed the consignation case. The Motion for Reconsideration was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the Motion for Reconsideration and SPI filed its Reply to PSALM's Comment on August 13, 2018.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case.

On December 13, 2019, the case was re-raffled to Branch 268. On February 7, 2020, a clarificatory hearing was held and Branch 268 noted the pending incidents, which are: (a) SPI's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SPI's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

In an Order dated September 30, 2021, the RTC Branch 268: (a) granted SPI's Motion for Reconsideration of the Order of May 22, 2018, which dismissed the case for lack of jurisdiction; (b) granted SPI's Omnibus Motion to Admit Supplemental Complaint and Allow Future Consignations without Tender; and (c) reinstated the Complaint (the "September 30, 2021 Order").

RTC Branch 268 scheduled the pre-trial on December 13, 2021 but the pre-trial was postponed because PSALM filed an Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). SPI has already filed an Opposition to the Omnibus Motion.

In an Order dated May 30, 2022, RTC Branch 268 denied PSALM's Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). In the same Order, RTC Pasig Branch 268 set the pre-trial on August 1, 2022. SPI and PSALM filed a Joint Motion to Re-Set Pre-trial Conference on the ground that the parties are negotiating for an amicable settlement. RTC Pasig Branch 268 granted the Joint Motion and scheduled the resumption on September 1, 2022, in the event that the parties do not reach an amicable settlement.

The parties filed a Second Joint Motion to Reset Pre-trial Conference as they were still negotiating an amicable settlement.

On October 5, 2022, SPPC and PSALM filed an Omnibus Motion to Dismiss and Release Deposited Monies, whereby PSALM, consistent with its representation and acknowledgment in its Answer that the consigned amounts rightfully belong to TPEC, agreed to the release of the said amounts to TPEC and SPI, relying on PSALM's representation and acknowledgment, did not object to the release of the consigned amounts to TPEC.

On October 10, 2022, the RTC issued an Order granting the Omnibus Motion and authorized TPEC's named representative in the Omnibus Motion to withdraw the consigned amounts.

Further related thereto, on December 1, 2016, SPI received a copy of a Complaint filed by TPEC and TSC with the ERC against SPI and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SPI filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case.

On June 6, 2022, SPI, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint. SPI received the Order from the ERC on June 22, 2022, asking the parties to submit a copy of the settlement agreement within five days from receipt of such order. TPEC, TEAM and SPI filed with the ERC a Compliance and Submission attaching the settlement agreement on June 28, 2022.

The total amount consigned with the RTC Pasig amounting to P491 was released to TPEC on December 20, 2022.

- TRO Issued to Meralco

  On December 5, 2013, Meralco wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of P7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of the remaining P3,000, representing a portion of the generation costs for the November 2013 supply month which was not passed on to customers in December 2013, subject to the inclusion of the appropriate carrying charge. In response thereto, the ERC, in its letter dated December 9, 2013, granted Meralco the authority to implement a staggered collection of its generation cost for the power supplied in November 2013. The ERC, however, did not approve Meralco's request to recover the carrying costs and directed it to file a formal application for this instead.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("Counter-Petition") which prayed, among others, for the inclusion of SPI, SPPC, SRHI, MPCL and several generators as respondents to the case. On January 10, 2014, the Supreme Court issued an order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SPI, SPPC, SRHI and MPCL as respondents in the Petition.

On February 18, 2014, the Supreme Court extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a resolution dated April 22, 2014, the Supreme Court extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014.

In the Petition filed by special interest groups, the Supreme Court was made aware of the order of the ERC dated March 3, 2014 (the "March 3, 2014 ERC Order") (as defined and discussed under "ERC Order Voiding WESM Prices"), in which the ERC declared void the WESM prices during the November and December 2013 supply months and imposed regulated prices in their stead. The March 3, 2014 ERC Order likewise directed PEMC to: (a) calculate these "regulated prices" based on a formula identified by the ERC as representative of 2013 market prices under normalized conditions and (b) to collect the same from the WESM participants involved.

A decision was promulgated by the Supreme Court *En Banc* on August 3, 2021 (the "SC Decision") affirming the December 9, 2013 ERC Order which approved the staggered imposition by Meralco of its generation rate for November 2013 from its consumers and declared as null and void the March 3, 2014 ERC Order. SPI, SPPC, and SRHI however received a copy of the SC Decision through their counsels only on July 5, 2022, while MPCL received the same on July 6, 2022.

On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the Supreme Court Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

These motions were denied with finality by the Supreme Court *En Banc*, in its resolution dated October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. On January 4, 2023, the external counsel of SPPC, SPI and SRHI received a copy of the Entry of Judgement from the Supreme Court *En Banc* dated October 11, 2022, while the external counsel of MPCL received a copy of the same on January 5, 2023.

With this, the relevant subsidiaries namely, SPPC, MPCL and SPI intend to discuss with Meralco the implementation of the Supreme Court Decision. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,276 included under "Trade and other receivables - net" account in the consolidated statements of financial position as at December 31, 2023 and 2022.

- ERC Order Voiding WESM Prices

  Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

  On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "March 3, 2014 ERC Order").

  Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, together with the March 3, 2014 Order, the "2014 ERC Orders"). Based on these orders, SPI and SRHI recognized a reduction in the sale of power while MPCL, SMELC and SPPC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

  SPI, SPPC, SRHI and MPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the Supreme Court to stop the implementation of the March 3, 2014 ERC Order. The ERC denied the motions for reconsideration filed by the generators.

  On June 26, 2014, SPI, SPPC and SRHI, while on December 12, 2014, MPCL appealed the said ERC denial before the Court of Appeals through their respective Petitions for Review.

  After consolidating the cases, the Court of Appeals, in its decision dated November 7, 2017 (the "November 7, 2017 Decision"), granted the Petition for Review filed by SPI, SPPC, SRHI, and MPCL, declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

  Motions for Reconsideration of the November 7, 2017 Decision and several other motions were filed by various intervenors, which were denied by the Court of Appeals through its Omnibus Resolution dated March 29, 2019. The intervenors filed Petitions for Review on Certiorari before the Supreme Court, which were also denied by the Supreme Court through its resolutions dated September 11, 2019 and October 1, 2019. Entries of judgment have been issued by the Supreme Court certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SPI, SPPC, SRHI and MPCL, among others, have become final and executory.

  The ERC and Meralco also filed separate Petitions for Review appealing the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019 of the Court of Appeals, which nullified and set aside the 2014 ERC Orders, declaring the WESM prices for November and December 2013 void.

In a Resolution dated November 4, 2020, the Supreme Court directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the petition filed by Meralco to the third division of the Supreme Court handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

The Supreme Court has not yet promulgated a decision. However, on August 3, 2021, a decision was rendered by the Supreme Court *En Banc* on a separate case (as discussed under "*TRO Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void, which are the subject of the aforementioned Petition. Considering that this decision of the Supreme Court *En Banc* ("Separate SC Decision") covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SPI, SPPC, SRHI, SMELC and MPCL will have to be settled with the IEMOP, the current operator of the WESM.

The said Separate Supreme Court Decision attained finality on October 11, 2022. Despite this, the Supreme Court 3rd Division has not yet rendered any decision on the instant case including whether or not the Separate Supreme Court Decision can be adopted or will be adopted in the instant case. If the Supreme Court 3rd Division will confirm the nullity of the 2014 ERC orders, a claim for refund may be pursued by the relevant subsidiaries with IEMOP in the net aggregate amount of up to P2,322.

*b. EPIRA*

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which San Miguel Global Power was selected winning bidder of the IPPA Agreements (Note 34).

The EPIRA requires generation and DU companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed at the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2023 and 2022.

*c. Claim for Price Adjustment on the Meralco PSAs*

On October 22, 2019, SPI and SPPC each filed before the ERC a Joint Application with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the "Application"). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco ("SPPC PSA") while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco ("SPI PSA") both for a period of ten years (collectively, the "PSAs"). The PSAs were awarded by Meralco to each of SPPC and SPI after they emerged as the winning bidders in the competitive selection process conducted by Meralco in September 2019.

On March 16, 2020, the ERC released Orders both dated December 10, 2019, granting provisional authority to implement the SPPC PSA and SPI PSA.

On May 11, 2022, SPPC and SPI each filed a Joint Motion for Price Adjustment with Meralco (the "Joint Motion") seeking approval from the ERC to temporarily increase the contract price under the SPPC PSA and SPI PSA for a period of six months, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of six months.

On September 29, 2022, the ERC denied the foregoing Joint Motions filed by each of SPPC and SPI with Meralco requesting for the proposed price adjustments (the "September 29, 2022 ERC Orders").

*SPPC CA Petition*
On November 10, 2022, SPPC filed with the Court of Appeals a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPPC (the "SPPC CA Petition").

In a Resolution dated November 23, 2022, the 14th Division of the Court of Appeals granted SPPC's application for a 60-day TRO, conditioned upon the posting of a bond in the amount of P50 (the "TRO Bond"). SPPC's prayer for the issuance of a writ of preliminary injunction was held in abeyance pending receipt of Respondents' comments.

On November 24, 2022, SPPC filed an Urgent Motion to Allow Consolidation of the Rule 65 Petition filed by SPI which is docketed as CA-G.R. SP No. 170637 with the SPPC CA Petition before the 13th Division of the Court of Appeals as the SPPC CA Petition was transferred to this division of the Court of Appeals. This Urgent Motion was granted by the 13th Division subject to the approval of the Court of Appeals Division handling the SPI CA Petition.

On November 25, 2022, SPPC posted the bond in the amount of P50 (the "TRO Bond"). This was approved in a Resolution dated December 2, 2022, which resulted in the issuance of the TRO on the same date.

On December 7, 2022, SPPC received a copy of the Entry of Appearance with Motion to Lift and/or Dissolve the TRO filed by the ERC through the Office of the Solicitor General. Meralco also filed a Motion to Lift TRO. SPPC filed its Oppositions to said Motions to Lift and/or Dissolve the TRO.

Following the hearing on the application for preliminary injunction held on January 11, 2023, the 13th Division of the Court of Appeals issued on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditioned upon the posting by SPPC of a bond in the amount of P100 (the "Preliminary Injunction Bond"). The Court of Appeals likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within five days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the CA's Resolution dated January 25, 2023.

On February 1, 2023, SPPC received copies of the ERC's Comment Ad Cautelam and NASECORE'S Manifestation. On February 6, 2023, SPPC received a copy of MERALCO's Comment. On February 13, 2023, SPPC filed a Motion for Leave to File Consolidated Reply.

In a Resolution dated February 23, 2023, the Court of Appeals approved the Preliminary Injunction Bond posted by SPPC on January 31, 2023, directed the issuance of a Writ of Preliminary Injunction, and released the TRO Bond.

On February 23, 2023, the writ of preliminary injunction was issued by the Court of Appeals for the SPPC CA Petition.

In a Resolution dated April 3, 2023, the Court of Appeals denied the motions for reconsideration of the Court of Appeals' Resolution dated January 25, 2023 (on the issuance of the writ of preliminary injunction in favor of SPPC) filed by the ERC and Meralco.

In its June 9, 2023 Resolution, the Court of Appeals granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the Court of Appeals declared that the case (consolidated with the SPI Petition) is deemed submitted for decision.

On June 29, 2023, SPPC received a copy of the Petition for Certiorari under Rule 65 of the Rules of Court filed by the ERC with the Supreme Court. The ERC's Petition seeks to annul and set aside the Court of Appeals' Resolutions dated January 25, 2023 and April 3, 2023.

On July 10, 2023, SPPC received the Court of Appeals' Joint Decision dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The Court of Appeals: (i) annulled and set aside the September 29, 2022 ERC Orders for having been issued with grave abuse of discretion; (ii) granted the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case Nos. 2019-081 and 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023, and for SPI, from June 2022 to the date of the finality of the Joint Decision); and (iii) made permanent the writ of preliminary injunction issued in favor of SPPC.

On July 31, 2023, SPPC, through its external counsel, received a copy of the ERC's Consolidated Motion for Reconsideration of the Court of Appeals' Joint Decision dated June 27, 2023.

As directed by the Court of Appeals in its Resolution dated August 24, 2023, SPPC filed its Comment/Opposition on the ERC's Consolidated Motion for Reconsideration on October 2, 2023.

On August 2, 2023, SPPC received a copy of Respondents-Intervenors' Motion for Reconsideration of the Court of Appeals' Joint Decision. As directed by the Court of Appeals in its Resolution dated August 10, 2023, SPPC filed its Comment/ Opposition on Respondents-Intervenors' Motion for Reconsideration on September 14, 2023.

On August 7, 2023, SPPC received a copy of Meralco's Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court. Meralco asked for a period of 30 days, or until August 28, 2023, to file its Petition.

On September 12, 2023, SPPC received a copy of Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court.

*SPI CA Petition*
On November 10, 2022, SPI also filed with the Court of Appeals a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPI (the "SPI CA Petition"). This was raffled to the 17th Division of the Court of Appeals which was subsequently transferred to its 16th Division.

On November 24, 2022, SPI filed an Urgent Motion for Consolidation of the instant Petition with the SPPC CA Petition pending before the 13th Division of the Court of Appeals.

On December 27, 2022, SPI received a copy of the Court of Appeals 16th Division's Resolution dated November 28, 2022 which directed the private respondents to file their comment on the petition and show cause why SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction should not be granted, within 10 days from notice. Action on SPI's prayer for injunctive relief was held in abeyance pending receipt of the required pleadings.

The ERC has filed an Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases.

MERALCO has filed its Opposition to SPI's application for the issuance of a TRO and/or writ of preliminary injunction. On January 10, 2023, SPI filed its Reply to MERALCO's Opposition.

On January 26, 2023, SPI received the Resolution dated January 13, 2023 of the 16th Division of the Court of Appeals which (i) denied the SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction, and (ii) granted the consolidation of SPI Court of Appeals Petition with the SPPC Court of Appeals Petition. The SPI Court of Appeals Petition was thus consolidated with the SPPC Court of Appeals Petition before the 13th Division. The ERC filed a motion for partial reconsideration of the grant of consolidation of SPI's Petition with SPPC Court of Appeals Petition.

On February 10, 2023, SPI filed a Motion for Partial Reconsideration of the January 13, 2023 Resolution and prayed for the issuance of a writ of preliminary injunction.

On February 14, 2023, SPI received copies of the ERC's Comment Ad Cautelam on the Petition and Meralco's Comment.

On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply.

SPI's Motion for Partial Reconsideration (on the issuance of a writ of preliminary injunction) and the SPI Court of Appeals Petition remain pending resolution with the Court of Appeals 13th Division.

In a Resolution dated April 3, 2023, the Court of Appeals upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Reconsideration filed by the ERC.

*d. Commitments*

The outstanding purchase commitments of the Group amounted to P248,484 and P266,580 as at December 31, 2023 and 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.

*e. Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries, associates and joint ventures to Philippine peso were closing rates of P55.370 and P55.755 in 2023 and 2022, respectively, for consolidated statements of financial position accounts; and average rates of P55.632, P54.502 and P49.285 in 2023, 2022 and 2021, respectively, for income and expense accounts.

*f.* 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.

# COVER SHEET

**for**

## AUDITED FINANCIAL STATEMENTS

**SEC Registration Number**

| P | W | - | 0 | 0 | 0 | 2 | 7 | 7 | | |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

SAN MIGUEL CORPORATION AND SUBSIDIARIES

**PRINCIPAL OFFICE ( No. / Street / Barangay / City / Town / Province)**

No. 40 San Miguel Avenue
Mandaluyong City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| A A F S | | |

### COMPANY INFORMATION

| Company's email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| N/A | 8632-3000 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 35,207 | Second Tuesday of June | December 31 |

### CONTACT PERSON INFORMATION

**The designated contact person *MUST* be an Officer of the Corporation**

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ms. Bella O. Navarra | N/A | 8632-3000 | N/A |

### CONTACT PERSON's ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City

***Note 1:*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

*2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**Agreed-Upon Procedures Report on the Use of Proceeds from the Issuance of Series 2-L, 2-N and 2-O Preferred Shares (the "Offering")**

The Board of Directors and Stockholders
**SAN MIGUEL CORPORATION**
No. 40 San Miguel Avenue
Mandaluyong City

## Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting San Miguel Corporation (the "Company") in complying with the requirement of the Philippine Stock Exchange (PSE) to submit an external auditor's report on the accuracy of the information being represented by the Company relating to the use of proceeds from the Offering as of and for the period ended December 31, 2023.

## Responsibilities of the Engaging Party and the Responsible Party

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

## Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements.* An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

**Professional Ethics and Quality Control**

We have complied with the ethical requirements in the Code of Ethics for Professional Accountants in the Philippines.

Our firm applies Philippine Standard on Quality Control (PSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company, on the use of proceeds from the Offering.

The results of agreed-upon procedures performed are summarized as follows:

1. We have obtained and checked the mathematical accuracy of the Company's Report for the period ended December 31, 2023. No exceptions were noted.

2. We have compared the list of all the disbursement in the Progress Report with the schedule of planned use of proceeds from the Offering as indicated in the Final Offer Supplement dated November 8, 2023 (the "Offer Supplement") and agreed amounts to the related supporting documents such as proof of bank transfer, billing invoices or statements, and official receipts. No exceptions were noted.

   As presented by the Company and based on the above procedures, the table below lists the details and amounts of disbursements of the proceeds of the Offering for the period ended December 31, 2023:

| Purpose | Disbursements | | Difference (In Millions) |
|---|---|---|---|
| | Allocations per Offer Supplement (In Millions) | Amounts Per Progress Report (In Millions) | |
| Underwriting and selling fees, filing fees, taxes, legal and professional fees and other expenses | P379 | P379 | P - |
| Repayment of Philippine Peso-dominated short-term loans | 16,530 | 16,530 | - |
| **Total** | **P16,909** | **P16,909** | **P -** |

The table below shows the amount of disbursement per Progress Report and the actual disbursements showing the balance of proceeds as at and for the period ended December 31, 2023:

| Purpose | Amount of Disbursement Per Progress Report (In Millions) | Actual Disbursements (In Millions) | Difference (In Millions) |
|---|---|---|---|
| Underwriting and selling fees, filing fees, taxes, legal and professional fees and other expenses | P281 | P281 | P - |
| Repayment of Philippine Peso-dominated short-term loans | 16,530 | 16,530 | - |
| **Total** | **P16,811** | **P16,811** | **P -** |

3. The net proceeds from the Offering amounting to P49,621 million were to be adjusted as and when fees of the Offering are disbursed.

4. We have obtained written management representation and confirmed that there were no reallocations made on the Company's planned use of proceeds from the Offering or any changes in the work program as disclosed in the Offer Supplement.

**R.G. MANABAT** & **CO.**



DARWIN P. VIROCEL
Partner

April 15, 2024
Makati City, Metro Manila

**San Miguel Corporation**
**Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares**
**December 31, 2023**
***(Amounts in Millions)***

**i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement** [a]

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 50,000 |
| Estimated fees, commissions and expenses relating to the issue: | | | | |
| Underwriting fees | **P** | 275 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Taxes | | 25 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Estimated legal and other professional fees | | 6 | | |
| Estimated other expenses | | 4 | | 379 |
| Net proceeds | | | **P** | 49,621 |

**ii) Actual Gross and Net Proceeds** [b]

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 34,000 |
| Underwriting fees | **P** | 211 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Other expenses | | 1 | | 281 |
| Net proceeds/balance of the proceeds | | | **P** | 33,719 |

**iii) Each Expenditure Item Where the Proceeds were Used**

| | | |
|---|---|---|
| Repayment of Philippine Peso-denominated short-term loans | **P** | 16,530 |

**iv) Balance of the Proceeds as of End of Reporting Period** **P** 17,189

a *The Gross and Net Proceeds as Disclosed in Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.*

b *The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.*

**ANNEX "C"**

# SUPPLEMENTARY SCHEDULES

R.G. Manabat & Co.
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**REPORT OF INDEPENDENT AUDITORS**
**TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING**
**WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation (the Company) as at and for the year ended December 31, 2023, on which we have rendered our report dated April 15, 2024.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

**R.G. MANABAT & CO.**



DARWIN P. VIROCEL
Partner
CPA License No. 0094495
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075206
Issued January 2, 2024 at Makati City

April 15, 2024
Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

For the reporting period ended December 31, 2023

(In Millions)

**SAN MIGUEL CORPORATION**

No. 40 San Miguel Avenue, Mandaluyong City

| | | |
|---|---|---|
| **Unappropriated retained earnings available for dividend declaration, January 1, 2023** | | P61,598 |
| **Less: Items that are directly debited to unappropriated retained earnings** | | |
| Dividends and distributions declared during the reporting period | (P9,396) | |
| Issuance costs of capital securities redeemed | (40) | (9,436) |
| **Unappropriated retained earnings as adjusted, January 1, 2023** | | 52,162 |
| **Net loss for the current period** | | (16,961) |
| **Less: Unrealized income recognized in the profit or loss during the reporting period (net of tax)** | | |
| Unrealized foreign exchange gains, except those attributable to cash and cash equivalents | (1,565) | |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (straight-line recognition of rent income) | (15) | (1,580) |
| **Adjusted net loss** | | (18,541) |
| **Add: Other items that should be excluded from the determination of the amount of available for dividends distribution** | | |
| Net movement of deferred tax asset not considered in the reconciling items under the previous categories | | 1,782 |
| **Unappropriated retained earnings available for dividend declaration, December 31, 2023** | | P35,403 |

R.G. Manabat & Co.
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Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS**
**TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING**
**WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2023, on which we have rendered our report dated April 15, 2024.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the Map of the Conglomerate is the responsibility of the Group's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

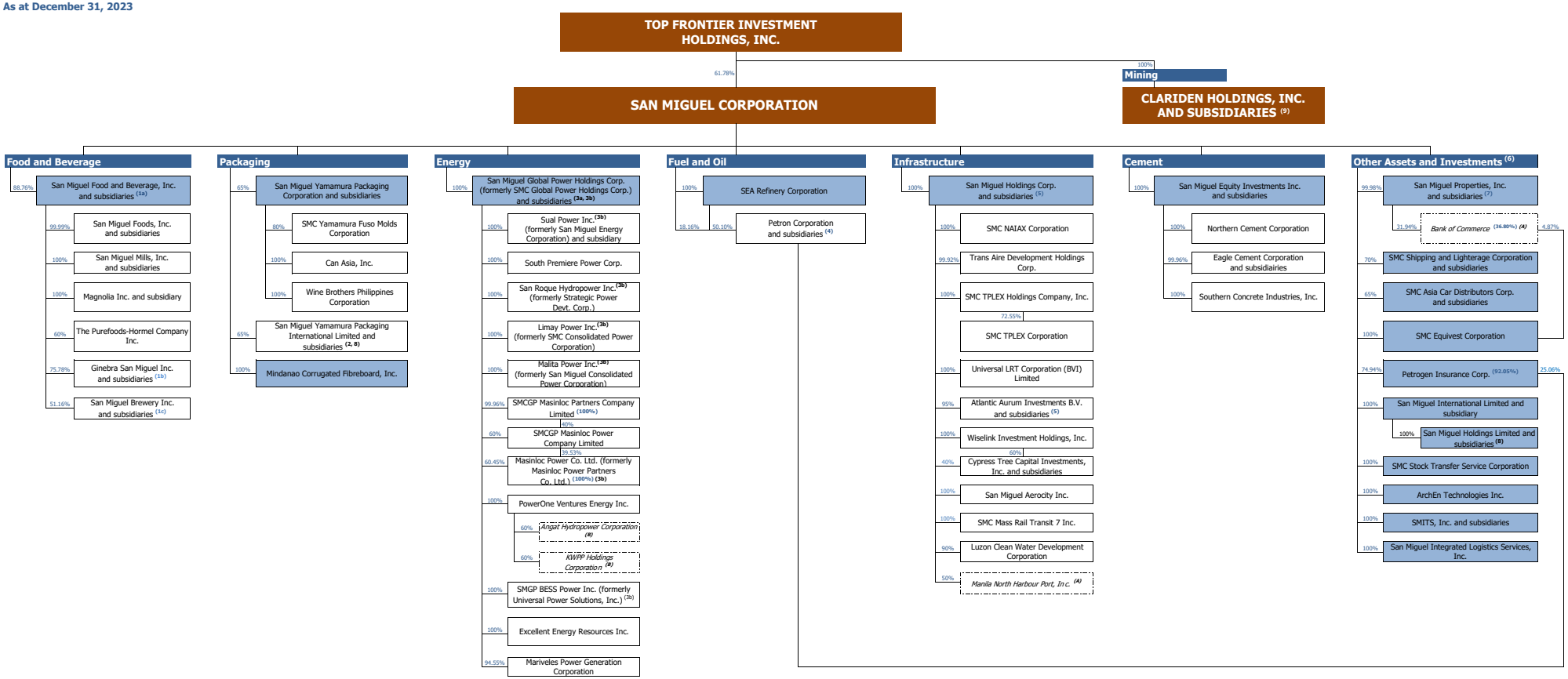
**R.G. MANABAT & CO.**



DARWIN P. VIROCEL
Partner
CPA License No. 0094495
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075206
Issued January 2, 2024 at Makati City

April 15, 2024
Makati City, Metro Manila

# SAN MIGUEL CORPORATION
# GROUP STRUCTURE *
**As at December 31, 2023**




* The group structure includes the Parent Company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries, associates and joint ventures.

Note:
(A) Associate
(B) Joint Venture

## I. Subsidiaries

1. San Miguel Food and Beverage, Inc. subsidiaries also include: (a) San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.; (b) Ginebra San Miguel Inc. subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited, Global Beverages Holdings Limited and Siam Holdings Limited; and (c) San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc., Brewery Properties Inc. and subsidiary and San Miguel Brewing International Limited and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co., Ltd., San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at December 31, 2023.

2. San Miguel Yamamura Packaging International Limited subsidiaries include San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd.

3. (a) San Miguel Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc., SMC Power Generation Corp., Albay Power and Energy Corp., Lumiere Energy Technologies, Inc., Central Luzon Premiere Power Corp., Oceantech Power Generation Corporation and subsidiary, SMGP Kabankalan Power Co. Ltd. and Prime Electric Generation Corporation and subsidiary.

   (b) The Securities and Exchange Commission approved the change in corporate names of the following entities on the respective dates:

| | |
|---|---|
| *San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.)* | *March 22, 2023* |
| *Sual Power Inc. (formerly San Miguel Energy Corporation)* | *March 9, 2023* |
| *San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.)* | *March 31, 2023* |
| *Limay Power Inc. (formerly SMC Consolidated Power Corporation)* | *February 7, 2023* |
| *Malita Power Inc. (formerly San Miguel Consolidated Power Corporation* | *March 9, 2023* |
| *Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.)* | *November 13, 2023* |
| *SMGP BESS Power Inc. (formerly Universal Power Solutions, Inc.)* | *November 3, 2023* |
| *SMGP Kabankalan Power Co. Ltd. (formerly SMCGP Philippines Energy Storage Co. Ltd.)* | *September 21, 2023* |

4. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings, Inc. and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.

5. San Miguel Holdings Corp. subsidiaries also include ULCOM Company, Inc., Alloy Manila Toll Expressways, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation, Pasig River Expressway Corporation, Intelligent E-Processes Technologies Corp., SMC Northern Access Link Expressway Corp., SMC Southern Access Link Expressway Corp., South Luzon Toll Road-5 Expressway Inc. and TPLEX Operations & Maintenance Corp.

   Atlantic Aurum Investments B.V. subsidiaries include SMC Tollways Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation, and SMC Skyway Corporation and subsidiary, Skyway O&M Corporation, SMC SLEX Holdings Company Inc. and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc.

6. Other Assets and Investments also include Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries, Silvertides Holdings Corporation and subsidiary, Deity Holdings Corporation, Fonterra Verde Holdings Inc., One Verdana Holdings Inc. and Worldsummit Holdings Corporation.

7. San Miguel Properties, Inc. subsidiaries include SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.

8. San Miguel Holdings Limited subsidiaries include San Miguel Insurance Company, Ltd. and San Miguel Yamamura Packaging International Limited.

## II. Co-Subsidiary

9. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group).

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**REPORT OF INDEPENDENT AUDITORS**
**TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING**
**WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2023, on which we have rendered our report dated April 15, 2024.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the Supplementary Schedules of Annex 68-J is the responsibility of the Group's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
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R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**



DARWIN P. VIROCEL
Partner
CPA License No. 0094495
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
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April 15, 2024
Makati City, Metro Manila

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**
**DECEMBER 31, 2023**


| | | | |
|---|---|---|---|
| A | - | FINANCIAL ASSETS | |
| B | - | AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES) | NOT APPLICABLE |
| C | - | AMOUNTS RECEIVABLE/PAYABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS | |
| D | - | LONG-TERM DEBT | |
| E | - | INDEBTEDNESS TO RELATED PARTIES | NOT APPLICABLE* |
| F | - | GUARANTEES OF SECURITIES OF OTHER ISSUERS | NOT APPLICABLE |
| G | - | CAPITAL STOCK | |


* Balance of account is less than 5% of total assets of the Group

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE A - FINANCIAL ASSETS**
**DECEMBER 31, 2023**
**(Amounts in Millions, except No. of Shares Data)**

| Name of Issuing Entity / Description of Each Issue | Number of shares or Principal Amount of Bonds and Notes | Amount Shown in the Statements of Financial Position | Value Based on Market Quotations at December 31, 2023 | Income (Loss) Received and Accrued |
|---|---|---|---|---|
| Cash and cash equivalents | - | ₱ 261,358 | Not applicable | ₱ 11,397 |
| Trade and other receivables - net | - | 263,119 | Not applicable | 433 |
| Derivative assets | - | 2,364 | Not applicable | (1,379) * |
| Financial assets at FVPL | - | 1,401 | Not applicable | 51 |
| Financial assets at FVOCI** | - | 7,424 | ₱ 7,424 | 127 |
| Financial assets at amortized cost** | - | 12,158 | 12,158 | 894 |
| Noncurrent receivables and deposits - net | - | 48,319 | Not applicable | 235 |
| Restricted cash | - | 18,519 | Not applicable | 837 |
| | | ₱ 614,662 | ₱ 19,582 | ₱ 12,595 |

* *This represents net marked-to-market gains/losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.*

** *The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS.*

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS**
**DECEMBER 31, 2023**
***(Amounts in Millions, Except No. of Shares Data)***

| Name of Issuing Entity | No. of Shares or Principal Amount of Bonds and Notes | | Value Based on Market Quotation at December 31, 2023 (a) |
|---|---|---|---|
| **San Miguel Corporation** | | | |
| Alabang Country Club | 7 | **P** | 92 |
| Alta Vista Golf and Country Club | 2 | | 1 |
| Apo Golf & Country Club | 3 | | - |
| Baguio Country Club | 1 | | 6 |
| Bancom Group Inc | 999,546 | | - |
| Calatagan Golf Club | 1 | | - |
| Camp John Hay | 2 | | 1 |
| Canlubang Golf Club | 3 | | 11 |
| Capitol Hills Golf & Country Club | 1 | | - |
| Casino Espanol de Manila | 2 | | - |
| Cebu Country Club | 1 | | 15 |
| Celebrity Sports Plaza | 3 | | 1 |
| Club Filipino | 8 | | 3 |
| Continental Potash | 7,909 | | - |
| Evercrest | 2 | | - |
| Export & Industry Bank | 940,560,000 | | - |
| Green Valley Club - Baguio | 1 | | - |
| Greenfield Tennis Club | 3 | | - |
| Iloilo Golf Club | 1 | | - |
| Inter island Broadcasting Corp | 4,458,928 | | - |
| Landgolf Inc | 2 | | - |
| Makati Executive Center | 1 | | - |
| Makati Sports Club | 11 | | 13 |
| Manila Bankers Life | 250,000 | | 1 |
| Manila Electric Company | 100,331 | | 1 |
| Manila Golf & Country Club | 3 | | 311 |
| Manila Polo Club | 2 | | 90 |
| Manila Southwoods Golf & Country Club | 1 | | 4 |
| Medical Doctors Inc. | 83,379 | | 203 |
| Merchant Investment | 41,660 | | - |
| Metropolitan Club | 2 | | 1 |
| Metropolitan Theater | 198 | | - |
| Mimosa Golf & Country Club | 3 | | 2 |
| Monserrat Trading | 1,000 | | - |
| Motor Services | 52,500 | | - |
| Naga Telephone Co. | 220 | | - |
| Negros Occidental Golf club | 6 | | - |
| Norcem Philippines | 80,000 | | - |
| Orchard Golf & Country Club | 5 | | 4 |
| Pacific Club Corporate | 1 | | - |
| Pantranco South Express | 340,992 | | - |
| People's Press | 1,500 | | - |
| Phil. Columbian Club | 3 | | - |
| Phil. Dealing Sytem Holding Corp. | 250,000 | | 25 |
| Phil. International Fair | 500 | | - |
| Phil. Long Distance Tel. Co | 230,594 | | 2 |
| Phil. Overseas Resources | 10,000 | | - |
| Puerto Azul Golf Club | 3 | | 1 |
| Quezon City Sports Club | 1 | | 1 |
| Sta Elena Properties | 7 | | 5 |
| Sta Elena Golf Club | 1 | | 14 |
| Sta Lucia Realty Golf Club | 2 | | 1 |

| Name of Issuing Entity | No. of Shares or Principal Amount of Bonds and Notes | | Value Based on Market Quotation at December 31, 2023 (a) |
|---|---|---|---|
| Subic Bay Yacht Club | 1 | P | - |
| Tagaytay Highland Golf and Country Club | 2 | | 4 |
| Tagaytay Midlands Country Club | 1 | | 2 |
| The Country Club - Canlubang | 2 | | 8 |
| Top Frontier Holdings, Inc. - Common | 2,561,031 | | 246 |
| Universal Leisure Club | 1 | | - |
| Valle Verde Golf Club | 53 | | 16 |
| Valley Golf Club Inc. | 2 | | 10 |
| Victorias Country Club | 1 | | - |
| **SMC Equivest Corporation** | | | |
| Bank of Commerce - Preferred | 416,666,670 | | 5,500 |
| **Petrogen Insurance Corporation** | | | |
| Government Security | - | | 658 |
| Corporate Bonds under IMA with BOC | 700 | | 668 |
| **San Miguel Properties, Inc.** | | | |
| Apo Golf & Country Club | 1 | | 1 |
| Mimosa Golf & Country Club | 4 | | 2 |
| Sta. Elena Golf & Country Club | 1 | | 5 |
| Metro Club | 1 | | - |
| Meralco | 91,011 | | 1 |
| Riviera Golf Course and Country Club | 1 | | 30 |
| Tagaytay Midlands Country Club | 1 | | 1 |
| **San Miguel Paper Packaging Corp.** | | | |
| Phil Long Distance Tel. | 5,200 | | - |
| Evercrest Golf & Country Club | 1 | | - |
| Orchard Golf & Country Club | 1 | | 1 |
| Apo Golf & Country Club | 1 | | - |
| **San Miguel Yamamura Packaging Corporation** | | | |
| Canlubang Golf & Country Club | 1 | | 3 |
| Manila Southwoods Golf and Country Club | 1 | | 12 |
| Orchard Golf & Country Club | 1 | | 12 |
| Puerto Azul Golf Club | 1 | | - |
| Riviera Golf Course and Country Club | 1 | | 2 |
| **Mindanao Corrugated Fibreboard, Inc.** | | | |
| Apo Golf Country Club | 1 | | - |
| **Food and Beverage Group** | | | |
| Club Filipino | 2 | | 1 |
| Makati Sports Club, Inc. | 2 | | 2 |
| Philippine Long Distance Tel. Co. | 5,753 | | 1 |
| Valle Verde Country Club | 1 | | 1 |
| Capitol Hills Golf and Country Club, Inc. | 1 | | |
| Alabang Country Club | 1 | | 12 |
| Manila Southwoods Golf & Country Club | 1 | | 4 |
| Sta Elena Golf Club | 1 | | 22 |
| Manila Electric Co. | 14,895 | | - |
| Tagaytay Highland Golf and Country Club | 1 | | 2 |
| Royal Tagaytay Country Club | 1 | | - |
| Orchard Golf and Country Club | 1 | | 3 |
| HSBC Holdings | 20,400 | | 9 |
| Pacific Club Kowloon | 1 | | 8 |
| The American Club Hong Kong | 1 | | 10 |
| Hong Kong Football Club | 1 | | 7 |
| Discovery Bay Golf Club | 1 | | 8 |
| Corporate Bonds under IMA with BOC | 11,500 | | 11,500 |
| **San Miguel Holdings Corp.** | | | |
| Architectural Center Club Inc | 1 | | - |
| Philippine Expressway Support Service Inc | 1 | | - |
| Phil Am Properties | 1 | | 1 |
| Retail Treasury Bonds | - | | 888 |
| SM Prime Holdings | - | | 75 |
| BOC Trust | 49 | | 49 |

| Name of Issuing Entity | No. of Shares or Principal Amount of Bonds and Notes | | Value Based on Market Quotation at December 31, 2023 (a) |
|---|---|---|---|
| **Petron Corporation** | | | |
| Alabang Country Club A | 1 | **P** | 12 |
| Alta Vista Golf B | 1 | | 1 |
| Apo Golf and Country Club | 1 | | - |
| Bacolod Golf | 1 | | - |
| Canlubang Golf & Co. Club | 1 | | 4 |
| Capitol Hills Club | 3 | | - |
| Casino Espanol de Cebu | 1 | | 1 |
| Celebrity Sports | 1 | | - |
| Club Filipino Inc de Cebu | 1 | | - |
| Eagle Ridge Golf & Co. Club -C | 2 | | 1 |
| Iloilo Golf and Country Club | 2 | | - |
| Leyte Golf | 1 | | - |
| Makati Sports Club B | 1 | | 1 |
| Mla. Golf and Country Club (Corporate) | 2 | | 240 |
| Manila Polo Club | 4 | | 100 |
| Mla. Southwoods Golf & Co. Club A | 3 | | 8 |
| Mimosa Golf & Country Club (Corporate) | 1 | | - |
| Orchard Golf & Country Club C | 2 | | 8 |
| Pueblo de Oro Golf | 1 | | - |
| Quezon City Sports Club B | 1 | | - |
| Riviera Golf Club C | 1 | | 1 |
| Tagaytay Highlands | 2 | | 4 |
| The Palm Country Club - A | 2 | | 3 |
| Tower Club | 1 | | - |
| Valle Verde Country Club (individual) | 1 | | 1 |
| Valley Golf Club | 1 | | 2 |
| Victorias Golf | 1 | | - |
| Meralco | 237,008 | | 2 |
| **Total Financial Assets** | | **P** | **20,983** |

See Notes 4, 10, 12, 33, 39 and 40 of the Consolidated Financial Statements.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**
**DECEMBER 31, 2023**
**(Amounts in Millions)**

| NAME OF RELATED PARTY | BEGINNING BALANCE | ADDITIONS/ CTA/RECLASS/ OTHERS | AMOUNTS PAID/ DEBIT MEMO | AMOUNTS WRITTEN OFF | TOTAL | CURRENT | NONCURRENT | ENDING BALANCE |
|---|---|---|---|---|---|---|---|---|
| San Miguel Corporation | ₱ 124,039 | ₱ 24,908 | ₱ (67,202) | ₱ - | ₱ 81,745 | ₱ 73,417 | ₱ 8,328 | ₱ 81,745 |
| San Miguel Global Power Holdings Corp.* and Subsidiaries | 17,815 | 10,954 | (15,004) | - | 13,765 | 8,618 | 5,147 | 13,765 |
| San Miguel International Limited and Subsidiaries | 10,438 | 1,686 | (2,109) | - | 10,015 | 10,015 | - | 10,015 |
| San Miguel Integrated Logistics Services, Inc. | 5,534 | 6,765 | (5,792) | - | 6,507 | 6,514 | - | 6,514 |
| SMC Shipping and Lighterage Corporation and Subsidiaries | 4,877 | 22,715 | (22,864) | - | 4,728 | 4,705 | 23 | 4,728 |
| Petron Corporation and Subsidiaries | 6,137 | 17,665 | (20,139) | - | 3,663 | 3,663 | - | 3,663 |
| San Miguel Yamamura Packaging Corp. and Subsidiaries | 3,708 | 18,276 | (18,324) | - | 3,660 | 3,367 | 293 | 3,660 |
| San Miguel Holdings Corp. and Subsidiaries | 1,981 | 9,593 | (9,422) | - | 2,152 | 2,079 | 73 | 2,152 |
| San Miguel Food and Beverage, Inc. and Subsidiaries | 1,573 | 1,776 | (1,419) | - | 1,930 | 1,844 | 86 | 1,930 |
| San Miguel Equity Investments Inc. and Subsidiaries | 348 | 1,387 | (110) | - | 1,625 | 1,017 | 608 | 1,625 |
| Archen Technologies, Inc. | 994 | 2,600 | (2,358) | - | 1,236 | 1,236 | - | 1,236 |
| Petrogen Insurance Corporation | 1,479 | 4,473 | (4,770) | - | 1,182 | 1,182 | - | 1,182 |
| Others | 3,923 | 12,162 | (11,771) | - | 4,314 | 4,100 | 207 | 4,307 |
| | **₱ 182,846** | **₱ 134,960** | **₱ (181,284)** | **₱ -** | **₱ 136,522** | **₱ 121,757** | **₱ 14,765** | **₱ 136,522** |

*Formerly SMC Global Power Holdings Corp. The change in the corporate name was approved by the SEC on March 22, 2023.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**
**DECEMBER 31, 2023**
**(Amounts in Millions)**

| NAME OF RELATED PARTY | BEGINNING BALANCE | ADDITIONS/ CTA/RECLASS/ OTHERS | AMOUNTS COLLECTED/ CREDIT MEMO | AMOUNTS WRITTEN OFF | TOTAL | CURRENT | NONCURRENT | ENDING BALANCE |
|---|---|---|---|---|---|---|---|---|
| Sea Refinery Corporation | ₱ 31,382 | ₱ - | ₱ - | ₱ - | ₱ 31,382 | ₱ 31,382 | ₱ - | ₱ 31,382 |
| San Miguel Holdings Corp. and Subsidiaries | 50,020 | 16,398 | (35,449) | - | 30,969 | 29,920 | 1,049 | 30,969 |
| San Miguel Food and Beverage, Inc. and Subsidiaries | 18,717 | 50,297 | (49,480) | - | 19,534 | 16,104 | 3,430 | 19,534 |
| San Miguel Corporation | 7,871 | 24,486 | (24,508) | - | 7,849 | 7,849 | - | 7,849 |
| San Miguel Properties, Inc. and Subsidiaries | 8,948 | 3,221 | (4,369) | - | 7,800 | 1,896 | 5,904 | 7,800 |
| Challenger Aero Air Corporation | 6,884 | 1,687 | (1,481) | - | 7,090 | 7,090 | - | 7,090 |
| San Miguel Global Power Holdings Corp.* and Subsidiaries | 4,212 | 7,267 | (5,084) | - | 6,395 | 6,290 | 105 | 6,395 |
| Petron Corporation and Subsidiaries | 5,012 | 8,365 | (8,333) | - | 5,044 | 5,044 | - | 5,044 |
| San Miguel Integrated Logistics Services, Inc. | 2,843 | 342 | (125) | - | 3,060 | 817 | 2,243 | 3,060 |
| San Miguel Equity Investments, Inc. and Subsidiaries | 33,010 | 794 | (31,450) | - | 2,354 | 2,354 | - | 2,354 |
| SMC Shipping and Lighterage Corporation and Subsidiaries | 2,115 | 22,685 | (22,713) | - | 2,087 | 2,087 | - | 2,087 |
| Fortunate Land Inc. and a Subsidiary | 2,010 | - | - | - | 2,010 | - | 2,010 | 2,010 |
| San Miguel Yamamura Packaging Corp. and Subsidiaries | 1,794 | 8,033 | (8,117) | - | 1,710 | 1,710 | - | 1,710 |
| Petrogen Insurance Corporation | 2,138 | 3,932 | (4,475) | - | 1,595 | 1,595 | - | 1,595 |
| San Miguel International Limited and Subsidiaries | 1,409 | 187 | (264) | - | 1,332 | 1,096 | 236 | 1,332 |
| Others | 4,481 | 5,003 | (3,173) | - | 6,311 | 3,657 | 2,654 | 6,311 |
| | **₱ 182,846** | **₱ 152,697** | **₱ (199,021)** | **₱ -** | **₱ 136,522** | **₱ 118,891** | **₱ 17,631** | **₱ 136,522** |

*Formerly SMC Global Power Holdings Corp. The change in the corporate name was approved by the SEC on March 22, 2023.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - LONG-TERM DEBT**
**DECEMBER 31, 2023**
***(Amounts in Millions)***

| TITLE OF ISSUE AND TYPE OF OBLIGATION | Amount Authorized by Indenture | | Amount Shown as Current | | Amount Shown as Noncurrent | | Outstanding Balance | INTEREST RATES | Number of Periodic Installments | Final Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Parent Company** | | | | | | | | | | |
| ***Peso denominated Bonds:*** | | | | | | | | | | |
| | PHP | 60,000 | PHP - | PHP | 59,299 | PHP | 59,299 | 7.4458%, 7.8467% and 8.4890% | Bullet | March 2028, December 2029 and December 2032 |
| | PHP | 60,000 | 17,271 | | 12,816 | | 30,087 | 5.2840%, 5.55%, 6.625%, 5.7613% and 7.125% | Bullet | March 2024, October 2024, March 2025, March 2027 and March 2028 |
| | PHP | 30,000 | - | | 29,762 | | 29,762 | 3.3832% | Bullet | July 2027 |
| | PHP | 30,000 | - | | 29,699 | | 29,699 | 5.2704% and 5.8434% | Bullet | March 2027 and March 2029 |
| ***Peso denominated Term Notes:*** | | | | | | | | | | |
| | PHP | 16,000 | 160 | | 15,071 | | 15,231 | 6.9375% | Amortized | June 2026 |
| | PHP | 5,200 | 51 | | 5,097 | | 5,148 | 7.1968% | Amortized | June 2029 |
| ***Foreign currency - denominated Term Notes:*** | | | | | | | | | | |
| | US$ | 2,000 | 110,301 | | - | | 110,301 | SOFR + margin | Bullet | September 2024 |
| | US$ | 871 | | | 81,332 | | 81,332 | SOFR + margin | Amortized | June 2035 |
| | US$ | 1,330 | - | | 71,892 | | 71,892 | SOFR + margin | Bullet | March 2028 |
| | US$ | 900 | - | | 49,074 | | 49,074 | SOFR + margin | Bullet | October 2026 |
| | US$ | 700 | - | | 38,099 | | 38,099 | SOFR + margin | Bullet | March 2027 |
| | US$ | 300 | - | | 16,244 | | 16,244 | SOFR + margin | Bullet | September 2028 |
| | US$ | 300 | - | | 16,166 | | 16,166 | SOFR + margin | Bullet | November 2028 |
| | US$ | 200 | - | | 10,837 | | 10,837 | SOFR + margin | Bullet | June 2028 |
| | US$ | 150 | - | | 8,247 | | 8,247 | 6.55% | Bullet | July 2028 |
| | US$ | 100 | - | | 5,488 | | 5,488 | SOFR + margin | Bullet | December 2026 |
| | US$ | 100 | - | | 5,487 | | 5,487 | SOFR + margin | Bullet | May 2027 |
| | | | PHP 127,783 | PHP | 454,610 | PHP | 582,393 | | | |
| **Subsidiaries** | | | | | | | | | | |
| ***Peso denominated Bonds:*** | | | | | | | | | | |
| ***San Miguel Global Power Holdings Corp (formerly SMC Global Power Holdings Corp.)**** | | | | | | | | | | |
| | PHP | 40,000 | PHP - | PHP | 39,560 | PHP | 39,560 | 5.9077%, 7.1051% and 8.0288% | Bullet | July 2025 July 2028 and July 2032 |
| | PHP | 30,000 | 9,223 | | 6,888 | | 16,111 | 7.1783% and 7.6000% | Bullet | April 2024 and April 2026 |
| | PHP | 35,000 | 6,466 | | 3,590 | | 10,056 | 6.25% and 6.625% | Bullet | December 2024 and December 2027 |
| | PHP | 15,000 | - | | 4,740 | | 4,740 | 5.1792% | Bullet | July 2026 |
| ***Petron Corporation*** | | | | | | | | | | |
| | PHP | 20,000 | 13,174 | | - | | 13,174 | 7.8183% | Bullet | April 2024 |
| | | | - | | 6,774 | | 6,774 | 8.0551% | Bullet | October 2025 |
| | | | 13,174 | | 6,774 | | 19,948 | | | |
| | PHP | 18,000 | - | | 8,945 | | 8,945 | 3.4408% | Bullet | October 2025 |
| | | | - | | 8,924 | | 8,924 | 4.3368% | Bullet | October 2027 |
| | | | - | | 17,869 | | 17,869 | | | |
| ***San Miguel Food and Beverage*** | | | | | | | | | | |
| | PHP | 15,000 | - | | 7,973 | | 7,973 | 5.0500% | Bullet | March 2025 |
| | | | - | | 6,954 | | 6,954 | 5.2500% | Bullet | March 2027 |
| | | | - | | 14,927 | | 14,927 | | | |
| ***SM Brewery Inc.*** | | | | | | | | | | |
| | PHP | 15,000 | 2,537 | | - | | 2,537 | 6.00% | Bullet | April 2024 |
| ***SMC SLEX Inc.*** | | | | | | | | | | |
| | | 7,300 | - | | 2,494 | | 2,494 | 6.4872% | Bullet | May 2025 |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - LONG-TERM DEBT**
**DECEMBER 31, 2023**
***(Amounts in Millions)***

| TITLE OF ISSUE AND TYPE OF OBLIGATION | Amount Authorized by Indenture | Amount Shown as Current | Amount Shown as Noncurrent | Outstanding Balance | INTEREST RATES | Number of Periodic Installments | Final Maturity |
|---|---|---|---|---|---|---|---|
| ***Peso denominated Term Notes:*** | | | | | | | |
| ***Petron Corporation*** | | | | | | | |
| | PHP 5,000 | PHP 492 | PHP 4,483 | PHP 4,975 | 7.1663% | Amortized | May 2027 |
| | PHP 5,000 | 1,241 | 3,115 | 4,356 | 7.4206% | Amortized | June 2027 |
| | PHP 5,000 | 1,241 | 3,114 | 4,355 | 7.5496% | Amortized | June 2027 |
| | PHP 2,375 | - | 2,366 | 2,366 | 6.4920% | Bullet | September 2025 |
| | PHP 5,000 | 1,247 | 626 | 1,873 | 4.5900% | Amortized | April 2025 |
| | PHP 15,000 | 1,606 | - | 1,606 | 5.5276% | Amortized | July 2024 |
| | PHP 625 | - | 622 | 622 | 6.8672% | Bullet | September 2025 |
| ***SMC Tollways Corp*** | | | | | | | |
| | PHP 41,200 | 4,035 | 28,774 | 32,809 | 5.556%, 5.825% and 5.997% | Amortized | December 2029 |
| ***Limay Power Inc. (formerly SMC Consolidated Power Corporation)*** ** | | | | | | | |
| | 44,000 | 3,082 | 29,415 | 32,497 | 6.2836%, 6.5362% and 7.3889% | Amortized | June 2029 |
| ***San Miguel Equity Investments Inc.*** | | | | | | | |
| | PHP 30,000 | 1,166 | 28,625 | 29,791 | 7.1913% | Amortized | May 2033 |
| ***SMGP BESS Power Inc. (formerly Universal Power Solutions, Inc.)*** *** | | | | | | | |
| | PHP 40,000 | 654 | 26,884 | 27,538 | 8.2104% | Amortized | October 2033 |
| ***SMC Skyway Stage 3 Corporation*** | | | | | | | |
| | PHP 31,000 | 5,101 | 17,731 | 22,832 | 8.7118% | Amortized | August 2027 |
| ***SMC SLEX Holdings Company Inc.*** | | | | | | | |
| | PHP 20,000 | - | 19,877 | 19,877 | BVAL + margin | Amortized | January 2025 |
| ***Malita Power Inc. (formerly San Miguel Consolidated Power Corportion)*** **** | | | | | | | |
| | PHP 21,300 | 1,233 | 13,410 | 14,643 | 6.5077% and 7.7521% | Amortized | August 2030 |
| ***SMC Mass Rail Transit 7 Inc.*** | | | | | | | |
| | PHP 100,000 | - | 14,086 | 14,086 | BVAL + margin | Bullet | June 2038 |
| ***Northern Cement Corporation*** | | | | | | | |
| | PHP 12,500 | 993 | 11,246 | 12,239 | 4.8356% | Amortized | June 2031 |
| ***San Miguel Global Power Holdings Corp (formerly SMC Global Power Holdings Corp.)*** * | | | | | | | |
| | PHP 15,000 | 14,091 | - | 14,091 | 6.9265% | Amortized | April 2024 |
| | PHP 10,000 | - | 7,439 | 7,439 | 7.968% and 8.541% | Bullet | June 2028 |
| | PHP 5,000 | 35 | 4,819 | 4,854 | 5.00% | Bullet | May 2025 |
| ***San Miguel Foods, Inc.*** | | | | | | | |
| | PHP 10,000 | 148 | 9,656 | 9,804 | 3.5483% | Amortized | December 2029 |
| | PHP 8,000 | 119 | 7,723 | 7,842 | BVAL + margin or BSP TDF + margin whichever is higher | Amortized | December 2029 |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - LONG-TERM DEBT**
**DECEMBER 31, 2023**
***(Amounts in Millions)***

| TITLE OF ISSUE AND TYPE OF OBLIGATION | Amount Authorized by Indenture | Amount Shown as Current | Amount Shown as Noncurrent | Outstanding Balance | INTEREST RATES | Number of Periodic Installments | Final Maturity |
|---|---|---|---|---|---|---|---|
| ***SM Brewery Inc.*** | | | | | | | |
| | PHP 4,000 | PHP - | PHP 3,985 | PHP 3,985 | 3.80% | Bullet | March 2026 |
| | PHP 2,500 | 34 | 2,399 | 2,433 | 3.875% | Amortized | March 2026 |
| | PHP 2,000 | - | 1,993 | 1,993 | 3.95% | Bullet | March 2026 |
| | PHP 1,500 | - | 1,496 | 1,496 | 3.95% | Bullet | March 2026 |
| | PHP 2,000 | - | 1,990 | 1,990 | 4.15% | Amortized | March 2028 |
| | 12,000 | 34 | 11,863 | 11,897 | | | |
| | PHP 4,000 | - | 3,987 | 3,987 | 4.6332% | Bullet | April 2025 |
| | PHP 3,000 | - | 2,985 | 2,985 | 5.7513% | Bullet | April 2027 |
| | 7,000 | - | 6,972 | 6,972 | | | |
| | PHP 10,000 | 9,983 | - | 9,983 | 4.63% | Bullet | December 2024 |
| | PHP 10,000 | - | 9,937 | 9,937 | 6.8412% and 6.5323% | Bullet | December 2027 |
| ***SMC TPLEX Corp*** | | | | | | | |
| | PHP 12,000 | 1,183 | 8,172 | 9,355 | 5.6276% | Amortized | September 2029 |
| ***Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.)*** ***** | | | | | | | |
| | PHP 8,155 | 1,138 | 6,049 | 7,187 | BVAL + margin | Amortized | January 2030 |
| ***The Purefoods-Hormel Company, Inc.*** | | | | | | | |
| | PHP 7,000 | - | 6,970 | 6,970 | 3.8460% | Bullet | September 2026 |
| ***SMC NAIAX Corporation*** | | | | | | | |
| | PHP 5,656 | 406 | 3,446 | 3,852 | BVAL + credit spread or BSP OLF + margin whichever is higher | Amortized | June 2030 |
| ***Luzon Clean Water Development Corporation*** | | | | | | | |
| | PHP 5,400 | 332 | 3,010 | 3,342 | 8.17110%, 8.449%, 9.028% and 9.635% | Amortized | March 2030 |
| ***San Miguel Yamamura Packaging Corp*** | | | | | | | |
| | PHP 5,000 | 732 | 1,500 | 2,232 | 5.1657% | Amortized | January 2025 |
| | PHP 2,000 | 586 | - | 586 | BVAL + margin | Amortized | December 2024 |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - LONG-TERM DEBT**
**DECEMBER 31, 2023**
***(Amounts in Millions)***

| TITLE OF ISSUE AND TYPE OF OBLIGATION | Amount Authorized by Indenture | Amount Shown as Current | Amount Shown as Noncurrent | Outstanding Balance | INTEREST RATES | Number of Periodic Installments | Final Maturity |
|---|---|---|---|---|---|---|---|
| ***SMC Shipping and Lighterage Corporation*** | | | | | | | |
| | PHP 2,000 | PHP - | PHP 1,992 | PHP 1,992 | 4.200% | Bullet | July 2026 |
| ***San Miguel Mills, Inc.*** | | | | | | | |
| | PHP 2,000 | 49 | 1,891 | 1,940 | 3.2837% | Amortized | December 2026 |
| ***Foreign currency - denominated Term Notes:*** | | | | | | | |
| ***Petron Corporation*** | | | | | | | |
| | US$ 669 | 4,971 | 31,274 | 36,245 | SOFR + Margin | Amortized | November 2027 |
| | YEN 15000 | 1,670 | 842 | 2,512 | TONA + margin | Amortized | March 2025 |
| | US$ 225 | - | 12,172 | 12,172 | SOFR + Margin | Amortized | July 2028 |
| ***San Miguel Global Power Holdings Corp (formerly SMC Global Power Holdings Corp.)*** * | | | | | | | |
| | US$ 300 | - | 16,421 | 16,421 | SOFR + Margin | Bullet | March 2026 |
| | US$ 300 | - | 16,249 | 16,249 | SOFR + Margin | Bullet | August 2027 |
| | US$ 200 | 10,993 | - | 10,993 | SOFR + Margin | Bullet | September 2024 |
| | US$ 100 | - | 5,484 | 5,484 | SOFR + Margin | Bullet | May 2025 |
| | US$ 100 | 5,487 | - | 5,487 | SOFR + Margin | Bullet | September 2024 |
| | US$ 50 | - | 2,719 | 2,719 | SOFR + Margin | Bullet | April 2025 |
| ***Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.)*** ***** | | | | | | | |
| | US$ 770 | 1,296 | 15,783 | 17,079 | 8.331% | Amortized | December 2030 |
| | US$ 255 | 427 | 5,194 | 5,621 | SOFR + margin | Amortized | December 2030 |
| ***San Miguel Yamamura Australasia Pty. Ltd*** | | | | | | | |
| | AUD 80 | 1,791 | - | 1,791 | BBSY + margin | Amortized | July 2024 |
| | AUD 10 | 19 | 340 | 359 | BBSY + margin | Amortized | November 2027 |
| | AUD 5 | 34 | 43 | 77 | BBSY + margin | Amortized | February 2026 |
| | | PHP 109,015 | PHP 499,176 | PHP 608,191 | | | |
| **Total Long-term Debt** | | PHP **236,798** | PHP **953,786** | PHP **1,190,584** | | | |

See Notes 5, 21, 30, 33, 38, 39 and 40 of the Consolidated Financial Statements.

* The change in the corporate name was approved by the SEC on March 22, 2023.
** The change in the corporate name was approved by the SEC on February 7, 2023.
*** The change in the corporate name was approved by the SEC on November 3, 2023.
**** The change in the corporate name was approved by the SEC on March 9, 2023.
***** The change in the corporate name was approved by the SEC on November 13, 2023.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE G - CAPITAL STOCK**
**December 31, 2023**

| DESCRIPTION | NUMBER OF SHARES AUTHORIZED | NUMBER OF SHARES ISSUED | TREASURY SHARES | NUMBER OF SHARES OUTSTANDING | NUMBER OF SHARES RESERVED FOR OPTIONS * | NUMBER OF SHARES HELD BY: AFFILIATES | SUBSIDIARY | DIRECTORS, OFFICERS AND EMPLOYEES |
|---|---|---|---|---|---|---|---|---|
| ISSUED SHARES | | | | | | | | |
| COMMON STOCK | 3,790,000,000 | 3,288,649,125 | 904,752,537 | 2,383,896,588 | 134,641,564 | 46,395 | - | 4,144,100 |
| SERIES "1" PREFERRED SHARES | 300,000,000 | 279,406,667 | 279,406,667 | - | - | - | - | - |
| SERIES "2" PREFERRED SHARES | 1,910,000,000 | 1,758,099,686 | 288,194,494 | 1,469,905,192 | - | - | 1,333,500 | 610,300 |
| | 6,000,000,000 | 5,326,155,478 | 1,472,353,698 | 3,853,801,780 | 134,641,564 | 46,395 | 1,333,500 | 4,754,400 |

* See Notes 24, 36 and 37 of the Consolidated Financial Statements.

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS**
**ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

**R.G. MANABAT & CO.**



DARWIN P. VIROCEL
Partner
CPA License No. 0094495
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075206
Issued January 2, 2024 at Makati City

April 15, 2024
Makati City, Metro Manila

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2023 and 2022 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2023 and 2022 for operating efficiency ratios.

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| Liquidity: | | |
| Current Ratio | **1.12** | 1.22 |
| Quick Ratio | **0.70** | 0.77 |
| Solvency: | | |
| Debt to Equity Ratio | **2.70** | 2.74 |
| Asset to Equity Ratio | **3.70** | 3.74 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **0.07%** | (4.24%) |
| Interest Rate Coverage Ratio | **1.80** | 1.66 |
| Return on Assets | **1.84%** | 1.20% |
| Operating Efficiency: | | |
| Volume Growth | **6%** | 20% |
| Revenue Growth | **(4%)** | 60% |
| Operating Margin | **10%** | 9% |

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

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

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**TRADE AND OTHER RECEIVABLES**
**DECEMBER 31, 2023**
***(In Millions)***

| | | | | Past Due | | | |
|---|---|---|---|---|---|---|---|
| | **Total** | **Current** | **1 - 30 Days** | **31 - 60 Days** | **61 - 90 Days** | **Over 90 Days** |
| Trade | P 188,447 | P 127,332 | P 17,482 | P 5,049 | P 3,322 | P 35,262 |
| Non-trade | 76,731 | 42,108 | 8,071 | 282 | 1,331 | 24,939 |
| Others | 11,061 | 8,709 | 66 | 14 | 14 | 2,258 |
| Total | 276,239 | **P 178,149** | **P 25,619** | **P 5,345** | **P 4,667** | **P 62,459** |
| Less allowance for impairment losses | 13,120 | | | | | |
| Net | **P 263,119** | | | | | |

**ANNEX "A-1"**

# SAN MIGUEL CORPORATION
# SEC FORM -17Q
## (As of March 31, 2024)

# COVER SHEET

| P | W | - | 2 | 7 | 7 | | | | |
|---|---|---|---|---|---|---|---|---|---|

S. E. C. Registration Number

| | | | | | | | S | A | N | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | M | I | G | U | E | L | | | | | | | |
| | | | C | O | R | P | O | R | A | T | I | O | N | | | | | | |

(Company's Full Name)

| N | O | . | 4 | 0 | | S | A | N | | M | I | G | U | E | L | | A | V | E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | | |
| M | A | N | D | A | L | U | Y | O | N | G | | C | I | T | Y | | | | |
| | | | | | | | | | | | | | | | | | | | |
| M | E | T | R | O | | M | A | N | I | L | A | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| P | H | I | L | I | P | P | I | N | E | S | | | | | | | | | |

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

| Atty. Mary Rose S. Tan | (632) 632-3000 |
|---|---|
| Contact Person | Company Telephone Number |

SEC FORM (1st Quarter-2024) — 2nd Tuesday of June

| 1 | 2 | 3 | 1 | | | 1 | 7 | - | Q | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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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S T A M P S

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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 **March 31, 2024**

2. Commission identification number **PW00000227**

3. BIR Tax Identification No. **000-060-741-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

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

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

7. **No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila** — **1550**
   Address of issuer's principal office — Postal Code

8. **(632) 8632-3000**
   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

| | Number of Shares of Stock and debt Outstanding as of March 31, 2024 |
|---|---|
| **Common Shares** | 2,383,896,588 |
| **Series "2-F" Preferred Shares** | 223,333,500 |
| **Series "2-I" Preferred Shares** | 169,333,400 |
| **Series "2-J" Preferred Shares** | 266,666,667 |
| **Series "2-K" Preferred Shares** | 183,904,900 |
| **Series "2-M" Preferred Shares** | 173,333,325 |
| **Series "2-L" Preferred Shares** | 165,358,600 |
| **Series "2-N" Preferred Shares** | 100,115,100 |
| **Series "2-O" Preferred Shares** | 187,859,700 |
| **TOTAL** | **3,853,801,780** |

Total Liabilities — P1,842,910 million

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes [√] No [ ]

If yes, disclose name of the Stock Exchange and class of securities listed therein:
**Philippine Stock Exchange**

**(a) Common Shares**
**(b) Series "2" Preferred Shares - 2-F**
**(c) Series "2" Preferred Shares - 2-I**
**(d) Series "2" Preferred Shares - 2-J**
**(e) Series "2" Preferred Shares - 2-K**
**(f) Series "2" Preferred Shares - 2-M**
**(g) Series "2" Preferred Shares - 2-L**
**(h) Series "2" Preferred Shares - 2-N**
**(i) Series "2" Preferred Shares - 2-O**

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.
Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [√] No [ ]

## PART I--FINANCIAL INFORMATION

**Item 1. Financial Statements.**

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2024 (with comparative figures as of December 31, 2023 and for the period ended March 31, 2023) 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, as amended" is attached hereto as **Annex "B".**

## PART II--OTHER INFORMATION

The Company 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 otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

**NONE**

## SIGNATURES

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

| | |
|---|---|
| Issuer | **SAN MIGUEL CORPORATION** |
| Signature and Title | **FERDINAND K. CONSTANTINO**<br>Chief Finance Officer and Treasurer |
| Date | May 15, 2024 |
| Signature and Title | **BELLA O. NAVARRA**<br>Comptrollership Manager/<br>Principal Accounting Officer |
| Date | May 15, 2024 |

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## MARCH 31, 2024 AND DECEMBER 31, 2023
(In Millions)

| | Note | 2024 Unaudited | 2023 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *8, 9* | **P270,341** | P261,358 |
| Trade and other receivables - net | *4, 8, 9* | **264,992** | 263,119 |
| Inventories | | **149,937** | 161,986 |
| Current portion of biological assets - net | | **3,307** | 3,515 |
| Prepaid expenses and other current assets | *4, 8, 9* | **148,287** | 141,424 |
| **Total Current Assets** | | **836,864** | 831,402 |
| **Noncurrent Assets** | | | |
| Investments and advances - net | | **43,321** | 37,089 |
| Investments in equity and debt instruments | *4, 8, 9* | **19,426** | 19,417 |
| Property, plant and equipment - net | *5* | **773,247** | 753,472 |
| Right-of-use assets - net | | **106,830** | 108,014 |
| Investment property - net | | **81,436** | 79,513 |
| Biological assets - net of current portion | | **2,512** | 2,667 |
| Goodwill - net | | **182,723** | 182,791 |
| Other intangible assets - net | | **312,878** | 306,638 |
| Deferred tax assets | | **21,124** | 19,633 |
| Other noncurrent assets - net | *4, 8, 9* | **127,167** | 118,729 |
| **Total Noncurrent Assets** | | **1,670,664** | 1,627,963 |
| | | **P2,507,528** | P2,459,365 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Loans payable | *4, 8, 9* | **P231,538** | P214,881 |
| Accounts payable and accrued expenses | *4, 8, 9* | **236,480** | 223,055 |
| Lease liabilities - current portion | *4, 8, 9* | **15,491** | 19,631 |
| Income and other taxes payable | | **49,335** | 46,254 |
| Dividends and distributions payable | *4, 7* | **5,607** | 4,605 |
| Current maturities of long-term debt - net of debt issue costs | *4, 8, 9* | **266,626** | 236,798 |
| **Total Current Liabilities** | | **805,077** | 745,224 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current maturities and debt issue costs | *4, 8, 9* | **943,186** | 953,786 |
| Lease liabilities - net of current portion | *4, 8, 9* | **35,515** | 36,941 |
| Deferred tax liabilities | | **30,219** | 29,503 |
| Other noncurrent liabilities | *4, 8, 9* | **28,913** | 28,745 |
| **Total Noncurrent Liabilities** | | **1,037,833** | 1,048,975 |

*Forward*

| | 2024 Unaudited | 2023 Audited |
|---|---|---|
| **Equity** | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Capital stock - common | **P16,443** | P16,443 |
| Capital stock - preferred | **10,187** | 10,187 |
| Additional paid-in capital | **177,442** | 177,468 |
| Capital securities | **24,211** | 24,211 |
| Equity reserves | **7,036** | 7,354 |
| Retained earnings: | | |
| Appropriated | **93,128** | 87,170 |
| Unappropriated | **93,950** | 103,151 |
| Treasury stock | **(109,763)** | (109,763) |
| | **312,634** | 316,221 |
| **Non-controlling Interests** | **351,984** | 348,945 |
| **Total Equity** | **664,618** | 665,166 |
| | **P2,507,528** | P2,459,365 |

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

CERTIFIED CORRECT:

**BELLA O. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions, Except Per Share Data)

| | Note | 2024 Unaudited | 2023 Unaudited |
|---|---|---|---|
| **SALES** | 2 | **P392,713** | P346,725 |
| **COST OF SALES** | | **328,363** | 290,182 |
| **GROSS PROFIT** | | **64,350** | 56,543 |
| **SELLING AND ADMINISTRATIVE EXPENSES** | | **(23,886)** | (21,490) |
| **INTEREST EXPENSE AND OTHER FINANCING CHARGES** | | **(23,522)** | (21,803) |
| **INTEREST INCOME** | | **3,634** | 3,453 |
| **EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES** | | **416** | 652 |
| **GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT** | | **13** | (45) |
| **OTHER INCOME (CHARGES)** - Net | 3 | **(6,847)** | 10,072 |
| **INCOME BEFORE INCOME TAX** | | **14,158** | 27,382 |
| **INCOME TAX EXPENSE** | | **5,271** | 9,643 |
| **NET INCOME** | | **P8,887** | P17,739 |
| **Attributable to:** | | | |
| Equity holders of the Parent Company | | **P509** | P8,832 |
| Non-controlling interests | | **8,378** | 8,907 |
| | | **P8,887** | P17,739 |
| **Basic and Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company** | 6 | **(P0.78)** | P3.13 |
| **Cash Dividends Declared Per Common Share** | 7 | **P0.35** | P0.35 |

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
SVP, Corporate Finance - Comptrollership

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
# FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions)

| | 2024 Unaudited | 2023 Unaudited |
|---|---|---|
| **NET INCOME** | **P8,887** | P17,739 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Remeasurement loss on net defined benefit retirement plan | **(1)** | (6) |
| Income tax benefit | **-** | 1 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | **(7)** | 11 |
| Income tax benefit (expense) | **1** | (7) |
| Share in other comprehensive income of associates and joint ventures - net | **1** | - |
| | **(6)** | (1) |
| **Items that may be reclassified to profit or loss** | | |
| Net loss on exchange differences on translation of foreign operations | **(625)** | (1,495) |
| Net gain on financial assets at fair value through other comprehensive income | **9** | 13 |
| Income tax expense | **(2)** | - |
| Net gain (loss) on cash flow hedges | **246** | (26) |
| Income tax benefit (expense) | **(61)** | 10 |
| Share in other comprehensive income (loss) of associates and joint ventures - net | **(51)** | 47 |
| | **(484)** | (1,451) |
| **OTHER COMPREHENSIVE LOSS** - Net of tax | **(490)** | (1,452) |
| **TOTAL COMPREHENSIVE INCOME** - Net of tax | **P8,397** | P16,287 |
| **Attributable to:** | | |
| Equity holders of the Parent Company | **P197** | P8,249 |
| Non-controlling interests | **8,200** | 8,038 |
| | **P8,397** | P16,287 |

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

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions)

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Equity Reserves | | | | | Retained Earnings | | | | | | |
| | Note | Capital Stock Common | Capital Stock Preferred | Additional Paid-in Capital | Senior Perpetual Capital Securities | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Appro-priated | Unappro-priated | Treasury Stock Common | Treasury Stock Preferred | Total | Non-Controlling Interests | Total Equity |
| As at January 1, 2024 (Audited) | | P16,443 | P10,187 | P177,468 | P24,211 | (P10,465) | (P403) | P330 | P2,974 | P14,918 | P87,170 | P103,151 | (P67,093) | (P42,670) | P316,221 | P348,945 | P665,166 |
| Net loss on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | (443) | - | - | - | - | - | (443) | (182) | (625) |
| Share in other comprehensive income (loss) of associates and joint venture - net | | - | - | - | - | - | - | (50) | (2) | - | - | - | - | - | (52) | 2 | (50) |
| Net gain on cash flow hedges | | - | - | - | - | - | 185 | - | - | - | - | - | - | - | 185 | - | 185 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | | - | - | - | - | - | - | (1) | - | - | - | - | - | - | (1) | 2 | 1 |
| Remeasurement loss on defined benefit retirement plan | | - | - | - | - | (1) | - | - | - | - | - | - | - | - | (1) | - | (1) |
| Other comprehensive income (loss) | | - | - | - | - | (1) | 185 | (51) | (445) | - | - | - | - | - | (312) | (178) | (490) |
| Net income | | - | - | - | - | - | - | - | - | - | - | 509 | - | - | 509 | 8,378 | 8,887 |
| Total comprehensive income (loss) | | - | - | - | - | (1) | 185 | (51) | (445) | - | - | 509 | - | - | 197 | 8,200 | 8,397 |
| Share issuance costs from re-issuance of treasury shares | | - | - | (26) | - | - | - | - | - | - | - | - | - | - | (26) | - | (26) |
| Net reduction to non-controlling interests and others | | - | - | - | - | - | - | - | - | (6) | - | (32) | - | - | (38) | (1) | (39) |
| Appropriations - net | | - | - | - | - | - | - | - | - | - | 5,958 | (5,958) | - | - | - | - | - |
| Cash dividends and distributions: | 7 | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | (834) | - | - | (834) | (3,798) | (4,632) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | (1,854) | - | - | (1,854) | (100) | (1,954) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | (1,032) | - | - | (1,032) | (1,262) | (2,294) |
| As at March 31, 2024 (Unaudited) | | P16,443 | P10,187 | P177,442 | P24,211 | (P10,466) | (P218) | P279 | P2,529 | P14,912 | P93,128 | P93,950 | (P67,093) | (P42,670) | P312,634 | P351,984 | P664,618 |

*Forward*

| | Note | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital Stock | | Additional Paid-in Capital | Senior Perpetual Capital Securities | Equity Reserves | | | | | Retained Earnings | | Treasury Stock | | Total | Non-Controlling Interests | Total Equity |
| | | Common | Preferred | | | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Appro-priated | Unappro-priated | Common | Preferred | | | |
| As at January 1, 2023 (Audited) | | P16,443 | P10,187 | P177,719 | P24,211 | (P9,256) | (P274) | P114 | P5,641 | P16,528 | P71,004 | P129,239 | (P67,093) | (P89,670) | P284,793 | P354,359 | P639,152 |
| Net loss on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | (632) | - | - | - | - | - | (632) | (863) | (1,495) |
| Share in other comprehensive income (loss) of associates and joint venture - net | | - | - | - | - | - | - | 50 | - | - | - | - | - | - | 50 | (3) | 47 |
| Net loss on cash flow hedges | | - | - | - | - | - | (12) | - | - | - | - | - | - | - | (12) | (4) | (16) |
| Net gain on financial assets at fair value through other comprehensive income | | - | - | - | - | - | - | 15 | - | - | - | - | - | - | 15 | 2 | 17 |
| Remeasurement loss on defined benefit retirement plan | | - | - | - | - | (4) | - | - | - | - | - | - | - | - | (4) | (1) | (5) |
| Other comprehensive income (loss) | | - | - | - | - | (4) | (12) | 65 | (632) | - | - | - | - | - | (583) | (869) | (1,452) |
| Net income | | - | - | - | - | - | - | - | - | - | - | 8,832 | - | - | 8,832 | 8,907 | 17,739 |
| Total comprehensive income (loss) | | - | - | - | - | (4) | (12) | 65 | (632) | - | - | 8,832 | - | - | 8,249 | 8,038 | 16,287 |
| Net addition (reduction) to non-controlling interests and others | | - | - | - | - | - | - | - | (309) | 11 | - | (260) | - | - | (558) | (849) | (1,407) |
| Appropriations - net | | - | - | - | - | - | - | - | - | - | 9,423 | (9,423) | - | - | - | - | - |
| Cash dividends and distributions: | 7 | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | (835) | - | - | (835) | (3,466) | (4,301) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | (877) | - | - | (877) | (125) | (1,002) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | (1,000) | - | - | (1,000) | (2,072) | (3,072) |
| As at March 31, 2023 (Unaudited) | | P16,443 | P10,187 | P177,719 | P24,211 | (P9,260) | (P286) | P179 | P4,700 | P16,539 | P80,427 | P125,676 | (P67,093) | (P89,670) | P289,772 | P355,885 | P645,657 |

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

CERTIFIED CORRECT:

BELLA G. NAVARRA
SVP, Corporate Finance - Comptrollership

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions)

| | Note | 2024 Unaudited | 2023 Unaudited |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **P14,158** | P27,382 |
| Adjustments for: | | | |
| Interest expense and other financing charges | | **23,522** | 21,803 |
| Depreciation, amortization and others - net | *3, 5* | **22,434** | 4,255 |
| Interest income | | **(3,634)** | (3,453) |
| Equity in net earnings of associates and joint ventures | | **(416)** | (652) |
| Loss (gain) on sale of property and equipment | | **(13)** | 45 |
| Operating income before working capital changes | | **56,051** | 49,380 |
| Changes in noncash current assets, certain current liabilities and others | | **16,745** | 19,786 |
| Cash generated from operations | | **72,796** | 69,166 |
| Interest and other financing charges paid | | **(22,676)** | (21,706) |
| Income taxes paid | | **(2,943)** | (1,925) |
| Net cash flows provided by operating activities | | **47,177** | 45,535 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property, plant and equipment | *5* | **(27,866)** | (16,113) |
| Intangible assets | | **(8,282)** | (11,850) |
| Investments and advances | | **(6,216)** | (998) |
| Advances to contractors and suppliers | | **(3,778)** | (2,290) |
| Investment property | | **(2,490)** | (934) |
| Investments in debt instruments | | **(174)** | (130) |
| Increase in other noncurrent assets and others | | **(7,150)** | (7,201) |
| Interest received | | **3,713** | 2,776 |
| Dividends received | | **350** | 14 |
| Proceeds from: | | | |
| Disposal of investments in debt instruments | | **179** | 125 |
| Sale of property and equipment | | **68** | 82 |
| Net cash flows used in investing activities | | **(51,646)** | (36,519) |

*Forward*

| | Note | 2024 Unaudited | 2023 Unaudited |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Short-term borrowings | | **P287,274** | P250,199 |
| Long-term borrowings | | **24,181** | 65,352 |
| Payments of: | | | |
| Short-term borrowings | | **(270,526)** | (300,920) |
| Long-term borrowings | | **(14,402)** | (79,041) |
| Payments of lease liabilities | | **(5,923)** | (5,356) |
| Cash dividends and distributions paid to non-controlling shareholders | | **(4,843)** | (5,273) |
| Cash dividends and distributions paid | 7 | **(3,035)** | (2,892) |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | | **(32)** | (265) |
| Share issuance costs from re-issuance of treasury shares | | **(26)** | - |
| Repurchase of capital securities of a subsidiary | | - | (1,142) |
| Net cash flows provided by (used in) financing activities | | **12,668** | (79,338) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **784** | (4,276) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **8,983** | (74,598) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **261,358** | 318,214 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **P270,341** | P243,616 |

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

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**TRADE AND OTHER RECEIVABLES**
**MARCH 31, 2024**
***(In Millions)***

| | | | Past Due | | | |
|---|---|---|---|---|---|---|
| | **Total** | **Current** | **1 - 30 Days** | **31 - 60 Days** | **61 - 90 Days** | **Over 90 Days** |
| Trade | P 188,565 | P 130,365 | P 13,837 | P 4,973 | P 2,527 | P 36,863 |
| Non-trade | 78,890 | 44,884 | 304 | 464 | 592 | 32,646 |
| Others | 10,578 | 9,790 | 90 | 20 | 7 | 671 |
| Total | 278,033 | **P 185,039** | **P 14,231** | **P 5,457** | **P 3,126** | **P 70,180** |
| Less allowance for impairment losses | 13,041 | | | | | |
| Net | **P 264,992** | | | | | |

**San Miguel Corporation**
**Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares**
**March 31, 2024**
***(Amounts in Millions)***

**i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement [a]**

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 50,000 |
| Estimated fees, commissions and expenses relating to the issue: | | | | |
| Underwriting fees | **P** | 275 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Taxes | | 25 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Estimated legal and other professional fees | | 6 | | |
| Estimated other expenses | | 4 | | 379 |
| Net proceeds | | | **P** | 49,621 |

**ii) Actual Gross and Net Proceeds [b]**

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 34,000 |
| Underwriting fees | **P** | 218 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Taxes | | 17 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Legal and other professional fees | | 5 | | |
| Other expenses | | 1 | | 310 |
| Net proceeds/balance of the proceeds | | | **P** | 33,690 |

**iii) Each Expenditure Item Where the Proceeds were Used**

| | | | | |
|---|---|---|---|---|
| Repayment of Philippine Peso-denominated short-term loans | **P** | 16,530 | | |
| Repayment of the Series B Bonds | | 7,294 | **P** | 23,824 |

**iv) Balance of the Proceeds as of End of Reporting Period** **P** 9,866

*a The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.*

*b The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.*

## 1. Material Accounting Policy Information

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

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 14, 2024.

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

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

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

*Adoption of Amendments to Standards*

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

- 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.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

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

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

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

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

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

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

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

*New and Amendments to Standards Not Yet Adopted*

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

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

- 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.

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

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

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

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

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

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

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

## 2. Segment Information

Operating Segments

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

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

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.

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 March 31, 2024, December 31, 2023 and March 31, 2023 follows:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 |
| **Sales** | | | | | | | | | | | | | | | | | | |
| External sales | **P95,414** | P93,165 | **P6,320** | P6,644 | **P42,126** | P37,751 | **P225,016** | P184,652 | **P8,884** | P8,169 | **P9,082** | P10,170 | **P5,871** | P6,174 | **P -** | P - | **P392,713** | P346,725 |
| Inter-segment sales | **18** | 21 | **2,087** | 3,551 | **1,997** | 3,373 | **2,621** | 4,101 | **2** | 1 | **194** | 170 | **9,037** | 9,148 | **(15,956)** | (20,365) | **-** | - |
| Total sales | **P95,432** | P93,186 | **P8,407** | P10,195 | **P44,123** | P41,124 | **P227,637** | P188,753 | **P8,886** | P8,170 | **P9,276** | P10,340 | **P14,908** | P15,322 | **(P15,956)** | (P20,365) | **P392,713** | P346,725 |
| **Result** | | | | | | | | | | | | | | | | | | |
| Segment result | **P13,119** | P11,581 | **P696** | P803 | **P8,840** | P7,575 | **P10,171** | P8,418 | **P4,768** | P4,484 | **P1,811** | P1,333 | **P604** | P684 | **P455** | P175 | **P40,464** | P35,053 |
| Interest expense and other financing charges | | | | | | | | | | | | | | | | | **(23,522)** | (21,803) |
| Interest income | | | | | | | | | | | | | | | | | **3,634** | 3,453 |
| Equity in net earnings of associates and joint ventures | | | | | | | | | | | | | | | | | **416** | 652 |
| Gain (loss) on sale of property and equipment | | | | | | | | | | | | | | | | | **13** | (45) |
| Other income (charges) - net | | | | | | | | | | | | | | | | | **(6,847)** | 10,072 |
| Income tax expense | | | | | | | | | | | | | | | | | **(5,271)** | (9,643) |
| **Net Income** | | | | | | | | | | | | | | | | | **P8,887** | P17,739 |
| | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 |
| **Other Information** | | | | | | | | | | | | | | | | | | |
| Segment assets | **P303,581** | P297,032 | **P48,470** | P50,431 | **P720,651** | P702,778 | **P436,285** | P432,972 | **P447,560** | P440,455 | **P117,683** | P116,185 | **P343,883** | P339,296 | **(P178,441)** | (P180,120) | **P2,239,672** | P2,199,029 |
| Investments in and advances to associates and joint ventures | **-** | - | **-** | - | **12,061** | 10,953 | **7** | 6 | **7,409** | 5,184 | **2,458** | 2,358 | **21,386** | 18,588 | **-** | - | **43,321** | 37,089 |
| Goodwill and trademarks | | | | | | | | | | | | | | | | | **182,940** | 183,008 |
| Other assets | | | | | | | | | | | | | | | | | **20,471** | 20,606 |
| Deferred tax assets | | | | | | | | | | | | | | | | | **21,124** | 19,633 |
| **Consolidated Total Assets** | | | | | | | | | | | | | | | | | **P2,507,528** | P2,459,365 |

*Forward*

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 | **March 2024** | December 2023 |
| Segment liabilities | **P71,547** | P73,742 | **P8,494** | P9,603 | **P92,957** | P81,870 | **P74,611** | P66,707 | **P53,665** | P53,317 | **P7,223** | P6,974 | **P101,499** | P102,371 | **(P151,327)** | (P148,456) | **P258,669** | P246,128 |
| Loans payable | | | | | | | | | | | | | | | | | **231,538** | 214,881 |
| Long-term debt | | | | | | | | | | | | | | | | | **1,209,812** | 1,190,584 |
| Lease liabilities | | | | | | | | | | | | | | | | | **51,006** | 56,572 |
| Income and other taxes payable | | | | | | | | | | | | | | | | | **49,335** | 46,254 |
| Dividends and distributions payable and others | | | | | | | | | | | | | | | | | **12,331** | 10,277 |
| Deferred tax liabilities | | | | | | | | | | | | | | | | | **30,219** | 29,503 |
| **Consolidated Total Liabilities** | | | | | | | | | | | | | | | | | **P1,842,910** | P1,794,199 |

## 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 March 31, 2024 and 2023:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 | **March 2024** | March 2023 |
| **Timing of recognition** | | | | | | | | | | | | | | | | |
| Sales recognized at point in time | **P95,411** | P93,162 | **P6,139** | P6,419 | **P -** | P - | **P225,016** | P184,652 | **P -** | P - | **P9,082** | P10,170 | **P4,772** | P5,304 | **P340,420** | P299,707 |
| Sales recognized over time | **3** | 3 | **181** | 225 | **42,126** | 37,751 | **-** | - | **8,884** | 8,169 | **-** | - | **1,099** | 870 | **52,293** | 47,018 |
| **Total external sales** | **P95,414** | P93,165 | **P6,320** | P6,644 | **P42,126** | P37,751 | **P225,016** | P184,652 | **P8,884** | P8,169 | **P9,082** | P10,170 | **P5,871** | P6,174 | **P392,713** | P346,725 |

## 3. Other Income (Charges) - Net

Other income (charges) - net consists of:

| | | March 31 | |
|---|---|---|---|
| | ***Note*** | **2024** | 2023 |
| Gain (loss) on foreign exchange - net | *8* | **(P7,581)** | P10,452 |
| Construction costs | | **(6,453)** | (12,613) |
| Construction revenue | | **6,453** | 12,613 |
| Gain (loss) on derivatives - net | *9* | **358** | (2,177) |
| Dividend income | | **12** | 14 |
| Miscellaneous gain | | **-** | 1,530 |
| Others | | **364** | 253 |
| | | **(P6,847)** | P10,072 |

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 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.

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

## 4. Related Party Disclosures

San Miguel Corporation (SMC 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 March 31, 2024 and December 31, 2023:

| | Year | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | **March 31, 2024** | **P1** | **P -** | **P -** | **P515** | On demand; non-interest bearing | Unsecured |
| | December 31, 2023 | 8 | - | - | 515 | | |
| | **March 31, 2024** | **-** | **-** | **3,037** | **-** | To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | - | - | 3,037 | - | | |
| Retirement Plans | **March 31, 2024** | **6** | **-** | **2,992** | **-** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 29 | - | 3,332 | - | | |
| | **March 31, 2024** | **58** | **-** | **4,127** | **46** | On demand; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 239 | - | 4,129 | 9 | | |
| Associates | **March 31, 2024** | **411** | **1** | **3,260** | **80** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 2,466 | - | 1,119 | 73 | | |
| | **March 31, 2024** | **93** | **-** | **4,297** | **27,881** | Less than 1 to 15 years; interest bearing | Unsecured and secured; no impairment |
| | December 31, 2023 | 469 | - | 4,288 | 25,076 | | |
| Joint Ventures | **March 31, 2024** | **23** | **14** | **219** | **14** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 74 | 65 | 197 | 18 | | |
| | **March 31, 2024** | **13** | **-** | **621** | **-** | On demand; interest bearing | Unsecured; with impairment |
| | December 31, 2023 | 40 | - | 621 | - | | |
| | **March 31, 2024** | **20** | **-** | **1,475** | **-** | Less than 1 to 10.5 years; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 77 | - | 1,479 | - | | |
| Shareholder of the Ultimate Parent Company | **March 31, 2024** | **-** | **-** | **1,300** | **-** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | - | - | 1,300 | - | | |
| Shareholders in Subsidiaries | **March 31, 2024** | **13** | **266** | **95** | **1,324** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 30 | 990 | 100 | 1,304 | | |
| Others | **March 31, 2024** | **96** | **31** | **140** | **327** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 451 | 2,965 | 157 | 162 | | |
| **Total** | **March 31, 2024** | **P734** | **P312** | **P21,563** | **P30,187** | | |
| Total | December 31, 2023 | P3,883 | P4,020 | P19,759 | P27,157 | | |

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, advances to suppliers and deposits and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

      *(i) Amounts owed by the Ultimate Parent Company amounting to P2,312:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at March 31, 2024 and December 31, 2023, the Nonoc

Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at March 31, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under "Other noncurrent assets - net" account in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P6,171 and P6,522 as at March 31, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5.75% per annum in 2024 and 2023. Interest income earned from the advances amounted to P47 in 2024 and 2023.

c) Petron has advances to Petron Corporation Employee Retirement Plan amounting to P948 and P937 as at March 31, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. The advances are subject to interest of 5% per annum in 2024 and 2023. Interest income earned from the advances amounted to P11 in 2024 and 2023.

d) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BankCom) for a total amount of P4,297 and P4,288 as at March 31, 2024 and December 31, 2023, 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.

e) 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 March 31, 2024 and December 31, 2023.

f) Amounts owed by joint ventures include the interest-bearing loans granted by PowerOne Ventures Energy Inc. to Angat Hydropower Corporation amounting to P1,475 and P1,479 as at March 31, 2024 and December 31, 2023, respectively, presented as part of "Trade and other receivables - net" and "Other noncurrent assets - net" accounts in the consolidated statements of financial position.

g) Amounts owed by related parties include the receivable from the assignment by Eagle Cement Corporation to Far East Holdings Inc. of the advances for future investment in KB Space Holdings Inc. amounting to P1,300, presented as part of "Trade and other receivables - net" account in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

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 P5 and P4 as at March 31, 2024 and December 31, 2023, respectively, and as part of “Lease liabilities - net of current portion” amounted to P3 and P5 as at March 31, 2024 and December 31, 2023, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.

5) The amounts owed to associates include interest bearing loans payable to BankCom presented as part of “Loans payable” account amounting to P7,653 and P6,382 and “Long-term debt” account amounting to P20,228 and P18,694 in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023, respectively.

   The amounts owed to associates include syndicated project finance loans amounting to P14,019 and P12,375 as at March 31, 2024 and December 31, 2023, 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 SMC or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

## 5. Property, Plant and Equipment

Property, plant and equipment consist of:

**March 31, 2024 and December 31, 2023**

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| January 1, 2023 (Audited) | P53,863 | P80,797 | P203,466 | P194,444 | P20,482 | P233,513 | P9,971 | P194,022 | P990,558 |
| Additions | 320 | 734 | 1,728 | 394 | 514 | 7,698 | 173 | 59,612 | 71,173 |
| Acquisition of a subsidiary | 448 | - | - | - | - | - | - | - | 448 |
| Disposals/retirement | (6) | (168) | (76) | (1) | (918) | (2,943) | (14) | (14) | (4,140) |
| Reclassifications and others | 3,801 | 12,365 | 20,251 | 948 | 261 | 23,101 | 2,549 | (55,165) | 8,111 |
| Currency translation adjustments | (102) | (276) | - | (1,278) | (494) | (773) | 2 | (38) | (2,959) |
| December 31, 2023 (Audited) | 58,324 | 93,452 | 225,369 | 194,507 | 19,845 | 260,596 | 12,681 | 198,417 | 1,063,191 |
| Additions | 85 | 25 | 488 | 68 | 344 | 1,511 | 56 | 25,289 | 27,866 |
| Disposals/retirement | - | (17) | - | - | (476) | (279) | (1) | - | (773) |
| Reclassifications and others | 152 | 1,838 | 19,335 | 1 | (6) | 2,569 | 3,934 | (26,988) | 835 |
| Currency translation adjustments | (80) | 39 | - | (258) | (102) | 71 | (18) | (8) | (356) |
| **March 31, 2024 (Unaudited)** | **58,481** | **95,337** | **245,192** | **194,318** | **19,605** | **264,468** | **16,652** | **196,710** | **1,090,763** |
| **Accumulated Depreciation** | | | | | | | | | |
| January 1, 2023 (Audited) | 4,418 | 22,994 | 31,561 | 70,405 | 15,550 | 119,783 | 2,817 | - | 267,528 |
| Depreciation | 560 | 2,518 | 8,760 | 6,336 | 950 | 12,496 | 547 | - | 32,167 |
| Disposals/retirement | (6) | (117) | (13) | (1) | (818) | (1,980) | (14) | - | (2,949) |
| Reclassifications | (11) | (477) | - | 31 | 14 | 467 | (8) | - | 16 |
| Currency translation adjustments | 1 | (129) | - | (553) | (320) | (444) | - | - | (1,445) |
| December 31, 2023 (Audited) | 4,962 | 24,789 | 40,308 | 76,218 | 15,376 | 130,322 | 3,342 | - | 295,317 |
| Depreciation | 141 | 664 | 2,365 | 1,838 | 194 | 3,458 | 157 | - | 8,817 |
| Disposals/retirement | - | (17) | - | - | (451) | (222) | (1) | - | (691) |
| Reclassifications | (11) | (295) | - | - | 2 | 16 | - | - | (288) |
| Currency translation adjustments | (3) | 4 | - | (116) | (60) | (43) | (4) | - | (222) |
| **March 31, 2024 (Unaudited)** | **5,089** | **25,145** | **42,673** | **77,940** | **15,061** | **133,531** | **3,494** | **-** | **302,933** |
| **Accumulated Impairment Losses** | | | | | | | | | |
| January 1, 2023 (Audited) | - | 3,417 | - | - | - | 11,395 | 26 | - | 14,838 |
| Impairment | - | - | - | - | - | 15 | - | 65 | 80 |
| Disposals/retirement | - | (42) | - | - | - | (84) | - | - | (126) |
| Reclassifications | - | - | - | - | - | (122) | - | - | (122) |
| Currency translation adjustments | - | (72) | - | - | - | (196) | - | - | (268) |
| December 31, 2023 (Audited) | - | 3,303 | - | - | - | 11,008 | 26 | 65 | 14,402 |
| Reversal of impairment | - | - | - | - | - | (5) | - | - | (5) |
| Currency translation adjustments | - | 46 | - | - | - | 141 | (1) | - | 186 |
| **March 31, 2024 (Unaudited)** | **-** | **3,349** | **-** | **-** | **-** | **11,144** | **25** | **65** | **14,583** |
| **Carrying Amount** | | | | | | | | | |
| December 31, 2023 (Audited) | P53,362 | P65,360 | P185,061 | P118,289 | P4,469 | P119,266 | P9,313 | P198,352 | P753,472 |
| **March 31, 2024 (Unaudited)** | **P53,392** | **P66,843** | **P202,519** | **P116,378** | **P4,544** | **P119,793** | **P13,133** | **P196,645** | **P773,247** |

**March 31, 2023**

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| January 1, 2023 (Audited) | P53,863 | P80,797 | P203,466 | P194,444 | P20,482 | P233,513 | P9,971 | P194,022 | P990,558 |
| Additions | 93 | 97 | 61 | 45 | 32 | 1,326 | 9 | 14,450 | 16,113 |
| Disposals/retirement | - | (3) | (76) | - | (80) | (151) | - | - | (310) |
| Reclassifications and others | 815 | 1,272 | 2 | 275 | 77 | 2,321 | 9 | (692) | 4,079 |
| Currency translation adjustments | (66) | (244) | - | (644) | (253) | (762) | (17) | (17) | (2,003) |
| March 31, 2023 (Unaudited) | 54,705 | 81,919 | 203,453 | 194,120 | 20,258 | 236,247 | 9,972 | 207,763 | 1,008,437 |
| Accumulated Depreciation | | | | | | | | | |
| January 1, 2023 (Audited) | 4,418 | 22,994 | 31,561 | 70,405 | 15,550 | 119,783 | 2,817 | - | 267,528 |
| Depreciation | 128 | 560 | 2,077 | 1,412 | 252 | 2,931 | 116 | - | 7,476 |
| Disposals/retirement | - | (3) | (13) | - | (76) | (122) | - | - | (214) |
| Reclassifications | (21) | (172) | - | - | 4 | 59 | - | - | (130) |
| Currency translation adjustments | 1 | (118) | - | (277) | (157) | (456) | (3) | - | (1,010) |
| March 31, 2023 (Unaudited) | 4,526 | 23,261 | 33,625 | 71,540 | 15,573 | 122,195 | 2,930 | - | 273,650 |
| Accumulated Impairment Losses | | | | | | | | | |
| January 1, 2023 (Audited) | - | 3,417 | - | - | - | 11,395 | 26 | - | 14,838 |
| Reversal of impairment | - | - | - | - | - | (5) | - | - | (5) |
| Currency translation adjustments | - | (47) | - | - | - | (184) | (1) | - | (232) |
| March 31, 2023 (Unaudited) | - | 3,370 | - | - | - | 11,206 | 25 | - | 14,601 |
| Carrying Amount | | | | | | | | | |
| March 31, 2023 (Unaudited) | P50,179 | P55,288 | P169,828 | P122,580 | P4,685 | P102,846 | P7,017 | P207,763 | P720,186 |

Depreciation charged to operations amounted to P8,817 and P7,476 for the periods ended March 31, 2024 and 2023, 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 March 31, 2024 and December 31, 2023, certain property, plant and equipment amounting to P176,124 and P165,263, respectively, are pledged as security for syndicated project finance loans.

## 6. Basic and Diluted Earnings Per Common 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:

| | March 31 | |
|---|---|---|
| | **2024** | 2023 |
| Net income attributable to equity holders of the Parent Company | **P509** | P8,832 |
| Less: Dividends on preferred shares for the period | **1,854** | 877 |
| Distributions to capital securities for the period | **516** | 500 |
| Net income (loss) attributable to common shareholders of the Parent Company (a) | **(P1,861)** | P7,455 |
| Weighted average number of common shares outstanding (in millions) - basic and diluted (b) | **2,384** | 2,384 |
| Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b) | **(P0.78)** | P3.13 |

*Earnings (loss) per share is computed based on amounts in nearest Peso.*

As at March 31, 2024 and 2023, the Parent Company has no dilutive debt or equity instruments.

## 7. Dividends and Distributions

Dividends

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

**2024**

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| **Common** | | | | |
| | March 11, 2024 | March 27, 2024 | April 26, 2024 | **P0.35** |
| **Preferred** | | | | |
| SMC2F | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.27635** |
| SMC2I | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.18790625** |
| SMC2J | January 18, 2024 | March 21, 2024 | April 4, 2024 | **0.890625** |
| SMC2K | January 18, 2024 | March 21, 2024 | April 4, 2024 | **0.84375** |
| SMC2L | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.48396875** |
| SMC2M | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5703125** |
| SMC2N | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5649875** |
| SMC2O | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.611300** |

2023

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| Common | | | | |
| | March 9, 2023 | March 31, 2023 | April 28, 2023 | P0.35 |
| Preferred | | | | |
| SMC2F | January 26, 2023 | March 21, 2023 | April 4, 2023 | 1.27635 |
| SMC2I | January 26, 2023 | March 21, 2023 | April 4, 2023 | 1.18790625 |
| SMC2J | January 26, 2023 | March 21, 2023 | April 4, 2023 | 0.890625 |
| SMC2K | January 26, 2023 | March 21, 2023 | April 4, 2023 | 0.84375 |

On May 14, 2024, the BOD of the Parent Company declared regular and one-time cash dividends to all preferred shareholders of record as at June 21, 2024 on the following shares to be paid on July 4, 2024, as follows:

Regular Dividend

| **Class of Shares** | **Dividend Per Share** |
|---|---|
| SMC2F | P1.27635 |
| SMC2I | 1.18790625 |
| SMC2J | 0.890625 |
| SMC2K | 0.84375 |
| SMC2L | 1.48396875 |
| SMC2M | 1.5703125 |
| SMC2N | 1.5649875 |
| SMC2O | 1.611300 |

One-Time Dividend

| **Class of Shares** | **Dividend Per Share** |
|---|---|
| SMC2K | P0.1031250 |
| SMC2L | 0.329770833333333 |
| SMC2M | 0.505989583333333 |
| SMC2N | 0.347775 |
| SMC2O | 0.358066666666667 |

The foregoing one-time dividend shall be paid for the purpose of synchronization and alignment of dividend payments on the outstanding Series 2 Preferred Shares, in accordance with the respective terms and conditions of the Series 2 Preferred Shares issuances.

Distributions

The Parent Company paid P1,032 to the holders of Senior Perpetual Capital Securities in 2024, and P1,000 in 2023, as distributions in accordance with the terms and conditions of subscription agreements with the Parent Company.

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

Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, dividends and distributions payable, 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:

| **March 31, 2024** | **<1 Year** | **1-2 Years** | **>2-3 Years** | **>3-4 Years** | **>4-5 Years** | **>5 Years** | **Total** |
|---|---|---|---|---|---|---|---|
| **Fixed Rate** | | | | | | | |
| Philippine Peso-denominated | **P104,341** | **P72,896** | **P99,407** | **P121,301** | **P68,704** | **P134,656** | **P601,305** |
| Interest rate | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.5483% - 9.635%** | **3.5483% - 9.635%** | **3.5483% - 9.635%** | |
| Foreign currency-denominated (expressed in Philippine Peso) | **1,351** | **1,413** | **1,477** | **1,544** | **10,051** | **10,123** | **25,959** |
| Interest rate | **8.331%** | **8.331%** | **8.331%** | **8.331%** | **6.55% - 8.331%** | **8.331%** | |
| **Floating Rate** | | | | | | | |
| Philippine Peso-denominated | **22,140** | **1,950** | **2,031** | **2,276** | **2,562** | **23,879** | **54,838** |
| 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) | **140,273** | **41,997** | **108,762** | **112,279** | **45,610** | **91,180** | **540,101** |
| Interest rate | **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** | |
| | **P268,105** | **P118,256** | **P211,677** | **P237,400** | **P126,927** | **P259,838** | **P1,222,203** |

| December 31, 2023 | <1 Year | 1-2 Years | >2-3 Years | >3-4 Years | >4-5 Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|
| Fixed Rate | | | | | | | |
| Philippine Peso-denominated | P98,099 | P73,303 | P75,000 | P118,771 | P87,199 | P142,861 | P595,233 |
| Interest rate | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.3832%- 9.635% | 3.5483% - 9.635% | 3.5483% - 9.635% | |
| Foreign currency-denominated (expressed in Philippine peso) | 1,330 | 1,391 | 1,454 | 1,520 | 9,895 | 9,967 | 25,557 |
| Interest rate | 8.331% | 8.331% | 8.331% | 8.331% | 6.55% - 8.331% | 8.331% | |
| Floating Rate | | | | | | | |
| Philippine Peso-denominated | 2,286 | 21,819 | 1,938 | 1,938 | 2,398 | 23,561 | 53,940 |
| 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) | 136,617 | 23,802 | 88,505 | 73,884 | 120,336 | 85,960 | 529,104 |
| Interest 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 | |
| | P238,332 | P120,315 | P166,897 | P196,113 | P219,828 | P262,349 | P1,203,834 |

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 P1,487 and P5,830 for the period ended March 31, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

| | **March 31, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **US$1,742** | **P98,004** | US$1,720 | P95,227 |
| Trade and other receivables | **1,309** | **73,810** | 1,322 | 73,163 |
| Prepaid expenses and other current assets | **23** | **1,283** | 21 | 1,165 |
| Noncurrent receivables | **35** | **1,974** | 33 | 1,857 |
| | **3,109** | **175,071** | 3,096 | 171,412 |
| **Liabilities** | | | | |
| Loans payable | **275** | **15,442** | 243 | 13,458 |
| Accounts payable and accrued expenses | **2,703** | **152,110** | 2,497 | 138,309 |
| Long-term debt (including current maturities) | **10,065** | **566,060** | 10,018 | 554,661 |
| Lease liabilities (including current portion) | **386** | **21,705** | 434 | 24,066 |
| Other noncurrent liabilities | **106** | **5,973** | 25 | 1,447 |
| | **13,535** | **761,290** | 13,217 | 731,941 |
| Net foreign currency-denominated monetary liabilities | **US$10,426** | **P586,219** | US$10,121 | P560,529 |

The Group reported net gain (loss) on foreign exchange amounting to (P7,581) and P10,452 for the periods ended March 31, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). 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** |
|---|---|
| **March 31, 2024** | **P56.240** |
| December 31, 2023 | 55.370 |
| March 31, 2023 | 54.360 |
| December 31, 2022 | 55.755 |

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

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

| | **P1 Decrease in the US Dollar Exchange Rate** | | **P1 Increase in the US Dollar Exchange Rate** | |
|---|---|---|---|---|
| **March 31, 2024** | **Effect on Income before Income Tax** | **Effect on Equity** | **Effect on Income before Income Tax** | **Effect on Equity** |
| Cash and cash equivalents | **(P1,237)** | **(P1,442)** | **P1,237** | **P1,442** |
| Trade and other receivables | **(391)** | **(1,016)** | **391** | **1,016** |
| Prepaid expenses and other current assets | **(10)** | **(21)** | **10** | **21** |
| Noncurrent receivables | **(33)** | **(27)** | **33** | **27** |
| | **(1,671)** | **(2,506)** | **1,671** | **2,506** |
| Loans payable | **100** | **249** | **(100)** | **(249)** |
| Accounts payable and accrued expenses | **2,524** | **2,110** | **(2,524)** | **(2,110)** |
| Long-term debt (including current maturities) | **10,028** | **7,801** | **(10,028)** | **(7,801)** |
| Lease liabilities (including current portion) | **300** | **311** | **(300)** | **(311)** |
| Other noncurrent liabilities | **19** | **63** | **(19)** | **(63)** |
| | **12,971** | **10,534** | **(12,971)** | **(10,534)** |
| | **P11,300** | **P8,028** | **(P11,300)** | **(P8,028)** |

| | P1 Decrease in the US Dollar Exchange Rate | | P1 Increase in the US Dollar Exchange Rate | |
|---|---|---|---|---|
| December 31, 2023 | Effect on Income before Income Tax | Effect on Equity | Effect on Income before Income Tax | Effect on Equity |
| Cash and cash equivalents | (P1,238) | (P1,425) | P1,238 | P1,425 |
| Trade and other receivables | (429) | (1,076) | 429 | 1,076 |
| Prepaid expenses and other current assets | (10) | (19) | 10 | 19 |
| Noncurrent receivables | (31) | (25) | 31 | 25 |
| | (1,708) | (2,545) | 1,708 | 2,545 |
| Loans payable | - | 242 | - | (242) |
| Accounts payable and accrued expenses | 1,338 | 2,054 | (1,338) | (2,054) |
| Long-term debt (including current maturities) | 9,977 | 7,775 | (9,977) | (7,775) |
| Lease liabilities (including current portion) | 341 | 349 | (341) | (349) |
| Other noncurrent liabilities | 16 | 21 | (16) | (21) |
| | 11,672 | 10,441 | (11,672) | (10,441) |
| | P9,964 | P7,896 | (P9,964) | (P7,896) |

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.

The Parent Company 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.

| March 31, 2024 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | **P270,341** | **P270,341** | **P270,341** | **P -** | **P -** | **P -** |
| Trade and other receivables - net | **264,992** | **264,992** | **264,992** | **-** | **-** | **-** |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **2,356** | **2,356** | **2,013** | **-** | **343** | **-** |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **904** | **904** | **509** | **-** | **-** | **395** |
| Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account) | **7,427** | **7,813** | **139** | **54** | **1,957** | **5,663** |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,159** | **15,853** | **1,385** | **846** | **11,185** | **2,437** |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **9,166** | **9,982** | **-** | **1,736** | **2,184** | **6,062** |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **19,251** | **19,251** | **14,808** | **3,094** | **-** | **1,349** |
| **Financial Liabilities** | | | | | | |
| Loans payable | **231,538** | **233,643** | **233,643** | **-** | **-** | **-** |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO), and deferred income) | **233,445** | **233,445** | **233,445** | **-** | **-** | **-** |
| Dividends and distributions payable | **5,607** | **5,607** | **5,607** | **-** | **-** | **-** |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **948** | **948** | **823** | **-** | **125** | **-** |
| Long-term debt (including current maturities) | **1,209,812** | **1,533,016** | **339,363** | **178,372** | **688,824** | **326,457** |
| Lease liabilities (including current portion) | **51,006** | **63,371** | **15,614** | **6,619** | **22,499** | **18,639** |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities) | **11,600** | **11,600** | **-** | **5,694** | **3,827** | **2,079** |

| December 31, 2023 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | P261,358 | P261,358 | P261,358 | P - | P - | P - |
| Trade and other receivables - net | 263,119 | 263,119 | 263,119 | - | - | - |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 2,364 | 2,364 | 2,063 | - | 301 | - |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 1,401 | 1,401 | 1,012 | - | - | 389 |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account) | 7,424 | 7,738 | 54 | 54 | 1,970 | 5,660 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 12,158 | 16,822 | 1,333 | 846 | 2,636 | 12,007 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | 9,181 | 10,613 | 843 | 1,541 | 2,156 | 6,073 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 18,519 | 18,519 | 14,076 | 3,111 | - | 1,332 |
| Financial Liabilities | | | | | | |
| Loans payable | 214,881 | 217,073 | 217,073 | - | - | - |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income) | 220,205 | 220,205 | 220,205 | - | - | - |
| Dividends and distributions payable | 4,605 | 4,605 | 4,605 | - | - | - |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | 1,177 | 1,177 | 908 | - | 269 | - |
| Long-term debt (including current maturities) | 1,190,584 | 1,521,481 | 312,675 | 181,041 | 699,563 | 328,202 |
| Lease liabilities (including current portion) | 56,572 | 69,146 | 20,878 | 6,467 | 22,334 | 19,467 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | 11,023 | 11,023 | - | 5,577 | 3,671 | 1,775 |

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 was 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.

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | **P266,608** | P256,366 |
| Trade and other receivables - net | **264,992** | 263,119 |
| Derivative assets | **2,356** | 2,364 |
| Investment in debt instruments at FVPL | **509** | 1,012 |
| Investment in debt instruments at FVOCI | **676** | 667 |
| Investment in debt instruments at amortized cost | **12,159** | 12,158 |
| Noncurrent receivables and deposits - net | **9,166** | 9,181 |
| Restricted cash | **19,251** | 18,519 |
| | **P575,717** | P563,386 |

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.

| | **March 31, 2024** | | | | | |
|---|---|---|---|---|---|---|
| | **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) | **P266,608** | **P -** | **P -** | **P -** | **P -** | **P266,608** |
| Trade and other receivables | **-** | **264,992** | **13,041** | **-** | **-** | **278,033** |
| Derivative assets | **-** | **-** | **-** | **1,168** | **1,188** | **2,356** |
| Investment in debt instruments at FVPL | **-** | **-** | **-** | **509** | **-** | **509** |
| Investment in debt instruments at FVOCI | **-** | **-** | **-** | **-** | **676** | **676** |
| Investment in debt instruments at amortized cost | **12,159** | **-** | **-** | **-** | **-** | **12,159** |
| Noncurrent receivables and deposits | **-** | **9,166** | **563** | **-** | **-** | **9,729** |
| Restricted cash | **19,251** | **-** | **-** | **-** | **-** | **19,251** |

| | December 31, 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) | P256,366 | P - | P - | P - | P - | P256,366 |
| Trade and other receivables | - | 263,119 | 13,120 | - | - | 276,239 |
| Derivative assets | - | - | - | 1,270 | 1,094 | 2,364 |
| Investment in debt instruments at FVPL | - | - | - | 1,012 | - | 1,012 |
| Investment in debt instruments at FVOCI | - | - | - | - | 667 | 667 |
| Investment in debt instruments at amortized cost | 12,158 | - | - | - | - | 12,158 |
| Noncurrent receivables and deposits | - | 9,181 | 567 | - | - | 9,748 |
| Restricted cash | 18,519 | - | - | - | - | 18,519 |

The aging of receivables is as follows:

| **March 31, 2024** | **Trade** | **Non-trade** | **Amounts Owed by Related Parties** | **Total** |
|---|---|---|---|---|
| Current | **P130,365** | **P44,884** | **P9,790** | **P185,039** |
| Past due: | | | | |
| 1 - 30 days | **13,837** | **304** | **90** | **14,231** |
| 31 - 60 days | **4,973** | **464** | **20** | **5,457** |
| 61 - 90 days | **2,527** | **592** | **7** | **3,126** |
| Over 90 days | **36,863** | **32,646** | **671** | **70,180** |
| | **P188,565** | **P78,890** | **P10,578** | **P278,033** |

| December 31, 2023 | Trade | Non-trade | Amounts Owed by Related Parties | Total |
|---|---|---|---|---|
| Current | P127,332 | P42,108 | P8,709 | P178,149 |
| Past due: | | | | |
| 1 - 30 days | 17,482 | 8,071 | 66 | 25,619 |
| 31 - 60 days | 5,049 | 282 | 14 | 5,345 |
| 61 - 90 days | 3,322 | 1,331 | 14 | 4,667 |
| Over 90 days | 35,262 | 24,939 | 2,258 | 62,459 |
| | P188,447 | P76,731 | P11,061 | P276,239 |

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, investments in debt instruments 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 BankCom which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

## 9. Financial Assets and Financial Liabilities

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

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

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

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

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.

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

| | **March 31, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **P270,341** | **P270,341** | P261,358 | P261,358 |
| Trade and other receivables - net | **264,992** | **264,992** | 263,119 | 263,119 |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **2,356** | **2,356** | 2,364 | 2,364 |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **904** | **904** | 1,401 | 1,401 |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account) | **7,427** | **7,427** | 7,424 | 7,424 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,159** | **12,159** | 12,158 | 12,158 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **9,166** | **9,166** | 9,181 | 9,181 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **19,251** | **19,251** | 18,519 | 18,519 |

*Forward*

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Liabilities** | | | | |
| Loans payable | **P231,538** | **P231,538** | P214,881 | P214,881 |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income) | **233,445** | **233,445** | 220,205 | 220,205 |
| Dividends and distributions payable | **5,607** | **5,607** | 4,605 | 4,605 |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **948** | **948** | 1,177 | 1,177 |
| Long-term debt (including current maturities) | **1,209,812** | **1,226,014** | 1,190,584 | 1,211,878 |
| Lease liabilities (including current portion) | **51,006** | **51,006** | 56,572 | 56,572 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **11,600** | **11,600** | 11,023 | 11,023 |

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 and equity 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, Accounts Payable and Accrued Expenses, and Dividends and Distributions Payable.* The carrying amount of loans payable, accounts payable and accrued expenses, and dividends and distributions payable 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 5.7% to 6.2% and 5.1% to 6.0% as at March 31, 2024 and December 31, 2023, respectively. The discount rates used for foreign currency-denominated loans range from 4.2% to 5.3% and 3.9% to 5.3% as at March 31, 2024 and December 31, 2023, 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 | | | |
|---|---|---|---|---|
| **March 31, 2024** | **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$30** |
| Average strike rate | **P50.635** | **-** | **-** | |
| Fixed interest rate | **3.60% to 4.01%** | **-** | **-** | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | **US$ -** | **US$ -** | **US$775** | **US$775** |
| Interest rate | **-** | **-** | **0.39% to 6.35%** | |

| | Maturity | | | |
|---|---|---|---|---|
| December 31, 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$30 |
| Average strike rate | P50.635 | - | - | |
| Fixed interest rate | 3.60% to 4.01% | - | - | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | US$ - | US$ - | US$525 | US$525 |
| Interest rate | - | - | 0.39% to 6.35% | |

The following are the amounts relating to hedged items:

| **March 31, 2024** | **Change in Fair Value Used for Measuring Hedge Ineffectiveness** | **Hedging Reserve** | **Cost of Hedging Reserve** |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | **(P35)** | **P -** | **(P238)** |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | **(27)** | **(15)** | **21** |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | **(414)** | **428** | **(414)** |

| December 31, 2023 | Change in Fair Value Used for Measuring Hedge Ineffectiveness | Hedging Reserve | Cost of Hedging Reserve |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | P4 | P - | (P290) |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | (142) | (23) | 20 |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | 59 | 148 | (258) |

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:

| March 31, 2024 | Notional Amount | Carrying Amount | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | **US$270** | **P889** | **P -** | Prepaid expenses and other current assets, and Other noncurrent assets - net | **P35** | **P22** | **(P35)** | **P47** | Interest expense and other financing charges, and Other income (charges) - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | **30** | **153** | **-** | Prepaid expenses and other current assets | **27** | **1** | **(16)** | **-** | Interest expense and other financing charges, and Other income (charges) - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | **775** | **146** | **(125)** | Other noncurrent assets - net, and Other noncurrent liabilities | **414** | **(208)** | **(41)** | **-** | Interest expense and other financing charges |

| December 31, 2023 | Notional Amount | Carrying Amount | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | US$270 | P832 | P - | Prepaid expenses and other current assets, and Other noncurrent assets - net | (P4) | P10 | P4 | P197 | Interest expense and other financing charges, and Other income - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | 30 | 137 | - | Prepaid expenses and other current assets | 142 | 105 | (291) | (9) | Interest expense and other financing charges, and Other income - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | 525 | 125 | (269) | Other noncurrent assets - net, and Other noncurrent liabilities | (59) | (202) | (77) | (21) | Interest expense and other financing charges |

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the 2024 and 2023 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.

| | **March 31, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Hedging Reserve** | **Cost of Hedging Reserve** | Hedging Reserve | Cost of Hedging Reserve |
| Beginning balance | **P125** | **(P528)** | P339 | (P595) |
| Changes in fair value: | | | | |
| Foreign currency risk | **35** | **22** | (4) | 10 |
| Foreign currency risk and interest rate risks | **27** | **1** | 142 | 105 |
| Interest rate risk | **414** | **(208)** | (59) | (202) |
| Amount reclassified to profit or loss | **(92)** | **47** | (364) | 167 |
| Tax effect | **(96)** | **35** | 71 | (13) |
| Ending balance | **P413** | **(P631)** | P125 | (P528) |

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$90 as at March 31, 2024 and December 31, 2023. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P45 and P47 as at March 31, 2024 and December 31, 2023, respectively.

*Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$758 and US$978 as at March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net positive (negative) fair value of these currency forwards amounted to P201 and (P385) as at March 31, 2024 and December 31, 2023, respectively.

*Currency Options*

The Group has outstanding currency options with an aggregate notional amount of US$1,165 and US$200 as at March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net negative fair value of these currency options amounted to P11 and P18 as at March 31, 2024 and December 31, 2023, respectively.

*Commodity Swaps*

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2024 and 2025. 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 33.6 million barrels and 51.1 million barrels as at March 31, 2024 and December 31, 2023, respectively. The net positive fair value of these swaps amounted to P196 and P738 as at March 31, 2024 and December 31, 2023, respectively.

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

*Embedded Currency Forwards*
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$166 and US$145 as at March 31, 2024 and December 31, 2023, 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 P86 and P20 as at March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to P358, (P2,177) and (P1,379) for the periods ended March 31, 2024 and 2023, and December 31, 2023, respectively (Note 3).

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

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Balance at beginning of year | **P1,187** | P792 |
| Net change in fair value of derivatives: | | |
| Designated as accounting hedge | **291** | 43 |
| Not designated as accounting hedge | **358** | (1,379) |
| | **1,836** | (544) |
| Less fair value of settled instruments | **428** | (1,731) |
| Balance at end of period | **P1,408** | P1,187 |

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:

| | **March 31, 2024** | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** | Level 1 | Level 2 | Total |
| **Financial Assets** | | | | | | |
| Derivative assets | **P -** | **P2,356** | **P2,356** | P - | P2,364 | P2,364 |
| Financial assets at FVPL | **509** | **395** | **904** | 1,012 | 389 | 1,401 |
| Financial assets at FVOCI | **1,408** | **6,019** | **7,427** | 1,407 | 6,017 | 7,424 |
| **Financial Liabilities** | | | | | | |
| Derivative liabilities | **-** | **948** | **948** | - | 1,177 | 1,177 |

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

## 10. Events After the Reporting Date

### a) Approval of the Issuance of P20,000 Fixed Rate Peso-denominated Bonds by the BOD of SMC

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000, consisting of a Base Offer of P15,000 and an Oversubscription Option of P5,000, out of the remainder of the existing P50,000 bonds shelf-registered fixed rate bonds with the SEC.

### b) Payment of P13,200 Series C Fixed Rate Peso-denominated Bonds by Petron

On April 19, 2024, Petron paid the P13,200 Series C fixed rate Peso-denominated Bonds issued in 2019.

## 11. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P248,851 and P248,484 as at March 31, 2024 and December 31, 2023, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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. 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.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of March 31, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ending March 31, 2024 and 2023 for operating efficiency ratios.

| | **March 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.04** | 1.12 |
| Quick Ratio | **0.66** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.77** | 2.70 |
| Asset to Equity Ratio | **3.77** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(2.58%)** | 0.07% |
| Interest Rate Coverage Ratio | **1.60** | 1.80 |
| Return on Assets | **1.44%** | 1.84% |
| Operating Efficiency: | | |
| Volume Growth | **21%** | 7% |
| Revenue Growth | **13%** | 9% |
| Operating Margin | **10%** | 10% |

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 | $\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$ |
| 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 | $\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$ |

*Forward*

| KPI | Formula |
| --- | --- |
| 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.*

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2024 (with comparative figures as at December 31, 2023 and for the period ended March 31, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2024, 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 have been omitted.

## I. 2024 SIGNIFICANT TRANSACTIONS

### INVESTING ACTIVITIES

- **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

  On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the "Consortium"), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

  On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, and Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan availment and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

  The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are on-going which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in San Miguel Global Power's gas-fired power plants, namely: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

  Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of preparing filings with the relevant regulatory agencies in relation to the joint investment by San Miguel Global Power and CGHI.

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

  On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) projects, and for payment of transaction costs.

- **Petron Corporation (Petron)**

  On March 6, 2024, Petron availed of a P7,000 million term loan with a term of five years. The loan is subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years. The proceeds of the loan will be used for payment of existing indebtedness.

- **Infrastructure**

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

    On January 15, 2024, SMC MRT 7 availed a total of P1,000 million term loans, subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

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

  On March 4, 2024, SMC NAIAX drew a total of P469 million term loans from the P5,656 million OLSA with various banks executed on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **SMC**

  On various dates in the first quarter of 2024, SMC drew a total of US$69 million term loans from the US$2,165 million loan facility executed on March 31, 2022. The loans are subject to 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.

**PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS BY SMC**

On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by SMC in 2017.

The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the first quarter of 2024, the Group paid a total of P7,108 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

The Infrastructure business, Petron, the Energy, Packaging, Food and Beverage businesses, SMC and Cement business paid a total of P2,877 million, P2,270 million, P1,375 million, P436 million, P85 million, P40 million and P25 million, respectively, of their maturing obligations.

**EVENTS AFTER THE REPORTING DATE**

**a. Approval of the Issuance of P20,000 Million Fixed Rate Peso-denominated Bonds by the Board of Directors (BOD) of SMC**

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000 million, consisting of a Base Offer of P15,000 million and an Oversubscription Option of P5,000 million, out of the remainder of the existing P50,000 million shelf-registered fixed rate bonds with the Securities and Exchange Commission.

**b. Payment of P13,200 Million Series C Fixed Rate Peso-denominated Bonds by Petron**

On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds issued in 2019.

## II. FINANCIAL PERFORMANCE

**2024 vs. 2023**

| | March | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **%** | **2024** | **2023** |
| | | ***(In Millions)*** | | | | |
| Sales | **P392,713** | P346,725 | P45,988 | 13% | **100%** | 100% |
| Cost of Sales | **(328,363)** | (290,182) | 38,181 | 13% | **(84%)** | (84%) |
| Gross Profit | **64,350** | 56,543 | 7,807 | 14% | **16%** | 16% |
| Selling and Administrative Expenses | **(23,886)** | (21,490) | 2,396 | 11% | **(6%)** | (6%) |
| Operating Income | **40,464** | 35,053 | 5,411 | 15% | **10%** | 10% |
| Interest Expense and Other Financing Charges | **(23,522)** | (21,803) | 1,719 | 8% | **(6%)** | (6%) |
| Interest Income | **3,634** | 3,453 | 181 | 5% | **1%** | 1% |
| Equity in Net Earnings of Associates and Joint Ventures | **416** | 652 | (236) | (36%) | **0%** | 0% |
| Gain (Loss) on Sale of Property and Equipment | **13** | (45) | 58 | 129% | **0%** | 0% |
| Other Income (Charges) - Net | **(6,847)** | 10,072 | (16,919) | (168%) | **(2%)** | 3% |
| Income Before Income Tax | **14,158** | 27,382 | (13,224) | (48%) | **3%** | 8% |
| Income Tax Expense | **(5,271)** | (9,643) | (4,372) | (45%) | **(1%)** | (3%) |
| **Net Income** | **P8,887** | P17,739 | (P8,852) | (50%) | **2%** | 5% |
| Net Income Attributable to Equity Holders of the Parent Company | **P509** | P8,832 | (P8,323) | (94%) | **0%** | 2% |
| Net Income Attributable to Non-controlling Interests | **8,378** | 8,907 | (529) | (6%) | **2%** | 3% |
| **Net Income** | **P8,887** | P17,739 | (P8,852) | (50%) | **2%** | 5% |

Consolidated sales of P392,713 million for the first quarter of 2024 increased by 13% compared to last year, mainly on account of higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), and the higher average selling prices of San Miguel Brewery Inc. (SMB) and GSMI.

The Group's cost of sales increased by P38,181 million or 13%, mainly due to: (a) higher volume sold reduced by the lower cost per liter of petroleum products of Petron; and (b) higher LNG and coal consumption resulting from the resumption of operations of the Ilijan Power Plant in June 2023 and commissioning activities of the Mariveles Power Plant starting April 2023 and higher volume of power purchases in 2024 due to the increased demand from bilateral customers and the spot market, partly offset by lower cost of coal due to the decline in NewCastle coal price indices of the Energy business.

The increase in selling and administrative expenses by P2,396 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, distribution costs, and advertising and promotion expenses primarily from the Food and Beverage business and higher real property taxes paid by the Energy business.

Consolidated operating income increased by P5,411 million or 15% from the same period last year, mainly driven by the: (a) growth in volume from effective volume strategy and efficiency measures implemented by Petron; (b) higher sales volume of the Food division and GSMI; (c) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services; (d) strong margins focusing on cost control initiatives implemented by the Cement business; and (e) sustained growth in traffic volumes backed by continued cost management initiatives of the Infrastructure business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and increased average level of loans of Petron and the Energy business.

The increase in interest income was primarily due to higher interest rates and average balance of short-term investments of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC and lower average interest rates on short-term investments of the Energy business.

The decrease in equity in net earnings of associates and joint ventures was mainly due to the share on the lower net income of Angat Hydropower Corporation (Angat Hydro), partly offset by the share in higher net income of Bank of Commerce (BankCom) for the first quarter in 2024 compared to the same period last year.

The gain on sale of property and equipment in 2024 pertains mainly to the sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P6,847 million was a turnaround from last year's other income - net of P10,072 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC and the Energy business resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSMI in 2023. In March 2024, the Philippine Peso depreciated by P0.870 against the US Dollar, while in 2023, the Philippine Peso appreciated by P1.395 against the US Dollar.

The decrease in income tax expense was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in 2024 compared to unrealized foreign exchange gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 50% to P8,887 million, from P17,739 million last year, mainly on account of the loss on foreign exchange in the first quarter of 2024, a turnaround from the gain recognized in 2023 resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents mainly of SMC and the Energy business, partly offset by the improved operations of most businesses mainly Petron, the Energy and Infrastructure businesses, the Food division and GSMI.

The net income attributable to equity holders of the Parent Company decreased mainly due to lower net income on account of the foreign exchange loss as compared to foreign exchange gain in the same period in 2023.

The decrease in the share of non-controlling interests (NCI) on the Group's net income was mainly due to the distribution on Senior Perpetual Capital Securities of Petron in 2023, partly offset by the higher net income of Petron in 2024.

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

## 1) FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) sustained its steady performance in the first quarter of 2024, posting a 2% growth in consolidated revenues from the same period last year at P95,432 million on the back of robust volume growth from GSMI and the Food division.

Consolidated income from operations amounted to P13,119 million, up 13% from last year, while net income reflected a 1% increase to P9,974 million from last year's level.

### a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB reported first quarter of 2024 consolidated sales volume at 58.9 million cases, 6% lower than the comparable period in 2023 due to last year's higher base and trade build-up from price adjustments. As a result, SMB's consolidated sales amounted to P37,367 million, slightly down 3% from the same period in 2023.

Similarly, consolidated operating income and net income ended slightly lower than last year at P8,131 million and P6,514 million, respectively.

**Domestic Operations**
SMB's domestic beer and NAB sales amounted to P33,055 million, down 3% compared to last year due to the aforementioned trade build-up for the March 2023 price adjustment slowing down the sales volume growth of beer by 7% to 51.3 million cases.

**International Operations**
SMB's international sales volume reported a slight decline of 1% in volumes due to market mix changes. However, global San Miguel brands continued to deliver strong volumes, growing 4% in first quarter of 2024.

### b) Spirits Division

GSMI continued its growth momentum in the first quarter of 2024, delivering a robust 17% growth in consolidated revenues to P15,117 million against the comparable period a year ago, primarily brought by the sustained volume growth of 8% to 12.5 million cases compared to the previous year.

GSMI's strong volume growth was secured by the strength of its core brands and its implemented initiatives to sustain strong brand equity, coupled with supply chain improvements developed over the years.

Income from operations, likewise, surged 40% to P2,278 million, on the back of operating efficiencies in imported alcohol purchase, second-hand bottle use and biogas generation at the distillery.

Meanwhile, consolidated net income stood at P1,907 million.

### c) Food Division

The Food division delivered P42,950 million in revenues, 2% higher than the previous year. This was mainly driven by higher volumes across most segments, resulting from aggressive marketing efforts to boost demand.

The Prepared and Packaged Food segment which consists of processed meats, dairy, spreads, and coffee businesses, led topline growth, with a 9% revenue increase, attributed to better selling prices and sustained volume growth.

The Protein segment, which includes the Poultry and Fresh Meats businesses, saw a 2% revenue improvement, fueled by strong chicken volume growth, which offset the impact of lower chicken prices caused by the proliferation of imported frozen chicken, and the lingering effects of African Swine Fever (ASF) on the hog industry.

The Animal Nutrition and Health segment experienced a 3% decline in revenue as it strategically aligned prices with lower raw material costs, maintaining a competitive edge amidst continuing challenges in the hog industry due to ASF.

The Flour segment revenue showed a slight 1% decrease due to strategic competitive pricing aimed at increasing volume.

Operating income recorded a 78% improvement to P2,730 million versus last year, buoyed by higher gross profits as key raw material prices eased and efficiencies from company-owned facilities were optimized.

Similarly, net income surged 139% to P1,771 million versus the relative period in the previous year.

**2) PACKAGING**

The Packaging business recorded consolidated revenues of P8,407 million in the first quarter of 2024. The 18% decline was on account of the record-high volume requirements mainly from the Beer division reported in the comparable period last year.

Consequently, consolidated operating income saw a 13% decrease to P696 million versus last year.

**3) ENERGY**

San Miguel Global Power reported a remarkable 7% rebound in first quarter of 2024 consolidated revenues amounting to P44,123 million from P41,124 million in first quarter of 2023. This was mainly attributable to the 71% increase in offtake volume brought by higher bilateral volumes from SPPC’s emergency power supply agreements with Manila Electric Company and new retail supply customers of Limay Power Plant.

Moreover, ancillary services rendered by ten BESS facilities of San Miguel Global Power, with a combined capacity of 330 MW and commencing operations on various dates from August 2023 up to March 2024, contributed to the revenue growth.

In addition, the Energy business has successfully transitioned to fuel passthrough arrangements for most of its bilateral customers.

Net income ended lower at P1,547 million, dragged by the net loss on foreign exchange of P1,436 million, a turnaround from last year’s gain of P3,695 million.

Operating income, however, reached P8,840 million a significant 17% increase from last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MW, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024.

The remaining BESS capacities of 630 MW are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of National Grid Corporation of the Philippines as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

On February 26, 2024, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) in favor of Mariveles Power Generation Corporation's (MPGC) Unit 1. Following the receipt of the PAO from the ERC, MPGC declared the commercial operations of its 150 MW Unit 1 with the IEMOP starting March 28, 2024.

**4) FUEL AND OIL**

Petron marked a robust performance for the first three months of the year, posting consolidated revenues of P227,637 million, 21% higher than last year's level primarily driven by its strong volume growth.

Petron's consolidated volumes reached 35.3 million barrels, up 23% versus the previous year backed by the recorded broad-based growth across all its business segments. This was also attributable to the higher production at Petron's refineries in Bataan and Port Dickson in Malaysia.

Consolidated operating income amounted to P10,171 million, up 21% from the same period last year on the back of its efficiency measures and volume strategies, as well as its resilience and response to macroeconomic volatility. Benchmark Dubai crude climbed 9% to US$84.15 per barrel by March this year compared to $77.33 per barrel in December 2023.

Moreover, consolidated net income jumped 16% versus last year to P3,933 million.

**5) INFRASTRUCTURE**

The Infrastructure business sustained its strong performance in the first quarter of 2024, posting consolidated revenues of P8,886 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 3% from last year's level to 1,022,521 vehicles complemented by the continued increase in travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted in a 6% increase in operating income to P4,768 million versus the same quarter last year.

Net income rose by 38% to P3,590 million driven by its higher interest income.

The Land Development Works of the MIA Project are ongoing and progressing well. Overall progress for the land development works is at 79.49% while airport development works is estimated to commence in 2025.

The Railway Component percentage accomplishment for the MRT 7 is at 72.82% while the Detailed Engineering Design and site development for the depot is still ongoing. In addition, 17 out of 36 trainsets were delivered on-site.

## 6) CEMENT

The Cement business which includes Eagle Cement Corporation (ECC), Northern Cement Corporation and Southern Concrete Industries, Inc., recorded consolidated revenues of P9,276 million, down 10% from last year. The Cement business was able to maintain its volume versus last year, however, revenue declined due to market constriction coupled with the influx of cheaper imports resulting in declining prices of local cement.

Operating income, despite a challenging market environment, leaped by 36% versus last year to P1,811 million due to lower cost of inputs on the back of the business' cost containment initiatives and operating efficiencies.

The Cement business nearly doubled its net income to P1,199 million from P631 million in the comparable quarter in 2023 supported by lower net financing charges.

**2023 vs. 2022**

| | March | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| | | ***(In Millions)*** | | | | |
| Sales | **P346,725** | P316,765 | P29,960 | 9% | **100%** | 100% |
| Cost of Sales | **(290,182)** | (264,531) | 25,651 | 10% | **(84%)** | (84%) |
| Gross Profit | **56,543** | 52,234 | 4,309 | 8% | **16%** | 16% |
| Selling and Administrative Expenses | **(21,490)** | (19,767) | 1,723 | 9% | **(6%)** | (6%) |
| Operating Income | **35,053** | 32,467 | 2,586 | 8% | **10%** | 10% |
| Interest Expense and Other Financing Charges | **(21,803)** | (12,365) | 9,438 | 76% | **(6%)** | (4%) |
| Interest Income | **3,453** | 1,037 | 2,416 | 233% | **1%** | 0% |
| Equity in Net Earnings of Associates and Joint Ventures | **652** | 448 | 204 | 46% | **0%** | 0% |
| Gain (Loss) on Sale of Property and Equipment | **(45)** | 2 | (47) | (2350%) | **(0%)** | 0% |
| Other Income (Charges) - Net | **10,072** | (1,465) | 11,537 | 788% | **3%** | (0%) |
| Income Before Income Tax | **27,382** | 20,124 | 7,258 | 36% | **8%** | 6% |
| Income Tax Expense | **(9,643)** | (6,181) | 3,462 | 56% | **(3%)** | (2%) |
| **Net Income** | **P17,739** | P13,943 | P3,796 | 27% | **5%** | 4% |
| Net Income Attributable to Equity Holders of the Parent Company | **P8,832** | P6,336 | P2,496 | 39% | **2%** | 2% |
| Net Income Attributable to Non-controlling Interests | **8,907** | 7,607 | 1,300 | 17% | **3%** | 2% |
| **Net Income** | **P17,739** | P13,943 | P3,796 | 27% | **5%** | 4% |

The Group recorded consolidated sales of P346,725 million for the first quarter of 2023, 9% higher than the same period in 2022 mainly on account of higher sales volume of Petron and SMB and the sales contribution of ECC which was consolidated effective December 2022. This was partly offset by the lower sales from the Energy business.

The Group's cost of sales increased by 10% mainly due to: (a) increase in sales volume partly offset by the lower cost per liter of fuel products of Petron; (b) higher sales volume of SMB; and (c) the cost of sales of ECC for the first quarter in 2023. This was partly offset by the lower overall power purchases of the Energy business relative to the decline in sales volume.

The increase in selling and administrative expenses of 9% is attributable mainly to higher distribution costs and amortization of deferred containers of SMB and the additional operating expenses of ECC.

Consolidated operating income rose 8% to P35,053 million driven by the sustained performance improvements of SMB and the Infrastructure business and the contribution of ECC in 2023. This was however softened by the effect of rising raw material prices which continues to challenge the businesses, particularly the Food division and the Energy business.

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

The increase in interest income was mainly due to higher interest rates and average balance of short-term placements of the Infrastructure business, SMC, SMB and Petron and the higher balance of investment in debt securities of SMB, GSMI, and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of BankCom and Angat Hydro in the first quarter of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net in 2023 mainly represents the net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt. Other charges - net in 2022 mainly represents the net loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In March 2023, the Philippine Peso appreciated by P1.395 against the US Dollar, while in 2022, the Philippine Peso depreciated by P0.741 against the US Dollar.

The higher income tax expense of the Group was primarily due to SMC's turnaround from income tax benefit in 2022 to income tax expense in 2023, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to unrealized loss in the same period in 2022 and the higher unrealized gain on derivatives.

Consolidated net income rose 27% to P17,739 million, from P13,943 million in 2022, mainly on account of the significant gain on foreign exchange recognized in the first quarter of 2023, as a result of the appreciation of the Philippine Peso against the US Dollar in March 2023, compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,496 million mainly due to higher net income on account of the gain on foreign exchange in 2023 as compared to the loss on foreign exchange in the same period in 2022.

The increase in share of NCI on the Group’s net income was mainly due to the higher net income of SMFB.

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

**1) FOOD AND BEVERAGE**

SMFB posted consolidated sales of P93,186 million during the first three months of 2023, 12% higher than the same period in 2022, brought about by the volume growth from the Beer division combined with higher selling prices across the Beer, Spirits and Food divisions.

However, while the Beer division posted strong operating income growth in the first quarter of 2023, the impact of rising cost of raw materials that affected the Food and Spirits divisions resulted in the decline in operating income of SMFB by 9% at P11,581 million.

SMFB’s consolidated net income was up 8% ending at P9,875 million, mainly due to SMB’s strong performance, including the gain recognized by GSMI from the assignment of product rights.

**a) Beer and NAB Division**

SMB's consolidated sales rose 29% to P38,335 million from P29,659 million in 2022, mainly due to volume growth and price adjustments implemented by both the domestic and international operations. Consolidated volumes reached 62.6 million cases, up 26% from 2022.

SMB's operating income grew 25% to P8,438 million from 2022 while consolidated net income reached P6,819 million, up 38% from P4,935 million in 2022.

**Domestic Operations**
SMB's domestic operations delivered beer volumes of 54.9 million cases for the first three months of 2023, 26% higher compared to the same period in 2022. The continued uptrend in volumes were mainly driven by the full return of business operations, on-premise recovery, and resumption of tourism activities complemented by new brand campaigns and offtake generating programs. Along with the impact of the price increase implementation, SMB domestic revenues grew 28% to P33,988 million from the same period in 2022.

NAB's volume sustained its growth momentum surpassing the 2022 level by 73%.

Combined with cost management and efficiency improvements, operating income and net income amounted to P7,309 million and P5,740 million, 17% and 29% growth, respectively.

To support its robust performance and further strengthen value proposition and consumption in key channels, SMB domestic launched new thematic brand campaigns namely: San Miguel Pale Pilsen's "*Samaritan*" advertisement and "*Sarap ng Beermen Predictions*" digital promotions; Red Horse' "*Magneto*" advertisement; and San Mig Light's ongoing "*Yass*" and "*Sweet Street*" thematic campaign. NAB also launched the new Magnolia Fruit Drink Mango in 250ml bottle last April 2023, affordably priced at P10.00 per bottle.

**International Operations**
SMB's international operations posted increase in volumes and sales of 29% and 27%, respectively, in the first three months of 2023. This was primarily driven by the strong performance from Hong Kong, Thailand, and exports.

**b) Spirits Division**

GSMI recorded sales volumes of 11.5 million cases, down by 5% from 2022, reflecting the effect of a temporary volume slowdown in February 2023 due to the price increase implementation on February 1, 2023, this was 15 days earlier compared to the 2022 price increase implementation. Nevertheless, the launching in March 2023 of the nationwide "*Ngiting Instanalo*" consumer promo drove the quick rebound in volumes posting a 10% growth in March 2023 compared to the same period in 2022. GSM Blue volumes, in particular, posted a year-to-date growth of 32% against 2022.

Sales reached P12,945 million, 3% higher from the P12,620 million reported in the same period in 2022. Operating income, however, was down 9% to P1,631 million mainly brought by lower volumes and higher input costs.

Net income amounted to P2,532 million, 81% higher than in 2022 mainly on account of the income from the assignment of product rights recognized in March 2023.

### c) Food Division

The Food division posted consolidated sales of P41,908 million during the first quarter of 2023, 3% higher than the same period in 2022. The Food division had a rough start as persistent high inflation rates started to impact consumer spending and limited poultry capacity curbed sales of the Poultry business. However, price increases implemented since 2022 across products categories to cope with rising raw material costs helped sustain topline growth.

While commodity prices have generally trended lower during the first quarter of 2023, absolute price levels remained elevated compared to 2022. The price gap between the first quarter of 2023 and the same period in 2022 is also heightened as inventories during the early part of 2022 were priced lower.

The continued escalation of raw material costs and other inputs squeezed operating income to P1,531 million, 63% lower compared to 2022. Consequently, net income ended at P740 million, 76% lower than same period in 2022.

The Food division is committed to recover from this temporary setback, seeing second quarter of 2023 improvements with prices of raw materials starting to stabilize. Better growing efficiencies in poultry is also expected with the recovery of some contract growers and addition of new capacities that will come onstream for the balance of 2023.

Revenues from the Animal Nutrition and Health segment grew by 8%, on account of higher selling prices. Volumes were behind in 2022 as ASF and avian flu persisted, dampening demand for feeds. At least half of the towns within the country remain affected by the ASF which has cut total hog population by almost one-fourth since its onset in 2018. Meanwhile, around 2.2 million birds were lost due to avian flu.

The Protein segment, consisting of Poultry and Meats businesses, posted sales 8% lower than in 2022, which has been affected by the aggressive capacity grabbing by other industry players which constricted volumes. Fresh Meats' lower volumes, on the other hand, reflected the deliberate strategy to downsize the hog operations.

The Prepared and Packaged Food segment's consolidated sales was 14% higher than in 2022. Demand for Tender Juicy Hotdogs and Purefoods Chicken Nuggets held steady despite price increases while sales of butter, margarine, cheese, and coffee registered growth. Purefoods luncheon meat, in particular, has been emerging as a viable alternative for SPAM.

The Flour segment posted a 13% growth in consolidated sales on the back of better selling prices combined with volume growth after regaining market share.

## 2) PACKAGING

The Packaging business' consolidated sales for the first quarter of 2023 grew 27% to P10,195 million compared to the same period in 2022, sustaining its growth momentum since end of 2022. This was mainly driven by strong demand from glass, plastics, flexibles and beverage filling which continue to increase, together with the stable growth from Australia operations.

Operating income amounted to P803 million, 31% higher than same period in 2022.

## 3) ENERGY

San Miguel Global Power's offtake volumes for the first quarter in 2023 ended at 4,657 gigawatt hours, 33% lower than in 2022, mainly due to the absence of natural gas supply to the Ilijan Power Plant.

Consolidated sales amounted to P41,124 million, slightly lower than the P43,036 million registered in 2022. Volume decline was mitigated by the overall higher average tariff rate adjustments for pass-on fuel costs.

With better margins on its available net capacity, operating income reached P7,575 million, up 12% from P6,790 million in 2022.

Net income grew 177% to P5,345 million, which includes the impact of net foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

San Miguel Global Power recently accomplished several key milestones in its two landmark and game changing projects in the local power industry.

The 1,000 MW BESS project was inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

San Miguel Global Power also launched its foray into LNG power generation with the first ever shipment of LNG to the country which happened in the last week of April 2023. The LNG transfer was made to a Floating Storage Unit which eventually berthed on the first ever LNG terminal in the country strategically located between San Miguel Global Power's 1,200 MW Ilijan Power Plant and the new 1,313 MW Batangas Combined Cycled Power Plant. The LNG terminal is expected to provide LNG fuel to the Ilijan Power Plant in May 2023 and reintegrate its valuable baseload capacity to the Grid.

## 4) FUEL AND OIL

Petron sustained its recovery momentum in the first quarter of 2023, delivering significant growth across the business, registering consolidated sales of P188,753 million, 10% higher from P172,331 million in 2022. This was mainly boosted by growth in fuel demand from both Philippine and Malaysian operations registering 28.6 million barrels, up 11% from 25.7 million barrels in 2022.

Consolidated commercial sales grew 13% owing to higher demand from the aviation sector. Retail sales from both the Philippine and Malaysian markets similarly increased by 12% due to increased mobility. Polypropylene sales likewise expanded by 68%.

Despite the price movements of Dubai crude oil, which dipped by 16% to US$80.32 per barrel in the first quarter of 2023 from US$95.56 in 2022, operating income ended at P8,418 million, at par with 2022 while net income amounted to P3,399 million, slightly behind same period in 2022 of P3,598 million by 6%.

## 5) INFRASTRUCTURE

The Infrastructure business sustained its growth momentum since end of 2022 recording combined average daily traffic volumes of 996,805 for the first quarter in 2023, 23% higher compared to the same period in 2022. This was mainly driven by the resumption of onsite work and face to face classes along with the increase in tourism-related travel. Correspondingly, consolidated revenues reached P8,170 million, 31% higher than 2022 level.

Operating income soared by 82% to P4,484 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The construction of MRT 7, South Luzon Expressway - Toll Road 4 (SLEX-TR4) and Skyway Stage 4 are all on track. The awarding of the Independent Contractor contract is in progress for the Pasig River Expressway, Northern Access Link Expressway, Southern Access Link Expressway, and South Luzon Expressway - Toll Road 5 projects. As at March 2023, the overall completion of the Land Development Works for the MIA Project was at 55.33%. The MIA project team continues to work on the Airport Masterplan along with the critical components of the Airport.

## 6) CEMENT

The Cement business registered consolidated sales of P10,340 million for the first quarter of 2023 from P3,222 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P1,333 million from P293 million in 2022.

The current portfolio of the Cement business is expected to further solidify SMC’s strong position in the domestic cement industry, which greatly complements and enhances its nation-building-through-infrastructure development agenda across multiple industries.

## III. FINANCIAL POSITION

**2024 vs. 2023**

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In Millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Cash and cash equivalents | **P270,341** | P261,358 | P8,983 | 3% | **11%** | 11% |
| Trade and other receivables - net | **264,992** | 263,119 | 1,873 | 1% | **10%** | 11% |
| Inventories | **149,937** | 161,986 | (12,049) | (7%) | **6%** | 6% |
| Current portion of biological assets - net | **3,307** | 3,515 | (208) | (6%) | **0%** | 0% |
| Prepaid expenses and other current assets | **148,287** | 141,424 | 6,863 | 5% | **6%** | 6% |
| **Total Current Assets** | **836,864** | 831,402 | 5,462 | 1% | **33%** | 34% |
| Investments and advances - net | **43,321** | 37,089 | 6,232 | 17% | **2%** | 2% |
| Investments in equity and debt instruments | **19,426** | 19,417 | 9 | 0% | **1%** | 1% |
| Property, plant and equipment - net | **773,247** | 753,472 | 19,775 | 3% | **31%** | 31% |
| Right-of-use assets - net | **106,830** | 108,014 | (1,184) | (1%) | **4%** | 4% |
| Investment property - net | **81,436** | 79,513 | 1,923 | 2% | **3%** | 3% |
| Biological assets - net of current portion | **2,512** | 2,667 | (155) | (6%) | **0%** | 0% |
| Goodwill - net | **182,723** | 182,791 | (68) | (0%) | **7%** | 7% |
| Other intangible assets - net | **312,878** | 306,638 | 6,240 | 2% | **13%** | 12% |
| Deferred tax assets | **21,124** | 19,633 | 1,491 | 8% | **1%** | 1% |
| Other noncurrent assets - net | **127,167** | 118,729 | 8,438 | 7% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,670,664** | 1,627,963 | 42,701 | 3% | **67%** | 66% |
| **Total Assets** | **P2,507,528** | P2,459,365 | P48,163 | 2% | **100%** | 100% |
| Loans payable | **P231,538** | P214,881 | P16,657 | 8% | **9%** | 9% |
| Accounts payable and accrued expenses | **236,480** | 223,055 | 13,425 | 6% | **9%** | 9% |
| Lease liabilities - current portion | **15,491** | 19,631 | (4,140) | (21%) | **1%** | 1% |
| Income and other taxes payable | **49,335** | 46,254 | 3,081 | 7% | **2%** | 2% |
| Dividends and distributions payable | **5,607** | 4,605 | 1,002 | 22% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **266,626** | 236,798 | 29,828 | 13% | **11%** | 9% |
| **Total Current Liabilities** | **805,077** | 745,224 | 59,853 | 8% | **32%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **943,186** | 953,786 | (10,600) | (1%) | **38%** | 39% |
| Lease liabilities - net of current portion | **35,515** | 36,941 | (1,426) | (4%) | **1%** | 2% |
| Deferred tax liabilities | **30,219** | 29,503 | 716 | 2% | **1%** | 1% |
| Other noncurrent liabilities | **28,913** | 28,745 | 168 | 1% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,037,833** | 1,048,975 | (11,142) | (1%) | **41%** | 43% |

*Forward*

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In Millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,442** | 177,468 | (26) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **7,036** | 7,354 | (318) | (4%) | **0%** | 0% |
| Retained earnings: | | | | | | |
| Appropriated | **93,128** | 87,170 | 5,958 | 7% | **4%** | 4% |
| Unappropriated | **93,950** | 103,151 | (9,201) | (9%) | **4%** | 4% |
| Treasury stock | **(109,763)** | (109,763) | - | 0% | **(4%)** | (4%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **312,634** | 316,221 | (3,587) | (1%) | **13%** | 13% |
| Non-controlling Interests | **351,984** | 348,945 | 3,039 | 1% | **14%** | 14% |
| **Total Equity** | **664,618** | 665,166 | (548) | (0%) | **27%** | 27% |
| **Total Liabilities and Equity** | **P2,507,528** | P2,459,365 | P48,163 | 2% | **100%** | 100% |

Consolidated total assets as at March 31, 2024 amounted to P2,507,528 million, P48,163 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets and other noncurrent assets, offset by the decrease in inventories.

The decrease in inventories by P12,049 million was attributable mainly to: (a) Petron's lower volume of crude oil, partly offset by higher volume of finished products and higher prices of both crude oil and finished products; (b) utilization of spare parts for combustor and turbine inspection conducted during the quarter and decline in LNG stockpile of Ilijan Power Plant; and (c) decline in coal inventory of the Sual, Masinloc, Limay and Malita Power Plants as a result of higher consumption.

The decrease in total biological assets of P363 million was mainly due to lower feed costs and decrease in volume of flocks loaded as compared to December 31, 2023 balances.

The increase in prepaid expenses and other current assets by P6,863 million was primarily due to: (a) higher input taxes of Petron, SMC Shipping and Lighterage Corporation and the Energy business; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron. The increase was partly offset by the application of fixed fee reduction credits by Sual Power Inc.

The increase in investments and advances - net by P6,232 million was mainly due to the: (a) advances for future investment to certain companies by SMC and the Energy business; (b) investment in NNIC by SMHC; and (c) Group's share in the net income of BankCom and Manila North Harbour Port, Inc. (MNHPI) in first quarter of 2024. The increase was partly offset by the dividend received from MNHPI.

The increase in deferred tax assets by P1,491 million was primarily due to the recognition by SMC of deferred tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P8,438 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project; (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses; and (c) transaction costs incurred by SMC for the US$2,000 million term loan facility but not yet drawn as at March 31, 2024.

The increase in loans payable by P16,657 million was mainly due to the net availment made by SMC and the Food division, reduced by the net payment made by Petron.

The increase in accounts payable and accrued expenses by P13,425 million was mainly due to higher payables for capital expenditures of the Energy business and higher outstanding liabilities to the contractors and vendors of Petron, partly offset by the settlements made for fuel supplies, energy fees and power purchases of the Energy business.

The increase in income and other taxes payable by P3,081 million was mainly due to the higher: (a) income tax payable of SMB, GSMI and Petron; and (b) excise duties on the inventory of Petron.

The increase in dividends and distributions payable by P1,002 million was mainly due to the: (a) declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on January 19, 2024, which were paid on April 4, 2024; and (b) declaration by The Purefoods-Hormel Company, Inc. (PF-Hormel) of dividends to common shareholders in March 2024, payable in July and December 2024.

The increase in total long-term debt, net of debt issue costs of P19,228 million was primarily due to the availment of Peso term loans mainly by the Energy business and Petron and foreign currency-denominated term loan by SMC, and translation adjustments for the period. The increase was partly offset by the payment of Series B Bonds by SMC and other maturing obligations of the Group.

The decrease in total lease liabilities by P5,566 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 Independent Power Producer Administration (IPPA) Agreements.

The increase in appropriated retained earnings by P5,958 million was mainly due to the net appropriations made by: (a) SMC SLEX, Inc. (SMC SLEX) for the capital expenditures of SLEX-TR4 Project in 2024 and 2025; and (b) PF-Hormel for the expansion of the Battered, Breaded and Fried capacity, storage and distribution capability and Plant 3 line automation.

The decrease in unappropriated retained earnings by P9,201 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

**2023 vs. 2022**

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In millions)* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Cash and cash equivalents | **P243,616** | P318,214 | (P74,598) | (23%) | **10%** | 13% |
| Trade and other receivables - net | **225,762** | 238,782 | (13,020) | (5%) | **10%** | 10% |
| Inventories | **182,606** | 190,193 | (7,587) | (4%) | **8%** | 8% |
| Current portion of biological assets - net | **3,674** | 3,418 | 256 | 7% | **0%** | 0% |
| Prepaid expenses and other current assets | **130,272** | 133,691 | (3,419) | (3%) | **6%** | 6% |
| **Total Current Assets** | **785,930** | 884,298 | (98,368) | (11%) | **34%** | 37% |
| Investments and advances - net | **34,220** | 32,523 | 1,697 | 5% | **1%** | 1% |
| Investments in equity and debt instruments | **18,944** | 18,921 | 23 | 0% | **1%** | 1% |
| Property, plant and equipment - net | **720,186** | 708,192 | 11,994 | 2% | **31%** | 30% |
| Right-of-use assets - net | **110,873** | 112,067 | (1,194) | (1%) | **5%** | 5% |
| Investment property - net | **74,119** | 74,660 | (541) | (1%) | **3%** | 3% |
| Biological assets - net of current portion | **2,821** | 2,671 | 150 | 6% | **0%** | 0% |
| Goodwill - net | **183,788** | 184,100 | (312) | (0%) | **8%** | 8% |
| Other intangible assets - net | **259,354** | 249,321 | 10,033 | 4% | **11%** | 10% |
| Deferred tax assets | **19,861** | 22,554 | (2,693) | (12%) | **1%** | 1% |
| Other noncurrent assets - net | **106,981** | 102,518 | 4,463 | 4% | **5%** | 4% |
| **Total Noncurrent Assets** | **1,531,147** | 1,507,527 | 23,620 | 2% | **66%** | 63% |
| **Total Assets** | **P2,317,077** | P2,391,825 | (P74,748) | (3%) | **100%** | 100% |
| Loans payable | **P216,482** | P267,704 | (P51,222) | (19%) | **9%** | 11% |
| Accounts payable and accrued expenses | **219,145** | 227,126 | (7,981) | (4%) | **9%** | 9% |
| Lease liabilities - current portion | **21,102** | 21,020 | 82 | 0% | **1%** | 1% |
| Income and other taxes payable | **46,692** | 37,694 | 8,998 | 24% | **2%** | 2% |
| Dividends and distributions payable | **4,247** | 4,037 | 210 | 5% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **106,083** | 170,032 | (63,949) | (38%) | **5%** | 7% |
| **Total Current Liabilities** | **613,751** | 727,613 | (113,862) | (16%) | **26%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **956,030** | 918,164 | 37,866 | 4% | **42%** | 39% |
| Lease liabilities - net of current portion | **48,526** | 54,455 | (5,929) | (11%) | **2%** | 2% |
| Deferred tax liabilities | **27,395** | 26,297 | 1,098 | 4% | **1%** | 1% |
| Other noncurrent liabilities | **25,718** | 26,144 | (426) | (2%) | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,057,669** | 1,025,060 | 32,609 | 3% | **46%** | 43% |

*Forward*

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In millions)* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **8%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **11,872** | 12,753 | (881) | (7%) | **1%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **80,427** | 71,004 | 9,423 | 13% | **4%** | 3% |
| Unappropriated | **125,676** | 129,239 | (3,563) | (3%) | **5%** | 6% |
| Treasury stock | **(156,763)** | (156,763) | - | 0% | **(7%)** | (7%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **289,772** | 284,793 | 4,979 | 2% | **13%** | 12% |
| Non-controlling Interests | **355,885** | 354,359 | 1,526 | 0% | **15%** | 15% |
| **Total Equity** | **645,657** | 639,152 | 6,505 | 1% | **28%** | 27% |
| **Total Liabilities and Equity** | **P2,317,077** | P2,391,825 | (P74,748) | (3%) | **100%** | 100% |

Consolidated total assets as at March 31, 2023 amounted to P2,317,077 million, P74,748 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents.

The decrease in cash and cash equivalents of P74,598 million was mainly due to the net payment of long-term debt and short-term loans, capital expenditures for the ongoing projects of Petron, the Infrastructure, Energy, Food and Beverage and Cement businesses and payment of interest and dividends and distributions. This was partly offset by cash generated from operations.

The decrease in trade and other receivables - net by P13,020 million was mainly attributable to the: (a) lower trade customer balances of Petron on account of the lower prices of petroleum products; (b) lower receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia; and (c) collection of receivables from peak season sales by the Food division. The decrease was partly offset by the increase in excise tax refund claims of Petron.

The increase in total biological assets by P406 million was due to higher volume of chicken loaded in the farm, higher growing costs due to higher feeds and chick costs and additional hog farms with the increase in production of breeding stocks.

The increase in investments and advances - net by P1,697 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of MNHPI, BankCom and Angat Hydro in 2023.

The decrease in deferred tax assets by P2,693 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of foreign currency-denominated long-term debt and derivatives.

The decrease in loans payable by P51,222 million was mainly due to the net payment made by SMC and Petron.

The increase in income and other taxes payable by P8,998 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022 and higher income tax payable from the improved performance of SMB and GSMI; and (b) higher excise tax liability of Petron Philippines.

The increase in dividends and distributions payable by P210 million was mainly due to the dividend declaration on March 16, 2023 by SMC Skyway Corporation, net of payment to a non-controlling shareholder.

The decrease in total long-term debt, net of debt issue costs by P26,083 million was primarily due to the: (a) payment of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC and other maturing obligations by the Group; and (b) translation adjustments for the period. The decrease was partly offset by the availment of foreign currency-denominated and Peso term loans by the Group.

The decrease in total lease liabilities by P5,847 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by P881 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings was attributable to: (a) appropriation of SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (b) net appropriations of SMC SLEX for capital expenditures in 2023.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In Millions)* | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Net cash flows provided by operating activities | **P47,177** | P45,535 |
| Net cash flows used in investing activities | **(51,646)** | (36,519) |
| Net cash flows provided by (used in) financing activities | **12,668** | (79,338) |

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)* | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Additions to: | | |
| Property, plant and equipment | **(P27,866)** | (P16,113) |
| Intangible assets | **(8,282)** | (11,850) |
| Investments and advances | **(6,216)** | (998) |
| Advances to contractors and suppliers | **(3,778)** | (2,290) |
| Investment property | **(2,490)** | (934) |
| Investments in debt instruments | **(174)** | (130) |
| Increase in other noncurrent assets and others | **(7,150)** | (7,201) |
| Interest received | **3,713** | 2,776 |
| Dividends received | **350** | 14 |
| Proceeds from: | | |
| Disposal of investments in debt instruments | **179** | 125 |
| Sale of property and equipment | **68** | 82 |

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

| *(In Millions)* | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Proceeds from (payment of) short-term loans - net | **P16,748** | (P50,721) |
| Proceeds from (payment of) long-term debt - net | **9,779** | (13,689) |
| Payment of lease liabilities | **(5,923)** | (5,356) |
| Cash dividends and distributions paid to non-controlling shareholders | **(4,843)** | (5,273) |
| Cash dividends and distributions paid | **(3,035)** | (2,892) |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | **(32)** | (265) |
| Share issuance costs from re-issuance of treasury shares | **(26)** | - |
| Repurchase of capital securities of a subsidiary | **-** | (1,142) |

The effect of exchange rate changes on cash and cash equivalents amounted to P784 million and (P4,276) million in March 31, 2024 and 2023, 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.

| | **March 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.04** | 1.12 |
| Quick Ratio | **0.66** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.77** | 2.70 |
| Asset to Equity Ratio | **3.77** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(2.58%)** | 0.07% |
| Interest Rate Coverage Ratio | **1.60** | 1.80 |
| Return on Assets | **1.44%** | 1.84% |

| | **Period Ended March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Operating Efficiency: | | |
| Volume Growth | **21%** | 7% |
| Revenue Growth | **13%** | 9% |
| Operating Margin | **10%** | 10% |

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 P248,851 million as at March 31, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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, 2023.

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.

**ANNEX "A-2"**

# SAN MIGUEL CORPORATION
# SEC FORM -17Q
## (As of June 30, 2024)

# COVER SHEET

| P | W | - | 2 | 7 | 7 | | | | |
|---|---|---|---|---|---|---|---|---|---|

S. E. C. Registration Number

| | | | | | | | S | A | N | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | M | I | G | U | E | L | | | | | | | | |
| | | | C | O | R | P | O | R | A | T | I | O | N | | | | | | |

(Company's Full Name)

| N | O | . | 4 | 0 | | S | A | N | | M | I | G | U | E | L | | A | V | E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | | |
| M | A | N | D | A | L | U | Y | O | N | G | | C | I | T | Y | | | | |
| | | | | | | | | | | | | | | | | | | | |
| M | E | T | R | O | | M | A | N | I | L | A | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| P | H | I | L | I | P | P | I | N | E | S | | | | | | | | | |

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

| Atty. Mary Rose S. Tan | (632) 632-3000 |
|---|---|
| Contact Person | Company Telephone Number |

SEC FORM (2nd Quarter-2024)

| 1 | 2 | 3 | 1 | | | | 1 | 7 | - | Q | | | | | 2nd Tuesday of June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |

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To be accomplished by SEC Personnel concerned

| | |
|---|---|
| File Number | LCU |
| Document I. D. | Cashier |

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STAMPS

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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, 2024**

2. Commission identification number **PW00000227**

3. BIR Tax Identification No. **000-060-741-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

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

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

7. **No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila** **1550**
   Address of issuer's principal office Postal Code

8. **(632) 8632-3000**
   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

| | Number of Shares of Stock and debt Outstanding as of June 30, 2024 |
|---|---|
| **Common Shares** | 2,383,896,588 |
| **Series "2-F" Preferred Shares** | 223,333,500 |
| **Series "2-I" Preferred Shares** | 169,333,400 |
| **Series "2-J" Preferred Shares** | 266,666,667 |
| **Series "2-K" Preferred Shares** | 183,904,900 |
| **Series "2-M" Preferred Shares** | 173,333,325 |
| **Series "2-L" Preferred Shares** | 165,358,600 |
| **Series "2-N" Preferred Shares** | 100,115,100 |
| **Series "2-O" Preferred Shares** | 187,859,700 |
| **TOTAL** | **3,853,801,780** |

Total Liabilities P1,900,165 million

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes [√] No [ ]

If yes, disclose name of the Stock Exchange and class of securities listed therein:
**Philippine Stock Exchange**

**(a) Common Shares**
**(b) Series "2" Preferred Shares - 2-F**
**(c) Series "2" Preferred Shares - 2-I**
**(d) Series "2" Preferred Shares - 2-J**
**(e) Series "2" Preferred Shares - 2-K**
**(f) Series "2" Preferred Shares - 2-M**
**(g) Series "2" Preferred Shares - 2-L**
**(h) Series "2" Preferred Shares - 2-N**
**(i) Series "2" Preferred Shares - 2-O**

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.
Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [√] No [ ]

## PART I--FINANCIAL INFORMATION

**Item 1. Financial Statements.**

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended June 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended June 30, 2023) and Selected Notes to the Consolidated Financial Statements 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, as amended" is attached hereto as **Annex "B"**.

## PART II--OTHER INFORMATION

The Company 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 otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

**NONE**

## SIGNATURES

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

| | |
|---|---|
| Issuer | **SAN MIGUEL CORPORATION** |
| Signature and Title | **FERDINAND K. CONSTANTINO**<br>Chief Finance Officer and Treasurer |
| Date | August 14, 2024 |
| Signature and Title | **BELLA O. NAVARRA**<br>Comptrollership Manager/<br>Principal Accounting Officer |
| Date | August 14, 2024 |

**ANNEX "A"**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2024 AND DECEMBER 31, 2023
(In Millions)

| | Note | 2024 Unaudited | 2023 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *8, 9* | **P253,890** | P261,358 |
| Trade and other receivables - net | *4, 8, 9* | **263,809** | 263,119 |
| Inventories | | **175,618** | 161,986 |
| Current portion of biological assets - net | | **3,331** | 3,515 |
| Prepaid expenses and other current assets | *4, 8, 9* | **152,059** | 141,424 |
| **Total Current Assets** | | **848,707** | 831,402 |
| **Noncurrent Assets** | | | |
| Investments and advances - net | | **44,436** | 37,089 |
| Investments in equity and debt instruments | *4, 8, 9* | **19,622** | 19,417 |
| Property, plant and equipment - net | *5* | **787,574** | 753,472 |
| Right-of-use assets - net | | **105,795** | 108,014 |
| Investment property - net | | **82,636** | 79,513 |
| Biological assets - net of current portion | | **2,518** | 2,667 |
| Goodwill - net | | **183,250** | 182,791 |
| Other intangible assets - net | | **325,909** | 306,638 |
| Deferred tax assets | | **25,635** | 19,633 |
| Other noncurrent assets - net | *4, 8, 9* | **129,362** | 118,729 |
| **Total Noncurrent Assets** | | **1,706,737** | 1,627,963 |
| | | **P2,555,444** | P2,459,365 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Loans payable | *4, 8, 9* | **P262,279** | P214,881 |
| Accounts payable and accrued expenses | *4, 8, 9* | **254,654** | 223,055 |
| Lease liabilities - current portion | *4, 8, 9* | **11,498** | 19,631 |
| Income and other taxes payable | | **46,396** | 46,254 |
| Dividends and distributions payable | *4, 7* | **5,444** | 4,605 |
| Current maturities of long-term debt - net of debt issue costs | *4, 8, 9* | **271,382** | 236,798 |
| **Total Current Liabilities** | | **851,653** | 745,224 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current maturities and debt issue costs | *4, 8, 9* | **951,032** | 953,786 |
| Lease liabilities - net of current portion | *4, 8, 9* | **35,190** | 36,941 |
| Deferred tax liabilities | | **31,531** | 29,503 |
| Other noncurrent liabilities | *4, 8, 9* | **30,759** | 28,745 |
| **Total Noncurrent Liabilities** | | **1,048,512** | 1,048,975 |

*Forward*

| | 2024 Unaudited | 2023 Audited |
|---|---|---|
| **Equity** | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Capital stock - common | **P16,443** | P16,443 |
| Capital stock - preferred | **10,187** | 10,187 |
| Additional paid-in capital | **177,442** | 177,468 |
| Capital securities | **24,211** | 24,211 |
| Equity reserves | **2,667** | 7,354 |
| Retained earnings: | | |
| Appropriated | **88,468** | 87,170 |
| Unappropriated | **86,423** | 103,151 |
| Treasury stock | **(109,763)** | (109,763) |
| | **296,078** | 316,221 |
| **Non-controlling Interests** | **359,201** | 348,945 |
| **Total Equity** | **655,279** | 665,166 |
| | **P2,555,444** | P2,459,365 |

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

**CERTIFIED CORRECT:**

**BELINDA D. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions, Except Per Share Data)

| | | | | For the Quarter Ended | |
|---|---|---|---|---|---|
| | *Note* | **2024 Unaudited** | 2023 Unaudited | **2024 Unaudited** | 2023 Unaudited |
| **SALES** | 2 | **P789,021** | P685,229 | **P396,308** | P338,504 |
| **COST OF SALES** | | **655,195** | 571,215 | **326,832** | 281,033 |
| **GROSS PROFIT** | | **133,826** | 114,014 | **69,476** | 57,471 |
| **SELLING AND ADMINISTRATIVE EXPENSES** | | **(48,737)** | (44,093) | **(24,851)** | (22,603) |
| **INTEREST EXPENSE AND OTHER FINANCING CHARGES** | | **(47,645)** | (44,847) | **(24,123)** | (23,044) |
| **INTEREST INCOME** | | **7,324** | 6,531 | **3,690** | 3,078 |
| **EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES** | | **1,237** | 1,098 | **821** | 446 |
| **GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT** | | **58** | (40) | **45** | 5 |
| **OTHER INCOME (CHARGES)** - Net | 3 | **(24,387)** | 6,220 | **(17,540)** | (3,852) |
| **INCOME BEFORE INCOME TAX** | | **21,676** | 38,883 | **7,518** | 11,501 |
| **INCOME TAX EXPENSE** | | **8,098** | 15,558 | **2,827** | 5,915 |
| **NET INCOME** | | **P13,578** | P23,325 | **P4,691** | P5,586 |
| **Attributable to:** | | | | | |
| Equity holders of the Parent Company | | **(P8,703)** | P757 | **(P9,212)** | (P8,075) |
| Non-controlling interests | | **22,281** | 22,568 | **13,903** | 13,661 |
| | | **P13,578** | P23,325 | **P4,691** | P5,586 |
| **Basic and Diluted Loss Per Common Share Attributable to Equity Holders of the Parent Company** | 6 | **(P5.64)** | (P0.84) | **(P4.86)** | (P3.97) |
| **Cash Dividends Declared Per Common Share** | 7 | **P0.70** | P0.70 | **P0.35** | P0.35 |

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

**CERTIFIED CORRECT:**

**BELLA C. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions)

| | | | For the Quarter Ended | |
|---|---|---|---|---|
| | **2024 Unaudited** | 2023 Unaudited | **2024 Unaudited** | 2023 Unaudited |
| **NET INCOME** | **P13,578** | P23,325 | **P4,691** | P5,586 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurement loss on net defined benefit retirement plan | **(1)** | (7) | **-** | (1) |
| Income tax benefit | **-** | 1 | **-** | - |
| Net gain on financial assets at fair value through other comprehensive income | **130** | 170 | **137** | 159 |
| Income tax expense | **(14)** | (15) | **(15)** | (8) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | **6** | (9) | **5** | (9) |
| | **121** | 140 | **127** | 141 |
| **Items that may be reclassified to profit or loss** | | | | |
| Net gain (loss) on exchange differences on translation of foreign operations | **2,511** | (4,090) | **3,136** | (2,595) |
| Net gain (loss) on financial assets at fair value through other comprehensive income | **(6)** | 11 | **(15)** | (2) |
| Income tax benefit (expense) | **2** | (3) | **4** | (3) |
| Net gain (loss) on cash flow hedges | **(948)** | (21) | **(1,194)** | 5 |
| Income tax benefit | **237** | 14 | **298** | 4 |
| Share in other comprehensive income (loss) of associates and joint ventures - net | **(121)** | 83 | **(70)** | 36 |
| | **1,675** | (4,006) | **2,159** | (2,555) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - Net of tax | **1,796** | (3,866) | **2,286** | (2,414) |
| **TOTAL COMPREHENSIVE INCOME** - Net of tax | **P15,374** | P19,459 | **P6,977** | P3,172 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | **(P8,450)** | (P1,428) | **(P8,647)** | (P9,677) |
| Non-controlling interests | **23,824** | 20,887 | **15,624** | 12,849 |
| | **P15,374** | P19,459 | **P6,977** | P3,172 |

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

**CERTIFIED CORRECT:**

**BELLA D. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions)

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Equity Reserves | | | | | Retained Earnings | | | | | | |
| | | Capital Stock | | Additional Paid-in | Senior Perpetual Capital | Reserve for Retirement | Hedging | Fair Value | Translation | Other Equity | Appro- | Unappro- | Treasury Stock | | | Non-Controlling | Total |
| | Note | Common | Preferred | Capital | Securities | Plan | Reserve | Reserve | Reserve | Reserve | priated | priated | Common | Preferred | Total | Interests | Equity |
| **As at January 1, 2024 (Audited)** | | **P16,443** | **P10,187** | **P177,468** | **P24,211** | **(P10,465)** | **(P403)** | **P330** | **P2,974** | **P14,918** | **P87,170** | **P103,151** | **(P67,093)** | **(P42,670)** | **P316,221** | **P348,945** | **P665,166** |
| Net gain on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | 979 | - | - | - | - | - | 979 | 1,532 | 2,511 |
| Share in other comprehensive income (loss) of associates and joint venture - net | | - | - | - | - | - | - | (118) | (3) | - | - | - | - | - | (121) | 6 | (115) |
| Net loss on cash flow hedges | | - | - | - | - | - | (711) | - | - | - | - | - | - | - | (711) | - | (711) |
| Net gain on financial assets at fair value through other comprehensive income | | - | - | - | - | - | - | 107 | - | - | - | - | - | - | 107 | 5 | 112 |
| Remeasurement loss on net defined benefit retirement plan | | - | - | - | - | (1) | - | - | - | - | - | - | - | - | (1) | - | (1) |
| Other comprehensive income (loss) | | - | - | - | - | (1) | (711) | (11) | 976 | - | - | - | - | - | 253 | 1,543 | 1,796 |
| Net income (loss) | | - | - | - | - | - | - | - | - | - | - | (8,703) | - | - | (8,703) | 22,281 | 13,578 |
| Total comprehensive income (loss) | | - | - | - | - | (1) | (711) | (11) | 976 | - | - | (8,703) | - | - | (8,450) | 23,824 | 15,374 |
| Share issuance costs from re-issuance of treasury shares | | - | - | (26) | - | - | - | - | - | - | - | - | - | - | (26) | - | (26) |
| Net addition (reduction) to non-controlling interests and others | | - | - | - | - | - | - | - | - | (4,940) | - | (54) | - | - | (4,994) | 3,380 | (1,614) |
| Appropriations - net | | - | - | - | - | - | - | - | - | - | 1,298 | (1,298) | - | - | - | - | - |
| Cash dividends and distributions: | 7 | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | (1,669) | - | - | (1,669) | (7,128) | (8,797) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | (3,972) | - | - | (3,972) | (789) | (4,761) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | (1,032) | - | - | (1,032) | (9,031) | (10,063) |
| **As at June 30, 2024 (Unaudited)** | | **P16,443** | **P10,187** | **P177,442** | **P24,211** | **(P10,466)** | **(P1,114)** | **P319** | **P3,950** | **P9,978** | **P88,468** | **P86,423** | **(P67,093)** | **(P42,670)** | **P296,078** | **P359,201** | **P655,279** |

*Forward*

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Equity Reserves | | | | | | | | | | | |
| | | Capital Stock | | Additional Paid-in | Senior Perpetual Capital | Reserve for Retirement | Hedging | Fair Value | Translation | Other Equity | Retained Earnings | | Treasury Stock | | | Non-Controlling | Total |
| | Note | Common | Preferred | Capital | Securities | Plan | Reserve | Reserve | Reserve | Reserve | Appro-priated | Unappro-priated | Common | Preferred | Total | Interests | Equity |
| As at January 1, 2023 (Audited) | | P16,443 | P10,187 | P177,719 | P24,211 | (P9,256) | (P274) | P114 | P5,641 | P16,528 | P71,004 | P129,239 | (P67,093) | (P89,670) | P284,793 | P354,359 | P639,152 |
| Net loss on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | (2,436) | - | - | - | - | - | (2,436) | (1,654) | (4,090) |
| Share in other comprehensive income (loss) of associates and joint venture - net | | - | - | - | - | (11) | - | 88 | (2) | - | - | - | - | - | 75 | (1) | 74 |
| Net gain (loss) on cash flow hedges | | - | - | - | - | - | 9 | - | - | - | - | - | - | - | 9 | (16) | (7) |
| Net gain (loss) on financial assets at fair value through other comprehensive income | | - | - | - | - | - | - | 169 | - | - | - | - | - | - | 169 | (6) | 163 |
| Remeasurement loss on net defined benefit retirement plan | | - | - | - | - | (2) | - | - | - | - | - | - | - | - | (2) | (4) | (6) |
| Other comprehensive income (loss) | | - | - | - | - | (13) | 9 | 257 | (2,438) | - | - | - | - | - | (2,185) | (1,681) | (3,866) |
| Net income | | - | - | - | - | - | - | - | - | - | - | 757 | - | - | 757 | 22,568 | 23,325 |
| Total comprehensive income (loss) | | - | - | - | - | (13) | 9 | 257 | (2,438) | - | - | 757 | - | - | (1,428) | 20,887 | 19,459 |
| Net addition (reduction) to non-controlling interests and others | | - | - | - | - | - | - | - | - | 4 | - | (738) | - | - | (734) | (2,763) | (3,497) |
| Appropriations - net | | - | - | - | - | - | - | - | - | - | 13,276 | (13,276) | - | - | - | - | - |
| Cash dividends and distributions: | 7 | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | (1,669) | - | - | (1,669) | (7,100) | (8,769) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | (1,755) | - | - | (1,755) | (573) | (2,328) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | (1,000) | - | - | (1,000) | (9,555) | (10,555) |
| As at June 30, 2023 (Unaudited) | | P16,443 | P10,187 | P177,719 | P24,211 | (P9,269) | (P265) | P371 | P3,203 | P16,532 | P84,280 | P111,558 | (P67,093) | (P89,670) | P278,207 | P355,255 | P633,462 |

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

**CERTIFIED CORRECT:**

**BELLA M. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions)

| | Note | 2024 Unaudited | 2023 Unaudited |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **P21,676** | P38,883 |
| Adjustments for: | | | |
| Depreciation, amortization and others - net | *3, 5* | **53,337** | 20,885 |
| Interest expense and other financing charges | | **47,645** | 44,847 |
| Interest income | | **(7,324)** | (6,531) |
| Equity in net earnings of associates and joint ventures | | **(1,237)** | (1,098) |
| Loss (gain) on sale of investment and property and equipment | | **(58)** | 40 |
| Operating income before working capital changes | | **114,039** | 97,026 |
| Changes in noncash current assets, certain current liabilities and others | | **17,919** | 34,714 |
| Cash generated from operations | | **131,958** | 131,740 |
| Interest and other financing charges paid | | **(45,803)** | (46,412) |
| Income taxes paid | | **(11,547)** | (9,716) |
| Net cash flows provided by operating activities | | **74,608** | 75,612 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property, plant and equipment | *5* | **(48,178)** | (29,444) |
| Intangible assets | | **(23,476)** | (34,107) |
| Investments and advances | | **(7,007)** | (2,306) |
| Investment property | | **(4,212)** | (2,507) |
| Advances to contractors and suppliers | | **(2,349)** | (9,463) |
| Investments in debt instruments | | **(532)** | (445) |
| Increase in other noncurrent assets and others | | **(16,012)** | (9,916) |
| Interest received | | **6,505** | 6,094 |
| Proceeds from: | | | |
| Disposal of investments in debt instruments | | **519** | 439 |
| Sale of property and equipment | | **482** | 264 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | | **8** | 418 |
| Dividends received | | **363** | 640 |
| Net cash flows used in investing activities | | **(93,889)** | (80,333) |

*Forward*

| | Note | 2024 Unaudited | 2023 Unaudited |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Short-term borrowings | | **P630,730** | P546,060 |
| Long-term borrowings | | **58,906** | 129,262 |
| Payments of: | | | |
| Short-term borrowings | | **(583,917)** | (578,751) |
| Long-term borrowings | | **(61,288)** | (110,673) |
| Net proceeds from issuance of capital securities of a subsidiary | | **43,481** | - |
| Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others | | **31** | (2,759) |
| Redemption of capital securities of subsidiaries | | **(45,040)** | (1,151) |
| Cash dividends and distributions paid to non-controlling shareholders | | **(17,063)** | (17,221) |
| Payments of lease liabilities | | **(11,500)** | (10,498) |
| Cash dividends and distributions paid | 7 | **(5,717)** | (4,635) |
| Share issuance costs from re-issuance of treasury shares | | **(26)** | - |
| Net cash flows provided by (used in) financing activities | | **8,597** | (50,366) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **3,216** | (929) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(7,468)** | (56,016) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **261,358** | 318,214 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **P253,890** | P262,198 |

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

**CERTIFIED CORRECT:**

**BEL[illegible]. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**TRADE AND OTHER RECEIVABLES**
**JUNE 30, 2024**
***(In Millions)***

| | | | Past Due | | | |
|---|---|---|---|---|---|---|
| | **Total** | **Current** | **1 - 30 Days** | **31 - 60 Days** | **61 - 90 Days** | **Over 90 Days** |
| Trade | P 187,009 | P 126,175 | P 17,690 | P 2,907 | P 1,995 | P 38,242 |
| Non-trade | 78,744 | 44,593 | 491 | 340 | 320 | 33,000 |
| Others | 11,137 | 9,387 | 147 | 11 | 15 | 1,577 |
| Total | 276,890 | **P 180,155** | **P 18,328** | **P 3,258** | **P 2,330** | **P 72,819** |
| Less allowance for impairment losses | 13,081 | | | | | |
| Net | **P 263,809** | | | | | |

**San Miguel Corporation**
**Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares**
**June 30, 2024**
***(Amounts in Millions)***

**i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement** [a]

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 50,000 |
| Estimated fees, commissions and expenses relating to the issue: | | | | |
| Underwriting fees | **P** | 275 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Taxes | | 25 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Estimated legal and other professional fees | | 6 | | |
| Estimated other expenses | | 4 | | 379 |
| Net proceeds | | | **P** | 49,621 |

**ii) Actual Gross and Net Proceeds** [b]

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 34,000 |
| Underwriting fees | **P** | 218 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Taxes | | 17 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Legal and other professional fees | | 5 | | |
| Other expenses | | 1 | | 310 |
| Net proceeds/balance of the proceeds | | | **P** | 33,690 |

**iii) Each Expenditure Item Where the Proceeds were Used**

| | | | | |
|---|---|---|---|---|
| Repayment of Philippine Peso-denominated short-term loans | **P** | 16,530 | | |
| Repayment of the Series B Bonds | | 7,294 | **P** | 23,824 |

**iv) Balance of the Proceeds as of End of Reporting Period** **P** 9,866

a *The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.*

b *The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.*

## 1. Material Accounting Policy Information

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

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 8, 2024.

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

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

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

*Adoption of Amendments to Standards*

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

- 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.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

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

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

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

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

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

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

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

*New and Amendments to Standards Not Yet Adopted*

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

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

- 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.

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

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

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

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

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

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

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

## 2. Segment Information

Operating Segments

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

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

The food and beverage segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice, and international operations ("Others"). 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, ancillary service procurement agreements and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Manila Electric Company, electric cooperatives, industrial customers and National Grid Corporation of the Philippines) 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.

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 June 30, 2024, December 31, 2023 and June 30, 2023 follows:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 |
| **Sales** | | | | | | | | | | | | | | | | | | |
| External sales | **P192,784** | P184,553 | **P12,138** | P12,648 | **P94,939** | P79,007 | **P439,464** | P359,027 | **P18,072** | P16,570 | **P18,619** | P19,806 | **P13,005** | P13,618 | **P -** | P - | **P789,021** | P685,229 |
| Inter-segment sales | **98** | 34 | **5,836** | 6,082 | **4,005** | 5,763 | **5,026** | 8,010 | **3** | 2 | **343** | 358 | **18,535** | 17,807 | **(33,846)** | (38,056) | **-** | - |
| Total sales | **P192,882** | P184,587 | **P17,974** | P18,730 | **P98,944** | P84,770 | **P444,490** | P367,037 | **P18,075** | P16,572 | **P18,962** | P20,164 | **P31,540** | P31,425 | **(P33,846)** | (P38,056) | **P789,021** | P685,229 |
| **Result** | | | | | | | | | | | | | | | | | | |
| Segment result | **P26,641** | P22,987 | **P1,362** | P1,200 | **P22,988** | P14,751 | **P17,313** | P16,011 | **P9,650** | P8,960 | **P3,952** | P3,023 | **P2,754** | P2,750 | **P429** | P239 | **P85,089** | P69,921 |
| Interest expense and other financing charges | | | | | | | | | | | | | | | | | **(47,645)** | (44,847) |
| Interest income | | | | | | | | | | | | | | | | | **7,324** | 6,531 |
| Equity in net earnings of associates and joint ventures | | | | | | | | | | | | | | | | | **1,237** | 1,098 |
| Gain (loss) on sale of investments and property and equipment | | | | | | | | | | | | | | | | | **58** | (40) |
| Other income (charges) - net | | | | | | | | | | | | | | | | | **(24,387)** | 6,220 |
| Income tax expense | | | | | | | | | | | | | | | | | **(8,098)** | (15,558) |
| **Net Income** | | | | | | | | | | | | | | | | | **P13,578** | P23,325 |
| | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 |
| **Other Information** | | | | | | | | | | | | | | | | | | |
| Segment assets | **P308,910** | P297,032 | **P49,727** | P50,431 | **P716,410** | P702,778 | **P447,717** | P432,972 | **P470,982** | P440,455 | **P119,094** | P116,185 | **P348,521** | P339,296 | **(P181,364)** | (P180,120) | **P2,279,997** | P2,199,029 |
| Investments in and advances to associates and joint ventures | **-** | - | **-** | - | **13,049** | 10,953 | **8** | 6 | **7,754** | 5,184 | **2,461** | 2,358 | **21,164** | 18,588 | **-** | - | **44,436** | 37,089 |
| Goodwill and trademarks | | | | | | | | | | | | | | | | | **183,469** | 183,008 |
| Other assets | | | | | | | | | | | | | | | | | **21,907** | 20,606 |
| Deferred tax assets | | | | | | | | | | | | | | | | | **25,635** | 19,633 |
| **Consolidated Total Assets** | | | | | | | | | | | | | | | | | **P2,555,444** | P2,459,365 |

*Forward*

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 | **June 2024** | December 2023 |
| Segment liabilities | **P77,375** | P73,742 | **P9,023** | P9,603 | **P103,642** | P81,870 | **P77,930** | P66,707 | **P55,999** | P53,317 | **P7,498** | P6,974 | **P103,988** | P102,371 | **(P156,190)** | (P148,456) | **P279,265** | P246,128 |
| Loans payable | | | | | | | | | | | | | | | | | **262,279** | 214,881 |
| Long-term debt | | | | | | | | | | | | | | | | | **1,222,414** | 1,190,584 |
| Lease liabilities | | | | | | | | | | | | | | | | | **46,688** | 56,572 |
| Income and other taxes payable | | | | | | | | | | | | | | | | | **46,396** | 46,254 |
| Dividends and distributions payable and others | | | | | | | | | | | | | | | | | **11,592** | 10,277 |
| Deferred tax liabilities | | | | | | | | | | | | | | | | | **31,531** | 29,503 |
| **Consolidated Total Liabilities** | | | | | | | | | | | | | | | | | **P1,900,165** | P1,794,199 |

## 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 June 30, 2024 and 2023:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 | **June 2024** | June 2023 |
| **Timing of recognition** | | | | | | | | | | | | | | | | |
| Sales recognized at point in time | **P192,777** | P184,549 | **P11,749** | P12,264 | **P -** | P - | **P439,464** | P359,027 | **P -** | P - | **P18,619** | P19,806 | **P10,935** | P11,656 | **P673,544** | P587,302 |
| Sales recognized over time | **7** | 4 | **389** | 384 | **94,939** | 79,007 | **-** | - | **18,072** | 16,570 | **-** | - | **2,070** | 1,962 | **115,477** | 97,927 |
| **Total external sales** | **P192,784** | P184,553 | **P12,138** | P12,648 | **P94,939** | P79,007 | **P439,464** | P359,027 | **P18,072** | P16,570 | **P18,619** | P19,806 | **P13,005** | P13,618 | **P789,021** | P685,229 |

## 3. Other Income (Charges) - Net

Other income (charges) - net consists of:

| | Note | June 30 2024 | 2023 |
|---|---|---|---|
| Construction costs | | **(P30,992)** | (P22,671) |
| Gain (loss) on foreign exchange - net | *8* | **(27,206)** | 3,798 |
| Construction revenue | | **30,992** | 22,671 |
| Gain (loss) on derivatives - net | *9* | **2,313** | (574) |
| Dividend income | | **13** | 15 |
| Miscellaneous gain | | **-** | 2,291 |
| Others | | **493** | 690 |
| | | **(P24,387)** | P6,220 |

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 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, casualty loss and expenses of closed facilities.

## 4. Related Party Disclosures

San Miguel Corporation (SMC 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 June 30, 2024 and December 31, 2023:

| | Year | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | **June 30, 2024** | **P2** | **P -** | **P -** | **P515** | On demand; non-interest bearing | Unsecured |
| | December 31, 2023 | 8 | - | - | 515 | | |
| | **June 30, 2024** | **-** | **-** | **3,037** | **-** | To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | - | - | 3,037 | - | | |
| Retirement Plans | **June 30, 2024** | **14** | **-** | **3,050** | **-** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 29 | - | 3,332 | - | | |
| | **June 30, 2024** | **117** | **-** | **4,130** | - | On demand; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 239 | - | 4,129 | 9 | | |
| Associates | **June 30, 2024** | **916** | **-** | **1,363** | **61** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 2,466 | - | 1,119 | 73 | | |
| | **June 30, 2024** | **163** | **-** | **4,288** | **28,769** | Less than 1 to 12 years; interest bearing | Unsecured and secured; no impairment |
| | December 31, 2023 | 469 | - | 4,288 | 25,076 | | |
| Joint Ventures | **June 30, 2024** | **44** | **33** | **243** | **44** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 74 | 65 | 197 | 18 | | |
| | **June 30, 2024** | **13** | **-** | **621** | **-** | On demand; interest bearing | Unsecured; with impairment |
| | December 31, 2023 | 40 | - | 621 | - | | |
| | **June 30, 2024** | **40** | **-** | **1,487** | **-** | Less than 1 to 10.5 years; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 77 | - | 1,479 | - | | |
| Shareholder of the Ultimate Parent Company | **June 30, 2024** | **-** | **-** | **1,300** | **-** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | - | - | 1,300 | - | | |
| Shareholders in Subsidiaries | **June 30, 2024** | **19** | **552** | **95** | **1,404** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 30 | 990 | 100 | 1,304 | | |
| Others | **June 30, 2024** | **286** | **438** | **222** | **142** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 451 | 2,965 | 157 | 162 | | |
| **Total** | **June 30, 2024** | **P1,614** | **P1,023** | **P19,836** | **P30,935** | | |
| Total | December 31, 2023 | P3,883 | P4,020 | P19,759 | P27,157 | | |

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, advances to suppliers and deposits and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

      *(i) Amounts owed by the Ultimate Parent Company amounting to P2,312:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. The Nonoc Project is primarily focused in

extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at June 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statements of financial position as at June 30, 2024 and December 31, 2023.

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at June 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under "Other noncurrent assets - net" account in the consolidated statements of financial position as at June 30, 2024 and December 31, 2023.

b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P6,221 and P6,522 as at June 30, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5.75% per annum in 2024 and 2023. Interest income earned from the advances amounted to P94 in 2024 and 2023.

c) Petron Corporation has advances to Petron Corporation Employee Retirement Plan amounting to P959 and P937 as at June 30, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. The advances are subject to interest of 5% per annum in 2024 and 2023. Interest income earned from the advances amounted to P23 in 2024 and 2023.

d) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BankCom) for a total amount of P4,288 as at June 30, 2024 and December 31, 2023, 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. Interest income earned from investments in debt instruments amounted to P162 and P320 in 2024 and 2023, respectively.

e) Amounts owed by related parties include interest-bearing receivable from joint ventures amounting to P621 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 June 30, 2024 and December 31, 2023. Interest income earned from the receivable amounted to P13 and P20 in 2024 and 2023, respectively.

f) Amounts owed by joint ventures include the interest-bearing loans granted to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. amounting to P1,487 and P1,479 as at June 30, 2024 and December 31, 2023, respectively, presented as part of "Trade and other receivables - net" and "Other noncurrent assets - net" accounts in the consolidated statements of financial position. Interest income earned from the loans amounted to P40 and P36 in 2024 and 2023, respectively.

g) Amounts owed by related parties include the receivable from the assignment by Eagle Cement Corporation to Far East Holdings, Inc. of the advances for future investment in KB Space Holdings, Inc. amounting to P1,300, presented as part of “Trade and other receivables - net” account in the consolidated statements of financial position as at June 30, 2024 and December 31, 2023.

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 P7 and P4 as at June 30, 2024 and December 31, 2023, respectively, and as part of “Lease liabilities - net of current portion” amounted to P3 and P5 as at June 30, 2024 and December 31, 2023, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.

5) The amounts owed to associates include interest bearing loans payable to BankCom presented as part of “Loans payable” account amounting to P8,170 and P6,382 and “Long-term debt” account amounting to P20,599 and P18,694 in the consolidated statements of financial position as at June 30, 2024 and December 31, 2023, respectively.

   The amounts owed to associates include syndicated project finance loans amounting to P13,819 and P12,375 as at June 30, 2024 and December 31, 2023, 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 SMC or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

## 5. Property, Plant and Equipment

Property, plant and equipment consist of:

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

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| January 1, 2023 (Audited) | P53,863 | P80,797 | P203,466 | P194,444 | P20,482 | P233,513 | P9,971 | P194,022 | P990,558 |
| Additions | 320 | 734 | 1,728 | 394 | 514 | 7,698 | 173 | 59,612 | 71,173 |
| Acquisition of a subsidiary | 448 | - | - | - | - | - | - | - | 448 |
| Disposals/retirement | (6) | (168) | (76) | (1) | (918) | (2,943) | (14) | (14) | (4,140) |
| Reclassifications and others | 3,801 | 12,365 | 20,251 | 948 | 261 | 23,101 | 2,549 | (55,165) | 8,111 |
| Currency translation adjustments | (102) | (276) | - | (1,278) | (494) | (773) | 2 | (38) | (2,959) |
| December 31, 2023 (Audited) | 58,324 | 93,452 | 225,369 | 194,507 | 19,845 | 260,596 | 12,681 | 198,417 | 1,063,191 |
| Additions | 976 | 103 | 1,877 | 129 | 679 | 2,944 | 293 | 41,177 | 48,178 |
| Disposals/retirement | (67) | (20) | - | (2) | (1,286) | (1,409) | (1) | (3) | (2,788) |
| Reclassifications and others | 6 | 3,568 | 22,618 | (4) | 1 | 10,145 | 3,905 | (35,845) | 4,394 |
| Currency translation adjustments | 44 | 479 | - | 861 | 324 | 1,627 | 16 | 34 | 3,385 |
| **June 30, 2024 (Unaudited)** | **59,283** | **97,582** | **249,864** | **195,491** | **19,563** | **273,903** | **16,894** | **203,780** | **1,116,360** |
| **Accumulated Depreciation** | | | | | | | | | |
| January 1, 2023 (Audited) | 4,418 | 22,994 | 31,561 | 70,405 | 15,550 | 119,783 | 2,817 | - | 267,528 |
| Depreciation | 560 | 2,518 | 8,760 | 6,336 | 950 | 12,496 | 547 | - | 32,167 |
| Disposals/retirement | (6) | (117) | (13) | (1) | (818) | (1,980) | (14) | - | (2,949) |
| Reclassifications | (11) | (477) | - | 31 | 14 | 467 | (8) | - | 16 |
| Currency translation adjustments | 1 | (129) | - | (553) | (320) | (444) | - | - | (1,445) |
| December 31, 2023 (Audited) | 4,962 | 24,789 | 40,308 | 76,218 | 15,376 | 130,322 | 3,342 | - | 295,317 |
| Depreciation | 285 | 1,355 | 4,922 | 2,854 | 405 | 6,619 | 363 | - | 16,803 |
| Disposals/retirement | - | (20) | - | - | (1,236) | (961) | (1) | - | (2,218) |
| Reclassifications | (776) | (148) | - | - | - | 3,110 | 1 | - | 2,187 |
| Currency translation adjustments | (1) | 209 | - | 401 | 186 | 864 | 3 | - | 1,662 |
| **June 30, 2024 (Unaudited)** | **4,470** | **26,185** | **45,230** | **79,473** | **14,731** | **139,954** | **3,708** | **-** | **313,751** |
| **Accumulated Impairment Losses** | | | | | | | | | |
| January 1, 2023 (Audited) | - | 3,417 | - | - | - | 11,395 | 26 | - | 14,838 |
| Impairment | - | - | - | - | - | 15 | - | 65 | 80 |
| Disposals/retirement | - | (42) | - | - | - | (84) | - | - | (126) |
| Reclassifications | - | - | - | - | - | (122) | - | - | (122) |
| Currency translation adjustments | - | (72) | - | - | - | (196) | - | - | (268) |
| December 31, 2023 (Audited) | - | 3,303 | - | - | - | 11,008 | 26 | 65 | 14,402 |
| Reversal of impairment | - | - | - | - | - | (10) | - | (1) | (11) |
| Disposals/retirement | - | - | - | - | - | (81) | - | - | (81) |
| Currency translation adjustments | - | 174 | - | - | - | 550 | 1 | - | 725 |
| **June 30, 2024 (Unaudited)** | **-** | **3,477** | **-** | **-** | **-** | **11,467** | **27** | **64** | **15,035** |
| **Carrying Amount** | | | | | | | | | |
| December 31, 2023 (Audited) | P53,362 | P65,360 | P185,061 | P118,289 | P4,469 | P119,266 | P9,313 | P198,352 | P753,472 |
| **June 30, 2024 (Unaudited)** | **P54,813** | **P67,920** | **P204,634** | **P116,018** | **P4,832** | **P122,482** | **P13,159** | **P203,716** | **P787,574** |

June 30, 2023

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| January 1, 2023 (Audited) | P53,863 | P80,797 | P203,466 | P194,444 | P20,482 | P233,513 | P9,971 | P194,022 | P990,558 |
| Additions | 224 | 395 | 79 | 142 | 108 | 2,542 | 26 | 25,928 | 29,444 |
| Acquisition of a subsidiary | 448 | - | - | - | - | - | - | - | 448 |
| Disposals/retirement | (6) | (78) | (76) | - | (81) | (597) | (1) | - | (839) |
| Reclassifications and others | 1,696 | 12,562 | 715 | 72 | 167 | 12,255 | 964 | (21,118) | 7,313 |
| Currency translation adjustments | (185) | (460) | - | (1,726) | (692) | (1,304) | (18) | (45) | (4,430) |
| June 30, 2023 (Unaudited) | 56,040 | 93,216 | 204,184 | 192,932 | 19,984 | 246,409 | 10,942 | 198,787 | 1,022,494 |
| Accumulated Depreciation | | | | | | | | | |
| January 1, 2023 (Audited) | 4,418 | 22,994 | 31,561 | 70,405 | 15,550 | 119,783 | 2,817 | - | 267,528 |
| Depreciation | 299 | 1,173 | 4,102 | 2,681 | 493 | 5,984 | 236 | - | 14,968 |
| Disposals/retirement | (6) | (77) | (13) | - | (78) | (508) | (1) | - | (683) |
| Reclassifications | - | (26) | 14 | - | 14 | 374 | (5) | - | 371 |
| Currency translation adjustments | 1 | (204) | - | (750) | (429) | (763) | (4) | - | (2,149) |
| June 30, 2023 (Unaudited) | 4,712 | 23,860 | 35,664 | 72,336 | 15,550 | 124,870 | 3,043 | - | 280,035 |
| Accumulated Impairment Losses | | | | | | | | | |
| January 1, 2023 (Audited) | - | 3,417 | - | - | - | 11,395 | 26 | - | 14,838 |
| Reversal of impairment | - | - | - | - | - | (10) | - | - | (10) |
| Currency translation adjustments | - | (147) | - | - | - | (385) | (1) | - | (533) |
| June 30, 2023 (Unaudited) | - | 3,270 | - | - | - | 11,000 | 25 | - | 14,295 |
| Carrying Amount | | | | | | | | | |
| June 30, 2023 (Unaudited) | P51,328 | P66,086 | P168,520 | P120,596 | P4,434 | P110,539 | P7,874 | P198,787 | P728,164 |

Depreciation charged to operations amounted to P16,803 and P14,968 for the periods ended June 30, 2024 and 2023, 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 June 30, 2024 and December 31, 2023, certain property, plant and equipment amounting to P181,608 and P165,263, respectively, are pledged as security for syndicated project finance loans.

## 6. Basic and Diluted Earnings Per Common 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:

| | June 30 | |
|---|---|---|
| | **2024** | 2023 |
| Net income (loss) attributable to equity holders of the Parent Company | **(P8,703)** | P757 |
| Less: Dividends on preferred shares for the period | **3,708** | 1,755 |
| Distributions on capital securities for the period | **1,032** | 1,000 |
| Net loss attributable to common shareholders of the Parent Company (a) | **(P13,443)** | (P1,998) |
| Weighted average number of common shares outstanding (in millions) - basic and diluted (b) | **2,384** | 2,384 |
| Basic and diluted loss per common share attributable to equity holders of the Parent Company (a/b) | **(P5.64)** | (P0.84) |

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

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

## 7. Dividends and Distributions

Dividends

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

**2024**

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| **Common** | | | | |
| | March 11, 2024 | March 27, 2024 | April 26, 2024 | **P0.35** |
| | June 11, 2024 | June 28, 2024 | July 26, 2024 | **0.35** |
| **Preferred** | | | | |
| **Regular Dividend** | | | | |
| SMC2F | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.27635** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.27635** |
| SMC2I | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.18790625** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.18790625** |
| SMC2J | January 18, 2024 | March 21, 2024 | April 4, 2024 | **0.890625** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.890625** |

*Forward*

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| **Preferred** | | | | |
| **Regular Dividend** | | | | |
| SMC2K | January 18, 2024 | March 21, 2024 | April 4, 2024 | **P0.84375** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.84375** |
| SMC2L | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.48396875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.48396875** |
| SMC2M | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5703125** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.5703125** |
| SMC2N | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5649875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.5649875** |
| SMC2O | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.611300** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.611300** |
| **One-Time Dividend** | | | | |
| SMC2K | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.1031250** |
| SMC2L | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.329770833333333** |
| SMC2M | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.505989583333333** |
| SMC2N | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.347775** |
| SMC2O | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.358066666666667** |

2023

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| Common | | | | |
| | March 9, 2023 | March 31, 2023 | April 28, 2023 | P0.35 |
| | June 13, 2023 | June 30, 2023 | July 26, 2023 | 0.35 |
| Preferred | | | | |
| SMC2F | January 26, 2023 | March 21, 2023 | April 4, 2023 | 1.27635 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 1.27635 |
| SMC2I | January 26, 2023 | March 21, 2023 | April 4, 2023 | 1.18790625 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 1.18790625 |
| SMC2J | January 26, 2023 | March 21, 2023 | April 4, 2023 | 0.890625 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 0.890625 |
| SMC2K | January 26, 2023 | March 21, 2023 | April 4, 2023 | 0.84375 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 0.84375 |

On August 8, 2024, the BOD of the Parent Company declared regular cash dividends to all preferred shareholders of record as at September 20, 2024 on the following shares to be paid on October 4, 2024, as follows:

Regular Dividend

| Class of Shares | Dividend Per Share |
|---|---|
| SMC2F | P1.27635 |
| SMC2I | 1.18790625 |
| SMC2J | 0.890625 |
| SMC2K | 0.84375 |
| SMC2L | 1.48396875 |
| SMC2M | 1.5703125 |
| SMC2N | 1.5649875 |
| SMC2O | 1.611300 |

The foregoing one-time dividend was paid for the purpose of synchronization and alignment of dividend payments on the outstanding Series 2 Preferred Shares, in accordance with the respective terms and conditions of the Series 2 Preferred Shares issuances.

Distributions

The Parent Company paid P1,032 and P1,000 for the periods ended June 30, 2024 and 2023, respectively, to the holders of Senior Perpetual Capital Securities (SPCS), as distributions in accordance with the terms and conditions of the subscription agreement.

On July 26, 2024, the Parent Company paid distributions amounting to P1,070 to the holders of SPCS.

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

Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, dividends and distributions payable, 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:

| **June 30, 2024** | **<1 Year** | **1-2 Years** | **>2-3 Years** | **>3-4 Years** | **>4-5 Years** | **>5 Years** | **Total** |
|---|---|---|---|---|---|---|---|
| **Fixed Rate** | | | | | | | |
| Philippine Peso-denominated | **P88,833** | **P85,822** | **P83,286** | **P133,325** | **P52,916** | **P111,817** | **P555,999** |
| Interest rate | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.3832% - 9.635%** | **3.5483% - 9.635%** | **3.5483% - 9.635%** | |
| Foreign currency-denominated (expressed in Philippine Peso) | **1,440** | **1,505** | **1,574** | **1,644** | **10,514** | **18,480** | **35,157** |
| Interest rate | **8.331%** | **8.331%** | **8.331%** | **8.331%** | **6.55% - 8.331%** | **6.68% - 8.331%** | |
| **Floating Rate** | | | | | | | |
| Philippine Peso-denominated | **21,993** | **2,090** | **3,756** | **4,212** | **4,345** | **34,661** | **71,057** |
| 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) | **160,477** | **33,095** | **121,104** | **117,283** | **35,772** | **104,316** | **572,047** |
| Interest rate | **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** | |
| | **P272,743** | **P122,512** | **P209,720** | **P256,464** | **P103,547** | **P269,274** | **P1,234,260** |

| December 31, 2023 | <1 Year | 1-2 Years | >2-3 Years | >3-4 Years | >4-5 Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|
| Fixed Rate | | | | | | | |
| Philippine Peso-denominated | P98,099 | P73,303 | P75,000 | P118,771 | P87,199 | P142,861 | P595,233 |
| Interest rate | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.3832% - 9.635% | 3.5483% - 9.635% | 3.5483% - 9.635% | |
| Foreign currency-denominated (expressed in Philippine peso) | 1,330 | 1,391 | 1,454 | 1,520 | 9,895 | 9,967 | 25,557 |
| Interest rate | 8.331% | 8.331% | 8.331% | 8.331% | 6.55% - 8.331% | 8.331% | |
| Floating Rate | | | | | | | |
| Philippine Peso-denominated | 2,286 | 21,819 | 1,938 | 1,938 | 2,398 | 23,561 | 53,940 |
| 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) | 136,617 | 23,802 | 88,505 | 73,884 | 120,336 | 85,960 | 529,104 |
| Interest 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 | |
| | P238,332 | P120,315 | P166,897 | P196,113 | P219,828 | P262,349 | P1,203,834 |

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P3,216 and P5,830 for the period ended June 30, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

| | **June 30, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **US$1,719** | **P100,800** | US$1,720 | P95,227 |
| Trade and other receivables | **1,123** | **65,844** | 1,322 | 73,163 |
| Prepaid expenses and other current assets | **21** | **1,233** | 21 | 1,165 |
| Noncurrent receivables | **36** | **2,127** | 33 | 1,857 |
| | **2,899** | **170,004** | 3,096 | 171,412 |
| **Liabilities** | | | | |
| Loans payable | **202** | **11,837** | 243 | 13,458 |
| Accounts payable and accrued expenses | **2,149** | **125,894** | 2,497 | 138,309 |
| Long-term debt (including current maturities) | **10,361** | **607,204** | 10,018 | 554,661 |
| Lease liabilities (including current portion) | **328** | **19,148** | 434 | 24,066 |
| Other noncurrent liabilities | **36** | **2,125** | 25 | 1,447 |
| | **13,076** | **766,208** | 13,217 | 731,941 |
| Net foreign currency-denominated monetary liabilities | **US$10,177** | **P596,204** | US$10,121 | P560,529 |

The Group reported net gain (loss) on foreign exchange amounting to (P27,206) and P3,798 for the periods ended June 30, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). 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** |
|---|---|
| **June 30, 2024** | **P58.610** |
| December 31, 2023 | 55.370 |
| June 30, 2023 | 55.200 |
| December 31, 2022 | 55.755 |

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

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

| | **P1 Decrease in the US Dollar Exchange Rate** | | **P1 Increase in the US Dollar Exchange Rate** | |
|---|---|---|---|---|
| **June 30, 2024** | **Effect on Income before Income Tax** | **Effect on Equity** | **Effect on Income before Income Tax** | **Effect on Equity** |
| Cash and cash equivalents | **(P1,235)** | **(P1,414)** | **P1,235** | **P1,414** |
| Trade and other receivables | **(337)** | **(833)** | **337** | **833** |
| Prepaid expenses and other current assets | **(8)** | **(20)** | **8** | **20** |
| Noncurrent receivables | **(33)** | **(27)** | **33** | **27** |
| | **(1,613)** | **(2,294)** | **1,613** | **2,294** |
| Loans payable | **100** | **175** | **(100)** | **(175)** |
| Accounts payable and accrued expenses | **984** | **1,748** | **(984)** | **(1,748)** |
| Long-term debt (including current maturities) | **10,325** | **7,778** | **(10,325)** | **(7,778)** |
| Lease liabilities (including current portion) | **242** | **267** | **(242)** | **(267)** |
| Other noncurrent liabilities | **22** | **31** | **(22)** | **(31)** |
| | **11,673** | **9,999** | **(11,673)** | **(9,999)** |
| | **P10,060** | **P7,705** | **(P10,060)** | **(P7,705)** |

| | P1 Decrease in the US Dollar Exchange Rate | | P1 Increase in the US Dollar Exchange Rate | |
|---|---|---|---|---|
| December 31, 2023 | Effect on Income before Income Tax | Effect on Equity | Effect on Income before Income Tax | Effect on Equity |
| Cash and cash equivalents | (P1,238) | (P1,425) | P1,238 | P1,425 |
| Trade and other receivables | (429) | (1,076) | 429 | 1,076 |
| Prepaid expenses and other current assets | (10) | (19) | 10 | 19 |
| Noncurrent receivables | (31) | (25) | 31 | 25 |
| | (1,708) | (2,545) | 1,708 | 2,545 |
| Loans payable | - | 242 | - | (242) |
| Accounts payable and accrued expenses | 1,338 | 2,054 | (1,338) | (2,054) |
| Long-term debt (including current maturities) | 9,977 | 7,775 | (9,977) | (7,775) |
| Lease liabilities (including current portion) | 341 | 349 | (341) | (349) |
| Other noncurrent liabilities | 16 | 21 | (16) | (21) |
| | 11,672 | 10,441 | (11,672) | (10,441) |
| | P9,964 | P7,896 | (P9,964) | (P7,896) |

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.

The Parent Company 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.

| June 30, 2024 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | **P253,890** | **P253,890** | **P253,890** | **P -** | **P -** | **P -** |
| Trade and other receivables - net | **263,809** | **263,809** | **263,809** | **-** | **-** | **-** |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **3,104** | **3,104** | **1,905** | **-** | **1,199** | **-** |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **892** | **892** | **433** | **-** | **-** | **459** |
| Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account) | **7,559** | **7,878** | **54** | **54** | **2,076** | **5,694** |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,165** | **15,659** | **1,381** | **846** | **11,032** | **2,400** |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **9,163** | **9,369** | **35** | **3,770** | **460** | **5,104** |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **22,147** | **22,147** | **17,170** | **3,423** | **-** | **1,554** |
| **Financial Liabilities** | | | | | | |
| Loans payable | **262,279** | **264,634** | **264,634** | **-** | **-** | **-** |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO), and deferred income) | **250,563** | **250,563** | **250,563** | **-** | **-** | **-** |
| Dividends and distributions payable | **5,444** | **5,444** | **5,444** | **-** | **-** | **-** |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **1,713** | **1,713** | **1,551** | **-** | **162** | **-** |
| Long-term debt (including current maturities) | **1,222,414** | **1,561,717** | **346,197** | **186,642** | **682,973** | **345,905** |
| Lease liabilities (including current portion) | **46,688** | **60,625** | **13,328** | **8,509** | **20,511** | **18,277** |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities) | **13,311** | **13,311** | **-** | **5,966** | **4,087** | **3,258** |

| December 31, 2023 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | P261,358 | P261,358 | P261,358 | P - | P - | P - |
| Trade and other receivables - net | 263,119 | 263,119 | 263,119 | - | - | - |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 2,364 | 2,364 | 2,063 | - | 301 | - |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 1,401 | 1,401 | 1,012 | - | - | 389 |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account) | 7,424 | 7,738 | 54 | 54 | 1,970 | 5,660 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 12,158 | 16,822 | 1,333 | 846 | 2,636 | 12,007 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | 9,181 | 10,613 | 843 | 1,541 | 2,156 | 6,073 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 18,519 | 18,519 | 14,076 | 3,111 | - | 1,332 |
| Financial Liabilities | | | | | | |
| Loans payable | 214,881 | 217,073 | 217,073 | - | - | - |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income) | 220,205 | 220,205 | 220,205 | - | - | - |
| Dividends and distributions payable | 4,605 | 4,605 | 4,605 | - | - | - |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | 1,177 | 1,177 | 908 | - | 269 | - |
| Long-term debt (including current maturities) | 1,190,584 | 1,521,481 | 312,675 | 181,041 | 699,563 | 328,202 |
| Lease liabilities (including current portion) | 56,572 | 69,146 | 20,878 | 6,467 | 22,334 | 19,467 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | 11,023 | 11,023 | - | 5,577 | 3,671 | 1,775 |

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 was 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.

| | **June 30, 2024** | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | **P250,439** | P256,366 |
| Trade and other receivables - net | **263,809** | 263,119 |
| Derivative assets | **3,104** | 2,364 |
| Investment in debt instruments at FVPL | **433** | 1,012 |
| Investment in debt instruments at FVOCI | **662** | 667 |
| Investment in debt instruments at amortized cost | **12,165** | 12,158 |
| Noncurrent receivables and deposits - net | **9,163** | 9,181 |
| Restricted cash | **22,147** | 18,519 |
| | **P561,922** | P563,386 |

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

| | **June 30, 2024** | | | | | |
|---|---|---|---|---|---|---|
| | **Financial Assets at Amortized Cost** | | | | | |
| | **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) | **P250,439** | **P -** | **P -** | **P -** | **P -** | **P250,439** |
| Trade and other receivables | **-** | **263,809** | **13,081** | **-** | **-** | **276,890** |
| Derivative assets | **-** | **-** | **-** | **1,037** | **2,067** | **3,104** |
| Investment in debt instruments at FVPL | **-** | **-** | **-** | **433** | **-** | **433** |
| Investment in debt instruments at FVOCI | **-** | **-** | **-** | **-** | **662** | **662** |
| Investment in debt instruments at amortized cost | **12,165** | **-** | **-** | **-** | **-** | **12,165** |
| Noncurrent receivables and deposits | **-** | **9,163** | **577** | **-** | **-** | **9,740** |
| Restricted cash | **22,147** | **-** | **-** | **-** | **-** | **22,147** |

| | December 31, 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) | P256,366 | P - | P - | P - | P - | P256,366 |
| Trade and other receivables | - | 263,119 | 13,120 | - | - | 276,239 |
| Derivative assets | - | - | - | 1,270 | 1,094 | 2,364 |
| Investment in debt instruments at FVPL | - | - | - | 1,012 | - | 1,012 |
| Investment in debt instruments at FVOCI | - | - | - | - | 667 | 667 |
| Investment in debt instruments at amortized cost | 12,158 | - | - | - | - | 12,158 |
| Noncurrent receivables and deposits | - | 9,181 | 567 | - | - | 9,748 |
| Restricted cash | 18,519 | - | - | - | - | 18,519 |

The aging of receivables is as follows:

| **June 30, 2024** | **Trade** | **Non-trade** | **Amounts Owed by Related Parties** | **Total** |
|---|---|---|---|---|
| Current | **P126,175** | **P44,593** | **P9,387** | **P180,155** |
| Past due: | | | | |
| 1 - 30 days | **17,690** | **491** | **147** | **18,328** |
| 31 - 60 days | **2,907** | **340** | **11** | **3,258** |
| 61 - 90 days | **1,995** | **320** | **15** | **2,330** |
| Over 90 days | **38,242** | **33,000** | **1,577** | **72,819** |
| | **P187,009** | **P78,744** | **P11,137** | **P276,890** |

| December 31, 2023 | Trade | Non-trade | Amounts Owed by Related Parties | Total |
|---|---|---|---|---|
| Current | P127,332 | P42,108 | P8,709 | P178,149 |
| Past due: | | | | |
| 1 - 30 days | 17,482 | 8,071 | 66 | 25,619 |
| 31 - 60 days | 5,049 | 282 | 14 | 5,345 |
| 61 - 90 days | 3,322 | 1,331 | 14 | 4,667 |
| Over 90 days | 35,262 | 24,939 | 2,258 | 62,459 |
| | P188,447 | P76,731 | P11,061 | P276,239 |

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, investments in debt instruments 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 BankCom which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

## 9. Financial Assets and Financial Liabilities

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

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

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

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

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 and presented in the consolidated statements of changes in equity. 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 cash flow 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.

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

| | **June 30, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **P253,890** | **P253,890** | P261,358 | P261,358 |
| Trade and other receivables - net | **263,809** | **263,809** | 263,119 | 263,119 |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **3,104** | **3,104** | 2,364 | 2,364 |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **892** | **892** | 1,401 | 1,401 |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account) | **7,559** | **7,559** | 7,424 | 7,424 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,165** | **12,165** | 12,158 | 12,158 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **9,163** | **9,163** | 9,181 | 9,181 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **22,147** | **22,147** | 18,519 | 18,519 |

*Forward*

| | June 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Liabilities** | | | | |
| Loans payable | **P262,279** | **P262,279** | P214,881 | P214,881 |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income) | **250,563** | **250,563** | 220,205 | 220,205 |
| Dividends and distributions payable | **5,444** | **5,444** | 4,605 | 4,605 |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **1,713** | **1,713** | 1,177 | 1,177 |
| Long-term debt (including current maturities) | **1,222,414** | **1,239,117** | 1,190,584 | 1,211,878 |
| Lease liabilities (including current portion) | **46,688** | **46,688** | 56,572 | 56,572 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **13,311** | **13,311** | 11,023 | 11,023 |

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 and equity 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, Accounts Payable and Accrued Expenses, and Dividends and Distributions Payable.* The carrying amount of loans payable, accounts payable and accrued expenses, and dividends and distributions payable 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 6.6% and 5.1% to 6.0% as at June 30, 2024 and December 31, 2023, respectively. The discount rates used for foreign currency-denominated loans range from 4.3% to 5.4% and 3.9% to 5.3% as at June 30, 2024 and December 31, 2023, 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** | | | |
|---|---|---|---|---|
| **June 30, 2024** | **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$555** | **US$745** |
| Average strike rate | **P48.00 to P53.70** | **-** | **P51.35 to P61.62** | |
| Foreign currency and interest rate risks: | | | | |
| Cross currency swap: | | | | |
| Notional amount | **US$30** | **US$ -** | **US$ -** | **US$30** |
| Average strike rate | **P50.635** | **-** | **-** | |
| Fixed interest rate | **3.60% to 4.01%** | **-** | **-** | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | **US$ -** | **US$ -** | **US$925** | **US$925** |
| Interest rate | **-** | **-** | **0.39% to 6.30%** | |

| | Maturity | | | |
|---|---|---|---|---|
| December 31, 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$30 |
| Average strike rate | P50.635 | - | - | |
| Fixed interest rate | 3.60% to 4.01% | - | - | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | US$ - | US$ - | US$525 | US$525 |
| Interest rate | - | - | 0.39% to 6.35% | |

The following are the amounts relating to hedged items:

| **June 30, 2024** | **Change in Fair Value Used for Measuring Hedge Ineffectiveness** | **Hedging Reserve** | **Cost of Hedging Reserve** |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | **(P1,218)** | **P -** | **(P1,244)** |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | **(52)** | **(4)** | **15** |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | **1,595** | **(1,119)** | **1,238** |

| December 31, 2023 | Change in Fair Value Used for Measuring Hedge Ineffectiveness | Hedging Reserve | Cost of Hedging Reserve |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | P4 | P - | (P290) |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | (142) | (23) | 20 |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | 59 | 148 | (258) |

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:

| **June 30, 2024** | **Notional Amount** | **Carrying Amount** | | **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** |
|---|---|---|---|---|---|---|---|---|---|
| | | **Assets** | **Liabilities** | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | **US$745** | **P1,768** | **P -** | Prepaid expenses and other current assets, and Other noncurrent assets - net | **P1,218** | **(P1,201)** | **(P1,218)** | **P113** | Interest expense and other financing charges, and Other income (charges) - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | **30** | **157** | **-** | Prepaid expenses and other current assets | **52** | **(5)** | **(30)** | **-** | Interest expense and other financing charges, and Other income (charges) - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | **925** | **142** | **(162)** | Other noncurrent assets - net, and Other noncurrent liabilities | **(1,595)** | **1,809** | **(91)** | **-** | Interest expense and other financing charges |

| December 31, 2023 | Notional Amount | Carrying Amount | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | US$270 | P832 | P - | Prepaid expenses and other current assets, and Other noncurrent assets - net | (P4) | P10 | P4 | P197 | Interest expense and other financing charges, and Other income - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | 30 | 137 | - | Prepaid expenses and other current assets | 142 | 105 | (291) | (9) | Interest expense and other financing charges, and Other income - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | 525 | 125 | (269) | Other noncurrent assets - net, and Other noncurrent liabilities | (59) | (202) | (77) | (21) | Interest expense and other financing charges |

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the 2024 and 2023 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.

| | **June 30, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Hedging Reserve** | **Cost of Hedging Reserve** | Hedging Reserve | Cost of Hedging Reserve |
| Beginning balance | **P125** | **(P528)** | P339 | (P595) |
| Changes in fair value: | | | | |
| Foreign currency risk | **1,218** | **(1,201)** | (4) | 10 |
| Foreign currency risk and interest rate risks | **52** | **(5)** | 142 | 105 |
| Interest rate risk | **(1,595)** | **1,809** | (59) | (202) |
| Amount reclassified to profit or loss | **(1,339)** | **113** | (364) | 167 |
| Tax effect | **416** | **(179)** | 71 | (13) |
| Ending balance | **(P1,123)** | **P9** | P125 | (P528) |

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$75 as at June 30, 2024 and US$90 as at March 31, 2024 and December 31, 2023. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P39, P45 and P47 as at June 30 and March 31, 2024 and December 31, 2023, respectively.

*Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$653, US$758 and US$978 as at June 30 and March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net positive (negative) fair value of these currency forwards amounted to (P63), P201 and (P385) as at June 30 and March 31, 2024 and December 31, 2023, respectively.

*Currency Options*

The Group has outstanding currency options with an aggregate notional amount of US$977, US$1,165 and US$200 as at June 30 and March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net negative fair value of these currency options amounted to P388, P11 and P18 as at June 30 and March 31, 2024 and December 31, 2023, respectively.

*Commodity Swaps*

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2024 and 2025. 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 43.0 million barrels, 33.6 million barrels and 51.1 million barrels as at June 30 and March 31, 2024 and December 31, 2023, respectively. The net positive fair value of these swaps amounted to P236, P196 and P738 as at June 30 and March 31, 2024 and December 31, 2023, respectively.

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

*Embedded Currency Forwards*
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$170, US$166 and US$145 as at June 30 and March 31, 2024 and December 31, 2023, 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 P339, P86 and P20 as at June 30 and March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to P2,313, (P574), P358 and (P2,177) for the periods ended June 30, 2024 and 2023, and March 31, 2024 and 2023, respectively (Note 3).

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

| | **June 30, 2024** | December 31, 2023 |
|---|---|---|
| Balance at beginning of year | **P1,187** | P792 |
| Net change in fair value of derivatives: | | |
| Designated as accounting hedge | **278** | 43 |
| Not designated as accounting hedge | **2,313** | (1,379) |
| | **3,778** | (544) |
| Less fair value of settled instruments | **2,387** | (1,731) |
| Balance at end of period | **P1,391** | P1,187 |

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

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

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

| | **June 30, 2024** | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** | Level 1 | Level 2 | Total |
| **Financial Assets** | | | | | | |
| Derivative assets | **P -** | **P3,104** | **P3,104** | P - | P2,364 | P2,364 |
| Financial assets at FVPL | **433** | **459** | **892** | 1,012 | 389 | 1,401 |
| Financial assets at FVOCI | **1,617** | **5,942** | **7,559** | 1,407 | 6,017 | 7,424 |
| **Financial Liabilities** | | | | | | |
| Derivative liabilities | **-** | **1,713** | **1,713** | - | 1,177 | 1,177 |

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

## 10. Event After the Reporting Date

### Issuance of Series O and P Fixed Rate Peso-denominated Bonds by the Parent Company

On July 3, 2024, the Parent Company issued and listed with the Philippine Dealing & Exchange Corp. the Series O and P fixed rate Peso-denominated Bonds amounting to P20,000, out of the remainder of the existing P50,000 bonds shelf-registered with the SEC.

The net proceeds were used to partially pay P11,240 out of the P30,000 Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by some of the holders of the Series I Bonds. Further, the remaining balance of the Series I fixed rate Peso-denominated Bonds were repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until its maturity on July 8, 2027.

## 11. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P267,588 and P248,484 as at June 30, 2024 and December 31, 2023, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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. 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.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of June 30, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ending June 30, 2024 and 2023 for operating efficiency ratios.

| | **June 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.00** | 1.12 |
| Quick Ratio | **0.61** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.90** | 2.70 |
| Asset to Equity Ratio | **3.90** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(3.03%)** | 0.07% |
| Interest Rate Coverage Ratio | **1.45** | 1.80 |
| Return on Assets | **1.39%** | 1.84% |
| Operating Efficiency: | | |
| Volume Growth | **19%** | 3% |
| Revenue Growth (Decline) | **15%** | (4%) |
| Operating Margin | **11%** | 10% |

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 | $\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$ |
| 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 | $\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$ |

*Forward*

| KPI | Formula |
| --- | --- |
| 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.*

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended June 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended June 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at June 30, 2024, and for all 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 have been omitted.

## I. 2024 SIGNIFICANT TRANSACTIONS

### INVESTING ACTIVITIES

- **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

  On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the "Consortium"), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

  On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan availment and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

  The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are ongoing which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in entities through which San Miguel Global Power owns and/or operates the following: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) the land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI.

  Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of securing the necessary clearance from the Philippine Competition Commission in relation to the joint investment by San Miguel Global Power and CGHI.

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

  On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) Projects, and for payment of transaction costs.

- **Infrastructure**

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

    On January 15 and April 15, 2024, SMC MRT 7 drew a total of P12,500 million term loans from the P100,000 million OLSA executed with various local banks on May 18, 2023. The loans are subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

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

    On March 4 and June 18, 2024, SMC NAIAX drew a total of P761 million term loans from the P5,656 million OLSA executed with various banks on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **SMC**

  a. On various dates in the first semester of 2024, SMC drew a total of US$233 million term loans from the US$2,165 million loan facility executed on March 31, 2022. The loans are 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.

  b. On May 17, 2024, SMC availed of a US$150 million term loan, subject to a fixed interest rate and with a term of five years. The proceeds of the loan were used for general corporate purposes.

**PAYMENT OF LONG-TERM DEBT**

**FIXED RATE PESO-DENOMINATED BONDS**

- **SMC**

  On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued in 2017.

  The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

- **PETRON CORPORATION (PETRON)**

  On April 19, 2024, Petron paid its Series C fixed rate Peso-denominated Bonds amounting to P13,200 million. The Series C Bonds which formed part of the P20,000 million retail bonds were issued in October 2018.

  The payment was funded by the: (a) P7,000 million term loan availed on March 6, 2024 subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years; (b) P5,000 million term loan availed on April 18, 2024, subject to a floating interest rate and with a term of five years; and (c) cash generated from operations.

- **SAN MIGUEL GLOBAL POWER**

  On April 24, 2024, San Miguel Global Power paid the P9,232 million Series I fixed rate Peso-denominated Bonds, from the proceeds of short-term loan facilities and from cash generated from operations.

  The Series I Bonds which formed part of the P30,000 million Series H, Series I and Series J fixed rate Peso-denominated Bonds were issued in April 2019.

**PESO TERM LOAN**

- **SAN MIGUEL GLOBAL POWER**

  On April 26, 2024, San Miguel Global Power fully paid the P14,100 million balance of its P15,000 million fixed rate seven-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

  The payment was funded by the proceeds of short-term loan facilities and from cash generated from operations.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the first semester of 2024, the Group paid a total of P17,462 million of its scheduled amortizations and maturing obligations funded by the proceeds of short-term loan facilities and cash generated from operations.

The Infrastructure business, Petron, the Energy, Food and Beverage, Packaging and Cement businesses and SMC paid a total of P5,752 million, P3,994 million, P3,674 million, P2,710 million, P875 million, P325 million and P132 million, respectively, of their maturing obligations.

**ISSUANCE AND REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

On April 19, 2024, San Miguel Global Power issued US$800 million Redeemable Perpetual Securities at an issue price of 100%, with a prescribed initial distribution rate per annum, payable pursuant to the terms of the agreement.

The net proceeds were used in part for the redemption of the US$783 million Senior Perpetual Capital Securities (SPCS) on April 25, 2024, pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$783 million SPCS is the remaining securities out of the US$800 million SPCS issued in April and July 2019.

The difference between the price paid and the net carrying amount of the SPCS repurchased amounting to P4,854 million was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at June 30, 2024.

**EVENT AFTER THE REPORTING DATE**

**Issuance of Series O and P Fixed Rate Peso-denominated Bonds by the Parent Company**

On July 3, 2024, the Parent Company issued and listed with the Philippine Dealing & Exchange Corp. the Series O and P fixed rate Peso-denominated Bonds amounting to P20,000 million, out of the remainder of the existing P50,000 million bonds shelf-registered with the Securities and Exchange Commission.

The net proceeds were used to partially pay P11,240 million out of the P30,000 million Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by some of the holders of the Series I Bonds. Further, the remaining balance of the Series I fixed rate Peso-denominated Bonds were repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until its maturity on July 8, 2027.

## II. FINANCIAL PERFORMANCE

**2024 vs. 2023**

| | June | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **%** | **2024** | **2023** |
| | | ***(In Millions)*** | | | | |
| Sales | **P789,021** | P685,229 | P103,792 | 15% | **100%** | 100% |
| Cost of sales | **(655,195)** | (571,215) | 83,980 | 15% | **(83%)** | (83%) |
| Gross profit | **133,826** | 114,014 | 19,812 | 17% | **17%** | 17% |
| Selling and administrative expenses | **(48,737)** | (44,093) | 4,644 | 11% | **(6%)** | (7%) |
| Operating income | **85,089** | 69,921 | 15,168 | 22% | **11%** | 10% |
| Interest expense and other financing charges | **(47,645)** | (44,847) | 2,798 | 6% | **(6%)** | (6%) |
| Interest income | **7,324** | 6,531 | 793 | 12% | **1%** | 1% |
| Equity in net earnings of associates and joint ventures | **1,237** | 1,098 | 139 | 13% | **0%** | 0% |
| Gain (loss) on sale of investments and property and equipment | **58** | (40) | 98 | 245% | **0%** | (0%) |
| Other income (charges) - net | **(24,387)** | 6,220 | (30,607) | (492%) | **(3%)** | 1% |
| Income before income tax | **21,676** | 38,883 | (17,207) | (44%) | **3%** | 6% |
| Income tax expense | **(8,098)** | (15,558) | (7,460) | (48%) | **(1%)** | (3%) |
| **Net Income** | **P13,578** | P23,325 | (P9,747) | (42%) | **2%** | 3% |
| Net income (loss) attributable to: | | | | | | |
| Equity holders of the Parent Company | **(P8,703)** | P757 | (P9,460) | (1250%) | **(1%)** | 0% |
| Non-controlling interests | **22,281** | 22,568 | (287) | (1%) | **3%** | 3% |
| **Net Income** | **P13,578** | P23,325 | (P9,747) | (42%) | **2%** | 3% |

The Group's consolidated sales of P789,021 million for the first semester of 2024 increased by 15% compared to last year, mainly on account of the higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), combined with the higher average selling price of Petron, GSMI and San Miguel Brewery Inc. (SMB).

The Group's cost of sales increased by P83,980 million or 15%, mainly due to: (a) higher volume sold and increase in average cost per liter of petroleum products of Petron; (b) the resumption of Ilijan Power Plant's operations from June 2023 onwards; (c) costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning; and (d) incremental depreciation expense from the ten BESS facilities that are now in full commercial operations. This was partially mitigated by lower fuel costs incurred by the coal-fired power plants as global coal prices went down in the first semester of 2024 compared to the same period in 2023, in terms of Globalcoal Newcastle indexed prices.

The increase in selling and administrative expenses by P4,644 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, and higher distribution costs, amortization of deferred containers in line with sales volume growth and expenses related to newly-built warehousing facilities of the Food and Beverage business.

Consolidated operating income increased by 22% to P85,089 million from last year, mainly driven by the: (a) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services, (b) growth in volume from effective marketing programs implemented by Petron, and (c) higher sales volume of the Food division and GSMI.

The increase in interest expense and other financing charges by P2,798 million was mainly due to higher interest rates and increased average level of long-term debt of the Energy business and Petron and short-term loans of Petron.

The increase in interest income by P793 million was primarily due to both higher interest rates and average balance of short-term placements of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC.

The increase in equity in net earnings of associates and joint ventures by P139 million was mainly due to the share on the higher net income of Angat Hydropower Corporation for the first semester in 2024 compared to the same period last year.

The gain on sale of investments and property and equipment in 2024 pertains mainly to the sale by San Miguel Properties, Inc. of its investment in shares of stock of Elite Montagne Realty Corp., sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P24,387 million was a turnaround from last year's other income - net of P6,220 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC, the Energy business and Petron resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSMI in 2023. In June 2024, the Philippine Peso significantly depreciated by P3.240 against the United States (US) Dollar, while in 2023, the Philippine Peso appreciated by P0.555 against the US Dollar.

The decrease in income tax expense by P7,460 million was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in June 2024 compared to unrealized foreign exchange gains in June 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 42% to P13,578 million, from P23,325 million last year, mainly on account of the loss on foreign exchange in the first semester of 2024, a turnaround from the gain recognized in 2023, partly offset by the improved operations of most businesses mainly the Food division, Petron, GSMI, the Energy, Cement and Infrastructure businesses.

The net loss attributable to equity holders of the Parent Company in 2024 was a turnaround from the net income attributable to equity holders of the Parent Company in 2023 mainly on account of the loss on foreign exchange in the first semester of 2024 as compared to the gain recognized in the same period in 2023 by 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) continued to deliver strong results in the first semester of 2024, driven by the consistent growth across its businesses. SMFB consolidated sales increased by 4% to P192,882 million compared to the same period last year.

Consolidated income from operations grew by 16% to P26,641 million, primarily driven by higher sales volumes of the Food division and GSMI. Net income rose 6% to P19,977 million.

### a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB posted consolidated sales of P75,073 million, up 1% from the same period last year. The increase was primarily due to the full impact of the price increase implemented in March 2023.

Consolidated operating income declined by 3% to P15,887 million. Similarly, net income recorded a decline of 7% to P12,563 million.

**Domestic Operations**
Sales from domestic operations amounted to P66,992 million, 1% higher than in the same period in 2023, mainly due to the price increase.

**International Operations**
Revenue from international operations was slightly lower than in the same period in 2023 due to a 1% drop in volumes.

### b) Spirits Division

GSMI sustained its growth momentum into the first semester of 2024, with revenues recording an 18% growth to P29,992 million. The strong performance was driven by double-digit volume growth, increased selling prices, reduced costs of imported alcohol, and improved biogas generation in distilleries.

Operating income grew by 31% to P4,411 million on the back of strong topline growth. Meanwhile, net income declined by 10% to P3,676 million due to the one-time gain from the assignment of product rights in 2023. Excluding this, net income would have been higher by 26%.

### c) Food Division

The Food division delivered a strong performance in the first half of the year. While sales grew modestly, profit growth soared as raw material prices eased considerably. Consolidated revenue increased by 3% to P87,819 million with most segments registering an uptrend in volumes.

The Food division ended the first half with operating income at P6,384 million, nearly double that of last year. Higher gross profit margins combined with optimized production efficiencies offset rising operating expenses which included mandated wage hikes and marketing expenses to spur volumes. This translated to a net income of P4,174 million, two and a half times higher than the same period last year.

The Prepared and Packaged Food segment, comprised of processed meats, dairy and coffee, continued to outperform prior year with an 11% rise in revenue despite the inflationary environment. A wide range of consumer promotions and in-store activities boosted sales across all channels, while new facilities generated improved efficiencies, resulting in a double-digit growth in operating income.

The Protein segment experienced a turnaround as poultry prices recovered and increased growing capacity supported strong demand from both foodservice and retail markets. This led to a 6% revenue growth for the segment.

The Animal Nutrition and Health segment saw a 6% decline in revenue. With lower raw material prices, the business opted for price rollbacks to stimulate demand which remained sluggish amid continued challenges in broiler and hog feeds.

The Flour segment recorded revenue at par with last year. Volumes expanded in response to price reductions implemented to maintain market share in an intensely competitive market.

## 2. PACKAGING

The Packaging business recorded consolidated revenues of P17,974 million, down 4% against the comparable period last year.

Consolidated operating income, however, recorded a 14% increase to P1,362 million on account of better production efficiencies, coupled with the cost measures implemented.

## 3. ENERGY

San Miguel Global Power consolidated revenues for the first semester of 2024 amounted to P98,944 million, higher by 17% from P84,770 million recognized in the same period last year. The increase was mainly driven by higher offtake volume from the following sources: (i) several power supply agreements (PSA) from Manila Electric Company (Meralco) and other distribution utilities secured by the Group that allowed the contracting of its available capacities mainly from the 1,200 MW Ilijan Power Plant of SPPC and the incremental generation from the 600 MW Mariveles Greenfield Power Plant, with most of its units currently undergoing testing and commissioning; and (ii) ancillary services rendered for National Grid Corporation of the Philippines (NGCP) using a total of ten BESS facilities of SMGP BESS, with a combined installed capacity of 330 megawatt hours (MWh) during the period.

Consolidated income from operations of P22,988 million for the first semester of 2024 was up by 56% from the same period last year owing to improved margins as the Energy business worked out a successful transition to fuel passthrough arrangements for most of its bilateral customers including the 1,200 MW PSA of SPPC with Meralco that was in effect for most part of the first semester of 2024, as well as the additional margins contributed by BESS through ancillary services.

Net income for the first semester of 2024 increased to P7,438 million or by 26%, from P5,909 million reported for the same period last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MWh, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024. The remaining BESS capacities of 630 MWh are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of NGCP as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

For the first semester of 2024, all four units of the 600 MW Mariveles Greenfield Power Plant of Mariveles Power Generation Corporation were undergoing testing and commissioning with one unit declared operational with the IEMOP starting March 28, 2024.

## 4. FUEL AND OIL

Petron delivered a 21% growth in consolidated revenues for the first half of 2024 to P444,490 million from last year's P367,037 million, sustaining its positive momentum this 2024.

Petron continued to register strong volumes in the Philippines and Malaysia which reached 69.1 million barrels in the first six months, up 20% from the 57.6 million barrels sold in the same period last year. The solid outcome is fueled by the sustained performance of key segments, particularly retail and exports.

Petron's sales volumes in the Philippines rose 27% to 44.4 million barrels, while volumes from its Malaysian operations grew by 9% to 24.7 million barrels.

Petron's retail segment, which posted a 10% increase, remained a key driver of the stellar volume performance through effective marketing programs in the combined service station network of about 2,600 outlets in the Philippines and Malaysia. Sales to industrial accounts likewise jumped 9% mainly on higher jet fuel and liquefied petroleum gas (LPG) demand.

Global oil prices remained volatile because of the ongoing tensions in the Middle East. The price per barrel of Dubai crude oil averaged US$83 in the first six months, 5% higher than in the same period in 2023 as producers continued to manage supply.

With Petron's solid volume growth, overall margins improved despite the softening of refining cracks, falling by 17% from last year's level. Consolidated operating income rose by 8% to P17,313 million. Net income ended at P6,023 million, slightly lower than last year.

## 5. INFRASTRUCTURE

The Infrastructure business sustained its strong performance in the first semester of 2024, posting consolidated revenues of P18,075 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 4% from last year's level to 1,034,081 vehicles complemented by the continued increase in economic and travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted to an 8% increase in operating income to P9,650 million versus the same period last year. Net income increased by 40% to P7,721 million due to sustained growth in traffic volumes backed by continued cost management initiatives.

The land development and ground improvement works of the MIA Project are progressing well with overall progress at 84.61%. Per approved DOTr timeline, Airport Development will be completed by the end of 2028.

Currently, a study is ongoing on the realignment of the highway component of the MRT 7 Project. This component includes the new locations of the final two stations, which are currently pending for approval. In the second quarter of 2024, five additional trainsets were delivered, bringing the total trainsets delivered on-site to 22 out of the 36 trainsets ordered.

## 6. CEMENT

The Cement business consolidated revenues in 2024 declined slightly by 6% to P18,962 million compared to the same period last year. Considering a 5% volume growth versus last year, the business experienced a revenue drop due to an influx of cheaper imported traded cement, leading to a decline in local cement prices. Despite the lower selling prices, the business managed to grow its operating income by 31% to P3,952 million compared to the same period last year on the back of cost reductions and operating efficiencies.

**2023 vs. 2022**

| | June | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| | | ***(In Millions)*** | | | | |
| Sales | **P685,229** | P711,416 | (P26,187) | (4%) | **100%** | 100% |
| Cost of sales | **(571,215)** | (606,558) | (35,343) | (6%) | **(83%)** | (85%) |
| Gross profit | **114,014** | 104,858 | 9,156 | 9% | **17%** | 15% |
| Selling and administrative expenses | **(44,093)** | (38,131) | 5,962 | 16% | **(7%)** | (5%) |
| Operating income | **69,921** | 66,727 | 3,194 | 5% | **10%** | 10% |
| Interest expense and other financing charges | **(44,847)** | (25,633) | 19,214 | 75% | **(6%)** | (4%) |
| Interest income | **6,531** | 2,313 | 4,218 | 182% | **1%** | 0% |
| Equity in net earnings of associates and joint ventures | **1,098** | 725 | 373 | 51% | **0%** | 0% |
| Gain (loss) on sale of property and equipment | **(40)** | 2 | (42) | (2100%) | **(0%)** | 0% |
| Other income (charges) - net | **6,220** | (13,255) | 19,475 | 147% | **1%** | (2%) |
| Income before income tax | **38,883** | 30,879 | 8,004 | 26% | **6%** | 4% |
| Income tax expense | **(15,558)** | (11,074) | 4,484 | 40% | **(3%)** | (1%) |
| **Net Income** | **P23,325** | P19,805 | P3,520 | 18% | **3%** | 3% |
| Net income (loss) attributable to: | | | | | | |
| Equity holders of the Parent Company | **P757** | (P1,341) | P2,098 | 156% | **0%** | (0%) |
| Non-controlling interests | **22,568** | 21,146 | 1,422 | 7% | **3%** | 3% |
| **Net Income** | **P23,325** | P19,805 | P3,520 | 18% | **3%** | 3% |

The Group's consolidated sales for the first semester of 2023 ended 4% lower at P685,229 million from the same period in 2022 mainly on account of lower revenues from Petron due to declining crude oil prices and lower volumes from San Miguel Global Power, offsetting the higher revenues from the other businesses and the contribution from Eagle Cement Corporation (ECC) which was consolidated on December 14, 2022.

The Group's cost of sales decreased by P35,343 million or 6% mainly due to: (a) lower cost per liter of petroleum products, partly offset by the higher volumes of Petron; and (b) lower overall power purchases of the Energy business relative to the decline in sales volume. 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 production, partly offset by the lower volumes of the Food division; and (b) the cost of sales of ECC for the first semester in 2023.

The increase in selling and administrative expenses by P5,962 million or 16% is attributable mainly to higher salaries and employee benefits of the Group, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income for the first half of 2023 sustained its growth which reached P69,921 million, up by 5% from the comparative period in 2022. Sustained performance improvements of SMB and GSMI, the Infrastructure and Packaging businesses and the addition of ECC, mitigated the impact of rising raw material costs which continue to affect some of the businesses.

The increase in interest expense and other financing charges by P19,214 million or 75% was mainly due to both higher interest rates and average loan balance primarily of SMC and Petron.

The increase in interest income by P4,218 million was mainly due to higher interest rates and average balance of short-term placements of SMC, the Infrastructure and Food and Beverage businesses, as well as the higher balance of investment in debt securities of SMB, GSMI and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures by P373 million or 51% was mainly due to the share on the higher net income of Bank of Commerce (BankCom) in the first semester of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net of P6,220 million in 2023 mainly represents the: (a) net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents, partly offset by the realized loss from settlements of foreign currency-denominated long-term debt; and (b) income recognized by GSMI from the assignment of product rights. Other charges - net of P13,255 million in 2022 mainly represents the loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In June 2023, the Philippine Peso appreciated by P0.555 against the US Dollar, while in 2022, the Philippine Peso significantly depreciated by P3.976 against the US Dollar.

The higher amount of income tax expense by P4,484 million or 40% was primarily due to the recognition by SMC of income tax expense in 2023 a turn-around from income tax benefit in 2022, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to a loss in the same period in 2022.

Consolidated net income rose 18% to P23,325 million, from P19,805 million in 2022 on account of operating income growth and the gain on foreign exchange as compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,098 million mainly on account of the gain on foreign exchange in 2023 as compared to loss on foreign exchange in the same period in 2022.

The increase in the net income attributable to non-controlling interests was mainly due to the higher net income of SMB.

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

## 1. FOOD AND BEVERAGE

SMFB posted consolidated sales of P184,587 million during the first six months in 2023, 7% higher than the same period in 2022, primarily brought about by higher selling prices across its Beer and NAB, Spirits and Food divisions combined with continuous volume growth from the Beer and NAB and Spirits divisions.

Consolidated operating income however, ended lower by 13% at P22,987 million mainly due to the impact of rising cost of raw materials that continues to affect the Food division.

With SMB and GSMI's sustained performance, SMFB's consolidated net income ended at par with 2022 at P18,809 million.

### a) Beer and NAB Division

SMB continued its strong performance with consolidated sales and volumes reaching P74,119 million and 121.4 million cases for the first semester of 2023, up by 14% and 10% than the same period of 2022, respectively.

SMB's operating income grew by 12% to P16,429 million attributable to higher volume and selling prices in both domestic and international operations despite the effect of excise tax increase effective January 1, 2023. Consolidated net income ended at P13,469 million, up 26% from P10,656 million in 2022.

**Domestic Operations**
SMB's domestic operations delivered 9% growth in beer volumes for the first half of 2023 compared to the same period in 2022. SMB's domestic sales reached P66,035 million, up 13% from 2022. Operating income and net income amounted to P14,545 million and P11,710 million, higher by 7% and 20%, respectively.

The continued volume growth was driven by the relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives as well as intensified offtake generation and defense programs, coupled with the favorable external business environment. SMB's brand affinity was further strengthened by the new brand campaigns and volume-generating programs namely: San Miguel Pale Pilsen's new *"Wanted"* thematic campaign with *"Batang San Miguel"* tagline and *"Pacquiao Blow-by-Blow"* television sponsorships; Red Horse' *"Levitating"* Core and *"Magneto"* Entry Point Drinkers advertisements; and San Mig Light's ongoing *"Yass"* thematic campaign, the new *"Speakeasy"* podcast episode and *"2023 SML Limited Edition Can"*. To further boost its strength, SMB continues to focus on expanding its distribution, marketing and promotional activities and improve its cost-competitiveness and operational efficiencies.

**International Operations**
SMB's international operations also continued to perform well, delivering 16% higher volumes at 14.3 million cases as a result of robust and growing consumption in Thailand, South China and Exports markets. Correspondingly, operating income grew by 66% as higher volumes was supported by better margin and lower costs.

**b) Spirits Division**

GSMI continues to deliver solid performance in the first semester of 2023. Sales grew 10% to P25,406 million brought mainly by the gains from higher selling prices and the quick rebound in volumes, recovering the 5% decline in the first quarter. Combined with the support of relevant thematic campaigns, nationwide consumer promo which recorded the highest number of redemptions, and resumption of on-ground activations, consolidated volumes, reached 22.2 million cases, up 1% from 2022.

Operating income amounted to P3,376 million, 3% higher than in 2022 level while net income reached P4,077 million, 64% higher than in 2022, which include the one-time income from the assignment of product rights recognized in 2023.

**c) Food Division**

The Food division's consolidated sales for the first half of 2023 amounted to P85,065 million, slightly ahead of 2022, mainly driven by higher selling prices implemented since the second half of 2022. Volumes were however down due to the effect of high inflation which dampened consumer purchasing power, resurgence of the African Swine Fever (ASF) and poultry capacity supply constraints.

The sustained rise of raw material prices throughout the first half of 2023 outpaced growth of revenue, squeezing income from operations, ending lower by 63% to P3,216 million.

Consequently, net income amounted to P1,691 million.

The expected easing of raw material prices, coupled with a stronger Peso, as well as the stabilization of poultry capacity, will improve prospects for the second half of 2023.

Revenues from the Animal Nutrition and Health segment grew by 9% mainly on account of higher selling prices. Volumes remained adversely affected by the sluggish performance of the poultry and hog sectors due to the continuing challenge of Avian Flu and ASF. While cases of Avian Flu have been subsiding, the ASF is reported to be spreading in the Visayas and has resurged in some areas of Luzon and Mindanao, discouraging hog farmers from repopulating their farms.

The Protein segment, consisting of Poultry and Meats businesses, posted a 9% decline in revenues. While poultry capacity has improved, a surge in frozen chicken imports caused chicken prices to fall during the second quarter in 2023, offsetting volume gains. Fresh Meats revenues were expectedly lower on account of the deliberate decision to downsize hog operations at a minimum to manage the impact of ASF.

The Prepared and Packaged Food segment delivered consolidated revenues 8% higher than in 2022 brought by higher selling prices. Despite the difficult market environment, growth was noted in a number of canned meat, bread spread and coffee categories, which sustained double-digit growth in volumes.

The Flour segment sustained its strong growth momentum recording a 14% growth in revenue from 2022 on the back of better volumes and favorable selling prices combined with the easing cost of wheat.

## 2. PACKAGING

The Packaging business recorded consolidated revenues of P18,730 million for the first six months of 2023, 16% higher than the same period in 2022, brought about by the higher sales delivered from the glass, plastics and beverage filling businesses together with the stable growth from Australia operations.

Operating income amounted to P1,200 million, 25% higher than in 2022.

## 3. ENERGY

San Miguel Global Power's offtake volumes for the first semester of 2023 ended at 10,685 gigawatt hours, 25% lower than in 2022, mainly due to lower bilateral sales volumes of the Ilijan Power Plant following the Temporary Restraining Order issued on December 7, 2022 on its obligation to supply the 670 MW contract capacity to Meralco and which was eventually allowed to be terminated by the Court of Appeals. The decline was countered by the emergency power supply agreements with Meralco which took effect on March 26, 2023.

Consolidated sales ended at P84,770 million, down 17% from P102,581 million in 2022. Higher average realization prices partly mitigated the lower offtake volumes brought by the increase in pass-on fuel rates coupled with higher average spot prices.

With better margins on its available net capacity, operating income increased by 8% from 2022, reaching P14,751 million.

Consequently, net income grew 414% to P5,909 million, resulting from better margins and foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

The BESS Project has successfully secured ancillary services contracts with the NGCP that will render power quality solutions for the grid. The remaining pipeline of battery projects are gearing up to meet incoming requirements for the grid's ancillary services and provide instant peak supply to help ensure energy security in the coming years.

## 4. FUEL AND OIL

Petron reinforced its strong volumes for the first half of 2023, redelivering consolidated sales volumes of 57.6 million barrels, 12% higher than the 51.4 million barrels in 2022, mainly brought about by the country's strong demand recovery. In particular, volumes from Philippine operations jumped 16% to 34.9 million barrels. Combined Philippines and Malaysia volumes from commercial and retail businesses recorded a 13% and 8% year-on-year increase, respectively.

Despite the strong increase in sales volume, Petron continues to be affected by the volatile global oil prices. The price correction in the oil market which began in the second semester of 2022 following the record high price surge in the second quarter of 2022 brought upon by the Russia-Ukraine war, resulted to lower average selling prices of Petron's petroleum products. Benchmark Dubai crude oil hovered around the US$80 per barrel mark during the first semester of 2023, declining by 22% from the same period in 2022. As a result, consolidated revenues declined by 8% to P367,037 million from P398,517 million in 2022.

Despite the softening of refining margins, Petron sustained its consolidated operating income at P16,011 million for the first semester of 2023, at par with the same period in 2022, lifted by the encouraging volume growth and continued operational and marketing efforts.

Net income settled at P6,142 million, down 20% from P7,706 million in 2022, the effect of rising financing costs brought by the successive hikes in interest rates.

## 5. INFRASTRUCTURE

The Infrastructure business delivered consolidated revenues of P16,572 million, 23% higher than in 2022, sustaining its growth momentum from the operating toll roads. Combined average daily traffic volumes recorded for the first semester of 2023 reached 998,303 vehicles, up 13% from 2022.

Operating income grew 49% to P8,960 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The railway component of MRT 7 is about 65% completed, while the Detailed Engineering Design and site development are still ongoing. The South Luzon Expressway (SLEX) - Toll Road 4 and Skyway Stage 4 Projects are all on track. The awarding of the Independent Consultant contract is in progress for the Pasig River Expressway, Southern Access Link Expressway and SLEX - Toll Road 5 Projects. The Toll Regulatory Board has approved the Independent Consultant for the Northern Access Link Expressway. As at June 2023, the overall completion of the Land Development Works for the MIA Project was about 69%, with site clearance at almost 99% complete.

## 6. CEMENT

The Cement business registered consolidated sales of P20,164 million, tripling from P6,908 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P3,023 million from P398 million in 2022.

In June 2023, Northern Cement Corporation started the commercial operations of its third integrated line with a capacity of 50 million bags per annum.

Southern Concrete Industries, Inc. has declared its full commercial operations on May 31, 2023, establishing its presence in Mindanao.

## III. FINANCIAL POSITION

**2024 vs. 2023**

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Cash and cash equivalents | **P253,890** | P261,358 | (P7,468) | (3%) | **10%** | 11% |
| Trade and other receivables - net | **263,809** | 263,119 | 690 | 0% | **10%** | 11% |
| Inventories | **175,618** | 161,986 | 13,632 | 8% | **7%** | 6% |
| Current portion of biological assets - net | **3,331** | 3,515 | (184) | (5%) | **0%** | 0% |
| Prepaid expenses and other current assets | **152,059** | 141,424 | 10,635 | 8% | **6%** | 6% |
| **Total Current Assets** | **848,707** | 831,402 | 17,305 | 2% | **33%** | 34% |
| Investments and advances - net | **44,436** | 37,089 | 7,347 | 20% | **2%** | 2% |
| Investments in equity and debt instruments | **19,622** | 19,417 | 205 | 1% | **1%** | 1% |
| Property, plant and equipment - net | **787,574** | 753,472 | 34,102 | 5% | **31%** | 31% |
| Right-of-use assets - net | **105,795** | 108,014 | (2,219) | (2%) | **4%** | 4% |
| Investment property - net | **82,636** | 79,513 | 3,123 | 4% | **3%** | 3% |
| Biological assets - net of current portion | **2,518** | 2,667 | (149) | (6%) | **0%** | 0% |
| Goodwill - net | **183,250** | 182,791 | 459 | 0% | **7%** | 7% |
| Other intangible assets - net | **325,909** | 306,638 | 19,271 | 6% | **13%** | 12% |
| Deferred tax assets | **25,635** | 19,633 | 6,002 | 31% | **1%** | 1% |
| Other noncurrent assets - net | **129,362** | 118,729 | 10,633 | 9% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,706,737** | 1,627,963 | 78,774 | 5% | **67%** | 66% |
| **Total Assets** | **P2,555,444** | P2,459,365 | P96,079 | 4% | **100%** | 100% |
| Loans payable | **P262,279** | P214,881 | P47,398 | 22% | **10%** | 9% |
| Accounts payable and accrued expenses | **254,654** | 223,055 | 31,599 | 14% | **10%** | 9% |
| Lease liabilities - current portion | **11,498** | 19,631 | (8,133) | (41%) | **0%** | 1% |
| Income and other taxes payable | **46,396** | 46,254 | 142 | 0% | **2%** | 2% |
| Dividends and distributions payable | **5,444** | 4,605 | 839 | 18% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **271,382** | 236,798 | 34,584 | 15% | **11%** | 9% |
| **Total Current Liabilities** | **851,653** | 745,224 | 106,429 | 14% | **33%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **951,032** | 953,786 | (2,754) | (0%) | **37%** | 39% |
| Lease liabilities - net of current portion | **35,190** | 36,941 | (1,751) | (5%) | **2%** | 2% |
| Deferred tax liabilities | **31,531** | 29,503 | 2,028 | 7% | **1%** | 1% |
| Other noncurrent liabilities | **30,759** | 28,745 | 2,014 | 7% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,048,512** | 1,048,975 | (463) | (0%) | **41%** | 43% |

*Forward*

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,442** | 177,468 | (26) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **2,667** | 7,354 | (4,687) | (64%) | **0%** | 0% |
| Retained earnings: | | | | | | |
| Appropriated | **88,468** | 87,170 | 1,298 | 1% | **4%** | 4% |
| Unappropriated | **86,423** | 103,151 | (16,728) | (16%) | **3%** | 4% |
| Treasury stock | **(109,763)** | (109,763) | - | 0% | **(4%)** | (4%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **296,078** | 316,221 | (20,143) | (6%) | **12%** | 13% |
| Non-controlling interests | **359,201** | 348,945 | 10,256 | 3% | **14%** | 14% |
| **Total Equity** | **655,279** | 665,166 | (9,887) | (1%) | **26%** | 27% |
| **Total Liabilities and Equity** | **P2,555,444** | P2,459,365 | P96,079 | 4% | **100%** | 100% |

Consolidated total assets as at June 30, 2024 amounted to P2,555,444 million, P96,079 million higher than December 31, 2023. The increase was primarily due to the increase in inventories, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets, deferred tax assets and other noncurrent assets, partially offset by the decrease in cash and cash equivalents.

The increase in inventories by P13,632 million was attributable mainly to: (a) Petron's higher volume and prices of both crude oil and finished products; and (b) higher materials and supplies of the Food division mainly due to higher volume of wheat purchased during the period. The increase was partially offset by the Energy business': (a) higher consumption of LNG supply inventory coupled with the decline in average LNG cost during the period; and (b) utilization of spare parts during the combustor and turbine inspection conducted for the Ilijan Power Plant.

The decrease in total biological assets by P333 million was mainly attributable to lower production costs in 2024 as compared to December 2023.

The increase in prepaid expenses and other current assets by P10,635 million was primarily due to: (a) higher input taxes of Petron and SMC Shipping and Lighterage Corporation; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron.

The increase in investments and advances - net by P7,347 million was mainly due to the: (a) advances for future investments to certain companies by SMC and the Energy business; and (b) investment in NNIC by SMHC.

The increase in property, plant and equipment - net by P34,102 million was mainly due to the costs of the ongoing projects of the Energy business, and the feedmill expansion of the Food division.

The increase in other intangible assets - net by P19,271 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the amortization during the period.

The increase in deferred tax assets by P6,002 million was primarily due to the recognition by SMC of deferred income tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P10,633 million was mainly due to the amount of contract assets for the MRT 7 Project recognized during the period.

The increase in loans payable by P47,398 million was mainly due to the net availment made by SMC and the Energy business.

The increase in accounts payable and accrued expenses by P31,599 million was mainly due to additional payables to contractors relating to the ongoing construction projects of the Energy business, higher outstanding liabilities to vendors and suppliers of Petron, higher purchases of raw materials by the Food division and power purchases by Masinloc Power Co. Ltd.

The increase in dividends and distributions payable by P839 million was mainly due to the declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on May 14, 2024, which were paid on July 4, 2024. The Series 2-L, 2-N and 2-O were issued on December 1, 2023.

The increase in total long-term debt, net of debt issue costs by P31,830 million was primarily due to the translation adjustments on foreign currency-denominated loans, partially reduced by the net payments made by the Group.

The decrease in total lease liabilities by P9,884 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 Independent Power Producer Administration (IPPA) Agreements.

The increase in deferred tax liabilities by P2,028 million was mainly due to the deferred income tax expense recognized by SPPC for the application of its available Net Operating Loss Carry Over carryforward benefits to its income tax expense, and the difference in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P2,014 million was mainly due to the higher amount of retention payable for the ongoing projects of the Infrastructure business.

The decrease in equity reserves by P4,687 million was mainly due to the foreign exchange difference recognized on the redemption of the US$783 million SPCS of San Miguel Global Power in April 2024.

The decrease in unappropriated retained earnings by P16,728 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends and distributions declared and the net appropriations during the period.

**2023 vs. 2022**

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Cash and cash equivalents | **P262,198** | P318,214 | (P56,016) | (18%) | **11%** | 13% |
| Trade and other receivables - net | **233,673** | 238,782 | (5,109) | (2%) | **10%** | 10% |
| Inventories | **166,076** | 190,193 | (24,117) | (13%) | **7%** | 8% |
| Current portion of biological assets - net | **3,686** | 3,418 | 268 | 8% | **0%** | 0% |
| Prepaid expenses and other current assets | **134,978** | 133,691 | 1,287 | 1% | **6%** | 6% |
| **Total Current Assets** | **800,611** | 884,298 | (83,687) | (9%) | **34%** | 37% |
| Investments and advances - net | **34,700** | 32,523 | 2,177 | 7% | **1%** | 1% |
| Investments in equity and debt instruments | **19,103** | 18,921 | 182 | 1% | **1%** | 1% |
| Property, plant and equipment - net | **728,164** | 708,192 | 19,972 | 3% | **31%** | 30% |
| Right-of-use assets - net | **109,746** | 112,067 | (2,321) | (2%) | **4%** | 5% |
| Investment property - net | **74,988** | 74,660 | 328 | 0% | **3%** | 3% |
| Biological assets - net of current portion | **2,912** | 2,671 | 241 | 9% | **0%** | 0% |
| Goodwill - net | **184,474** | 184,100 | 374 | 0% | **8%** | 8% |
| Other intangible assets - net | **279,285** | 249,321 | 29,964 | 12% | **12%** | 10% |
| Deferred tax assets | **20,209** | 22,554 | (2,345) | (10%) | **1%** | 1% |
| Other noncurrent assets - net | **113,210** | 102,518 | 10,692 | 10% | **5%** | 4% |
| **Total Noncurrent Assets** | **1,566,791** | 1,507,527 | 59,264 | 4% | **66%** | 63% |
| **Total Assets** | **P2,367,402** | P2,391,825 | (P24,423) | (1%) | **100%** | 100% |
| Loans payable | **P234,158** | P267,704 | (P33,546) | (13%) | **10%** | 11% |
| Accounts payable and accrued expenses | **225,584** | 227,126 | (1,542) | (1%) | **10%** | 9% |
| Lease liabilities - current portion | **21,615** | 21,020 | 595 | 3% | **1%** | 1% |
| Income and other taxes payable | **46,430** | 37,694 | 8,736 | 23% | **2%** | 2% |
| Dividends and distributions payable | **3,834** | 4,037 | (203) | (5%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **129,614** | 170,032 | (40,418) | (24%) | **5%** | 7% |
| **Total Current Liabilities** | **661,235** | 727,613 | (66,378) | (9%) | **28%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **973,917** | 918,164 | 55,753 | 6% | **41%** | 39% |
| Lease liabilities - net of current portion | **43,454** | 54,455 | (11,001) | (20%) | **2%** | 2% |
| Deferred tax liabilities | **28,757** | 26,297 | 2,460 | 9% | **1%** | 1% |
| Other noncurrent liabilities | **26,577** | 26,144 | 433 | 2% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,072,705** | 1,025,060 | 47,645 | 5% | **45%** | 43% |

*Forward*

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **8%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **10,572** | 12,753 | (2,181) | (17%) | **0%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **84,280** | 71,004 | 13,276 | 19% | **4%** | 3% |
| Unappropriated | **111,558** | 129,239 | (17,681) | (14%) | **5%** | 6% |
| Treasury stock | **(156,763)** | (156,763) | - | 0% | **(7%)** | (7%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **278,207** | 284,793 | (6,586) | (2%) | **12%** | 12% |
| Non-controlling Interests | **355,255** | 354,359 | 896 | 0% | **15%** | 15% |
| **Total Equity** | **633,462** | 639,152 | (5,690) | (1%) | **27%** | 27% |
| **Total Liabilities and Equity** | **P2,367,402** | P2,391,825 | (P24,423) | (1%) | **100%** | 100% |

Consolidated total assets as at June 30, 2023 ended at P2,367,402 million, P24,423 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents and inventories, partly offset by the increase in other intangible assets and property, plant and equipment.

The decrease in cash and cash equivalents by P56,016 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 availment of long-term debt.

The decrease in inventories by P24,117 million was attributable mainly to the cost of major raw materials consumed during the period by the Food division from bulk purchases at end of 2022 and lower prices of both crude oil and finished products of Petron.

The increase in total biological assets by P509 million was due to higher growing costs driven by higher feeds and chick, broiler and hog costs.

The increase in investments and advances - net by P2,177 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of BankCom and Manila North Harbour Port, Inc. (MNHPI) in the first semester of 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in other intangible assets - net by P29,964 million was mainly due to additions to concession rights for the MIA Project, reclamation costs of Navotas Coastal Bay Project and the costs of various ongoing projects of the Infrastructure business, partly offset by the total amortization in 2023.

The decrease in deferred tax assets by P2,345 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of the foreign currency-denominated long-term debt.

The increase in other noncurrent assets - net by P10,692 million was mainly due to additional advances paid to contractors and suppliers for ongoing projects and increase in restricted cash fund balance for the payment of long-term debt of the Energy business.

The decrease in loans payable by P33,546 million was mainly due to the net payments made by Petron, SMC, the Food division, and the Energy business. The decrease was partly offset by the availment of loan by San Miguel Equity Investments Inc. for payment of bridge financing for the acquisition of ECC.

The increase in income and other taxes payable by P8,736 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage and Energy businesses as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022; (b) higher income tax payable from the improved performance of SMB and GSMI; and (c) higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P203 million was mainly due to payment of cash dividends by Petron in March and June 2023 to preferred stockholders which were declared in 2022 and by SMC in January 2023 to Subseries “2-H” preferred stockholders which was declared in November 2022. The decrease was partly offset by the dividends payable recognized in relation to the declaration of cash dividends by The Purefoods-Hormel Company, Inc. to its non-controlling shareholder in March 2023.

The increase in total long-term debt, net of debt issue costs by P15,335 million was primarily due to the availment of foreign and Peso term loans by the Group, partly offset by the: (a) payments of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC, and other maturing obligations by the Group; and (b) translation adjustments.

The increase in deferred tax liabilities by P2,460 million was mainly due to the higher deferred tax liability recognized by the Energy business arising from the differences in actual PSALM payments over finance lease liability-related expenses.

The decrease in total lease liabilities by P10,406 million was primarily due to the payments made to PSALM by the Energy business’ entities under the IPPA Agreements.

The decrease in equity reserves by P2,181 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P13,276 million was due to the appropriations by: (a) San Miguel Foods, Inc. for the Feeds Expansion Projects; (b) SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (c) SMC SLEX Inc. for capital expenditures in 2023, net of reversals for projects that were already completed. The increase was partly offset by the reversal of appropriations for the power plant project of Petron.

The decrease in unappropriated retained earnings by P17,681 million was mainly due to the net appropriations and cash dividends and distributions declared for the first semester of 2023.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In Millions)* | **June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Net cash flows provided by operating activities | **P74,608** | P75,612 |
| Net cash flows used in investing activities | **(93,889)** | (80,333) |
| Net cash flows provided by (used in) financing activities | **8,597** | (50,366) |

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)* | **June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Additions to: | | |
| Property, plant and equipment | **(P48,178)** | (P29,444) |
| Intangible assets | **(23,476)** | (34,107) |
| Investments and advances | **(7,007)** | (2,306) |
| Investment property | **(4,212)** | (2,507) |
| Advances to contractors and suppliers | **(2,349)** | (9,463) |
| Investments in debt instruments | **(532)** | (445) |
| Increase in other noncurrent assets and others | **(16,012)** | (9,916) |
| Interest received | **6,505** | 6,094 |
| Proceeds from: | | |
| Disposal of investments in debt instruments | **519** | 439 |
| Sale of property and equipment | **482** | 264 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | **8** | 418 |
| Dividends received | **363** | 640 |

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

| *(In Millions)* | **June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Proceeds from (payment of) short-term loans - net | **P46,813** | (P32,691) |
| Net proceeds from issuance of capital securities of a subsidiary | **43,481** | - |
| Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others | **31** | (2,759) |
| Redemption of capital securities of subsidiaries | **(45,040)** | (1,151) |
| Cash dividends and distributions paid to non-controlling shareholders | **(17,063)** | (17,221) |
| Payments of lease liabilities | **(11,500)** | (10,498) |
| Cash dividends and distributions paid | **(5,717)** | (4,635) |
| Proceeds from (payment of) long-term debt - net | **(2,382)** | 18,589 |
| Share issuance costs from re-issuance of treasury shares | **(26)** | - |

The effect of exchange rate changes on cash and cash equivalents amounted to P3,216 million and (P929) million in June 30, 2024 and 2023, 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.

| | **June 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.00** | 1.12 |
| Quick Ratio | **0.61** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.90** | 2.70 |
| Asset to Equity Ratio | **3.90** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(3.03%)** | 0.07% |
| Interest Rate Coverage Ratio | **1.45** | 1.80 |
| Return on Assets | **1.39%** | 1.84% |

| | **Period Ended June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Operating Efficiency: | | |
| Volume Growth | **19%** | 3% |
| Revenue Growth (Decline) | **15%** | (4%) |
| Operating Margin | **11%** | 10% |

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 P267,588 million as at June 30, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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, 2023.

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.

**ANNEX "A-3"**

# SAN MIGUEL CORPORATION
# SEC FORM -17Q
## (As of September 30, 2024)

# COVER SHEET

| P | W | - | 2 | 7 | 7 | | | | |
|---|---|---|---|---|---|---|---|---|---|

S. E. C. Registration Number

| | | | | | | | S | A | N | | | | | | | | | | |
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(Company's Full Name)

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| | | | | | | | | | | | | | | | | | | | |
| P | H | I | L | I | P | P | I | N | E | S | | | | | | | | | |

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

| Atty. Mary Rose S. Tan | (632) 632-3000 |
|---|---|
| Contact Person | Company Telephone Number |

| 1 | 2 | 3 | 1 | | | 1 | 7 | - | Q | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | | Day | | FORM TYPE | | | | | | | | Month | | Day | |

SEC FORM (3rd Quarter-2024)

2nd Tuesday of June

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 |

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To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
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**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-Q**
**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **September 30, 2024**

2. Commission identification number **PW00000227**

3. BIR Tax Identification No. **000-060-741-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

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

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

7. **No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila** — Address of issuer's principal office
   **1550** — Postal Code

8. **(632) 8632-3000**
   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

| | Number of Shares of Stock and debt Outstanding as of September 30, 2024 |
|---|---|
| **Common Shares** | 2,383,896,588 |
| **Series "2-F" Preferred Shares** | 223,333,500 |
| **Series "2-I" Preferred Shares** | 169,333,400 |
| **Series "2-J" Preferred Shares** | 266,666,667 |
| **Series "2-K" Preferred Shares** | 183,904,900 |
| **Series "2-L" Preferred Shares** | 165,358,600 |
| **Series "2-M" Preferred Shares** | 173,333,325 |
| **Series "2-N" Preferred Shares** | 100,115,100 |
| **Series "2-O" Preferred Shares** | 187,859,700 |
| **TOTAL** | **3,853,801,780** |

Total Liabilities — P1,899,262 million

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes [√] No [ ]

If yes, disclose name of the Stock Exchange and class of securities listed therein:
**Philippine Stock Exchange**

**(a) Common Shares**
**(b) Series "2" Preferred Shares - 2-F**
**(c) Series "2" Preferred Shares - 2-I**
**(d) Series "2" Preferred Shares - 2-J**
**(e) Series "2" Preferred Shares - 2-K**
**(f) Series "2" Preferred Shares - 2-L**
**(g) Series "2" Preferred Shares - 2-M**
**(h) Series "2" Preferred Shares - 2-N**
**(i) Series "2" Preferred Shares - 2-O**

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.
Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [√] No [ ]

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended September 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended September 30, 2023) and Selected Notes to the Consolidated Financial Statements 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, as amended" is attached hereto as **Annex "B".**

## PART II--OTHER INFORMATION

The Company 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 otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

**NONE**

## SIGNATURES

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

| | |
|---|---|
| Issuer | **SAN MIGUEL CORPORATION** |
| Signature and Title | **FERDINAND K. CONSTANTINO**<br>Chief Finance Officer and Treasurer |
| Date | November 14, 2024 |
| Signature and Title | **BELLA C. NAVARRA**<br>Comptrollership Manager/<br>Principal Accounting Officer |
| Date | November 14, 2024 |

**ANNEX "A"**

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## SEPTEMBER 30, 2024 AND DECEMBER 31, 2023
(In Millions)

| | Note | 2024 Unaudited | 2023 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *8, 9* | **P281,162** | P261,358 |
| Trade and other receivables - net | *4, 8, 9* | **242,304** | 263,119 |
| Inventories | | **175,658** | 161,986 |
| Current portion of biological assets - net | | **3,215** | 3,515 |
| Prepaid expenses and other current assets | *4, 8, 9* | **165,829** | 141,424 |
| **Total Current Assets** | | **868,168** | 831,402 |
| **Noncurrent Assets** | | | |
| Investments and advances - net | | **43,926** | 37,089 |
| Investments in equity and debt instruments | *4, 7, 8, 9* | **21,070** | 19,417 |
| Property, plant and equipment - net | *5* | **811,698** | 753,472 |
| Right-of-use assets - net | | **105,147** | 108,014 |
| Investment property - net | | **86,586** | 79,513 |
| Biological assets - net of current portion | | **2,460** | 2,667 |
| Goodwill - net | | **187,199** | 182,791 |
| Other intangible assets - net | | **330,831** | 306,638 |
| Deferred tax assets | | **18,746** | 19,633 |
| Other noncurrent assets - net | *4, 8, 9* | **123,590** | 118,729 |
| **Total Noncurrent Assets** | | **1,731,253** | 1,627,963 |
| | | **P2,599,421** | P2,459,365 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Loans payable | *4, 8, 9* | **P251,136** | P214,881 |
| Accounts payable and accrued expenses | *4, 8, 9* | **265,153** | 223,055 |
| Lease liabilities - current portion | *4, 8, 9* | **6,792** | 19,631 |
| Income and other taxes payable | | **46,332** | 46,254 |
| Dividends and distributions payable | *4, 7, 8, 9* | **3,685** | 4,605 |
| Current maturities of long-term debt - net of debt issue costs | *4, 8, 9* | **131,998** | 236,798 |
| **Total Current Liabilities** | | **705,096** | 745,224 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current maturities and debt issue costs | *4, 8, 9* | **1,094,134** | 953,786 |
| Lease liabilities - net of current portion | *4, 8, 9* | **34,735** | 36,941 |
| Deferred tax liabilities | | **33,174** | 29,503 |
| Other noncurrent liabilities | *4, 8, 9* | **32,123** | 28,745 |
| **Total Noncurrent Liabilities** | | **1,194,166** | 1,048,975 |

*Forward*

| | 2024 Unaudited | 2023 Audited |
|---|---|---|
| **Equity** | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Capital stock - common | **P16,443** | P16,443 |
| Capital stock - preferred | **10,187** | 10,187 |
| Additional paid-in capital | **177,442** | 177,468 |
| Capital securities | **24,211** | 24,211 |
| Equity reserves | **68** | 7,354 |
| Retained earnings: | | |
| Appropriated | **89,799** | 87,170 |
| Unappropriated | **95,811** | 103,151 |
| Treasury stock | **(109,763)** | (109,763) |
| | **304,198** | 316,221 |
| **Non-controlling Interests** | **395,961** | 348,945 |
| **Total Equity** | **700,159** | 665,166 |
| | **P2,599,421** | P2,459,365 |

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

**CERTIFIED CORRECT:**

**BELLA C. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions, Except Per Share Data)

| | | | | For the Quarter Ended | |
|---|---|---|---|---|---|
| | *Note* | **2024 Unaudited** | 2023 Unaudited | **2024 Unaudited** | 2023 Unaudited |
| **SALES** | 2 | **P1,179,521** | P1,061,088 | **P390,500** | P375,859 |
| **COST OF SALES** | | **983,803** | 884,199 | **328,608** | 312,984 |
| **GROSS PROFIT** | | **195,718** | 176,889 | **61,892** | 62,875 |
| **SELLING AND ADMINISTRATIVE EXPENSES** | | **(73,864)** | (66,703) | **(25,127)** | (22,610) |
| **INTEREST EXPENSE AND OTHER FINANCING CHARGES** | | **(72,693)** | (66,086) | **(25,048)** | (21,239) |
| **INTEREST INCOME** | | **11,063** | 10,372 | **3,739** | 3,841 |
| **EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES** | | **1,612** | 1,392 | **375** | 294 |
| **GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT** | | **142** | 136 | **84** | 176 |
| **OTHER INCOME (CHARGES) - Net** | 3 | **(2,336)** | (6,439) | **22,051** | (12,659) |
| **INCOME BEFORE INCOME TAX** | | **59,642** | 49,561 | **37,966** | 10,678 |
| **INCOME TAX EXPENSE** | | **22,548** | 18,374 | **14,450** | 2,816 |
| **NET INCOME** | | **P37,094** | P31,187 | **P23,516** | P7,862 |
| **Attributable to:** | | | | | |
| Equity holders of the Parent Company | | **P4,978** | P146 | **P13,681** | (P611) |
| Non-controlling interests | | **32,116** | 31,041 | **9,835** | 8,473 |
| | | **P37,094** | P31,187 | **P23,516** | P7,862 |
| **Basic and Diluted Income (Loss) Per Common Share Attributable to Equity Holders of the Parent Company** | 6 | **(P0.90)** | (P1.71) | **P4.74** | (P0.87) |
| **Cash Dividends Declared Per Common Share** | 7 | **P0.70** | P1.05 | **P -** | P0.35 |

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

**CERTIFIED CORRECT:**

**BELLA C. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)

| | For the Quarter Ended | | | |
|---|---|---|---|---|
| | **2024 Unaudited** | 2023 Unaudited | **2024 Unaudited** | 2023 Unaudited |
| **NET INCOME** | **P37,094** | P31,187 | **P23,516** | P7,862 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurement loss on net defined benefit retirement plan | **(2)** | (7) | **(1)** | - |
| Income tax benefit | **-** | 1 | **-** | - |
| Net gain on financial assets at fair value through other comprehensive income | **133** | 172 | **3** | 2 |
| Income tax expense | **(18)** | (28) | **(4)** | (13) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | **6** | (10) | **-** | (1) |
| | **119** | 128 | **(2)** | (12) |
| **Items that may be reclassified to profit or loss** | | | | |
| Net gain (loss) on exchange differences on translation of foreign operations | **7,416** | (3,334) | **4,905** | 756 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | **5** | 4 | **11** | (7) |
| Income tax benefit (expense) | **(1)** | (1) | **(3)** | 2 |
| Net gain (loss) on cash flow hedges | **(1,726)** | 70 | **(778)** | 91 |
| Income tax benefit (expense) | **432** | (10) | **195** | (24) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | **16** | 8 | **137** | (75) |
| | **6,142** | (3,263) | **4,467** | 743 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - Net of tax | **6,261** | (3,135) | **4,465** | 731 |
| **TOTAL COMPREHENSIVE INCOME** - Net of tax | **P43,355** | P28,052 | **P27,981** | P8,593 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | **P7,894** | (P2,051) | **P16,344** | (P623) |
| Non-controlling interests | **35,461** | 30,103 | **11,637** | 9,216 |
| | **P43,355** | P28,052 | **P27,981** | P8,593 |

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

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Equity Reserves | | | | | Retained Earnings | | | | | | |
| | | Capital Stock | | Additional | Senior Perpetual | Reserve for | Hedging | Fair Value | Translation | Other Equity | Appro- | Unappro- | Treasury Stock | | | Non-Controlling | Total |
| | Note | Common | Preferred | Paid-in Capital | Capital Securities | Retirement Plan | Reserve | Reserve | Reserve | Reserve | priated | priated | Common | Preferred | Total | Interests | Equity |
| **As at January 1, 2024 (Audited)** | | **P16,443** | **P10,187** | **P177,468** | **P24,211** | **(P10,465)** | **(P403)** | **P330** | **P2,974** | **P14,918** | **P87,170** | **P103,151** | **(P67,093)** | **(P42,670)** | **P316,221** | **P348,945** | **P665,166** |
| Net gain on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | 4,003 | - | - | - | - | - | 4,003 | 3,413 | 7,416 |
| Share in other comprehensive income (loss) of associates and joint venture - net | | - | - | - | - | - | - | 22 | (2) | - | - | - | - | - | 20 | 2 | 22 |
| Net loss on cash flow hedges | | - | - | - | - | - | (1,294) | - | - | - | - | - | - | - | (1,294) | - | (1,294) |
| Net gain (loss) on financial assets at fair value through other comprehensive income | | - | - | - | - | - | - | 189 | - | - | - | - | - | - | 189 | (70) | 119 |
| Remeasurement loss on net defined benefit retirement plan | | - | - | - | - | (2) | - | - | - | - | - | - | - | - | (2) | - | (2) |
| Other comprehensive income (loss) | | - | - | - | - | (2) | (1,294) | 211 | 4,001 | - | - | - | - | - | 2,916 | 3,345 | 6,261 |
| Net income | | - | - | - | - | - | - | - | - | - | - | 4,978 | - | - | 4,978 | 32,116 | 37,094 |
| Total comprehensive income (loss) | | - | - | - | - | (2) | (1,294) | 211 | 4,001 | - | - | 4,978 | - | - | 7,894 | 35,461 | 43,355 |
| Share issuance costs from reissuance of treasury shares | | - | - | (26) | - | - | - | - | - | - | - | - | - | - | (26) | - | (26) |
| Net addition (reduction) to non-controlling interests and others | | - | - | - | - | - | - | - | - | (10,202) | - | (92) | - | - | (10,294) | 36,544 | 26,250 |
| Appropriations - net | | - | - | - | - | - | - | - | - | - | 2,629 | (2,629) | - | - | - | - | - |
| Cash dividends and distributions: | 7 | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | (1,669) | - | - | (1,669) | (10,628) | (12,297) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | (5,826) | - | - | (5,826) | (1,478) | (7,304) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | (2,102) | - | - | (2,102) | (12,883) | (14,985) |
| **As at September 30, 2024 (Unaudited)** | | **P16,443** | **P10,187** | **P177,442** | **P24,211** | **(P10,467)** | **(P1,697)** | **P541** | **P6,975** | **P4,716** | **P89,799** | **P95,811** | **(P67,093)** | **(P42,670)** | **P304,198** | **P395,961** | **P700,159** |

*Forward*

| | Note | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital Stock | | Additional Paid-in Capital | Senior Perpetual Capital Securities | Equity Reserves | | | | | Retained Earnings | | Treasury Stock | | Total | Non-Controlling Interests | Total Equity |
| | | Common | Preferred | | | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Appro-priated | Unappro-priated | Common | Preferred | | | |
| As at January 1, 2023 (Audited) | | P16,443 | P10,187 | P177,719 | P24,211 | (P9,256) | (P274) | P114 | P5,641 | P16,528 | P71,004 | P129,239 | (P67,093) | (P89,670) | P284,793 | P354,359 | P639,152 |
| Net loss on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | (2,420) | - | - | - | - | - | (2,420) | (914) | (3,334) |
| Share in other comprehensive income (loss) of associates and joint venture - net | | - | - | - | - | (11) | - | 10 | (2) | - | - | - | - | - | (3) | 1 | (2) |
| Net gain (loss) on cash flow hedges | | - | - | - | - | - | 76 | - | - | - | - | - | - | - | 76 | (16) | 60 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | | - | - | - | - | - | - | 151 | - | - | - | - | - | - | 151 | (4) | 147 |
| Remeasurement loss on net defined benefit retirement plan | | - | - | - | - | (1) | - | - | - | - | - | - | - | - | (1) | (5) | (6) |
| Other comprehensive income (loss) | | - | - | - | - | (12) | 76 | 161 | (2,422) | - | - | - | - | - | (2,197) | (938) | (3,135) |
| Net income | | - | - | - | - | - | - | - | - | - | - | 146 | - | - | 146 | 31,041 | 31,187 |
| Total comprehensive income (loss) | | - | - | - | - | (12) | 76 | 161 | (2,422) | - | - | 146 | - | - | (2,051) | 30,103 | 28,052 |
| Reissuance of treasury shares | | - | - | (20) | - | - | - | - | - | - | - | - | - | 13,000 | 12,980 | - | 12,980 |
| Net reduction to non-controlling interests and others | | - | - | - | - | - | - | - | - | (1,509) | - | (880) | - | - | (2,389) | (12,902) | (15,291) |
| Appropriations - net | | - | - | - | - | - | - | - | - | - | 12,221 | (12,221) | - | - | - | - | - |
| Cash dividends and distributions: | 7 | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | (2,503) | - | - | (2,503) | (10,156) | (12,659) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | (2,632) | - | - | (2,632) | (1,262) | (3,894) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | (2,007) | - | - | (2,007) | (11,581) | (13,588) |
| As at September 30, 2023 (Unaudited) | | P16,443 | P10,187 | P177,699 | P24,211 | (P9,268) | (P198) | P275 | P3,219 | P15,019 | P83,225 | P109,142 | (P67,093) | (P76,670) | P286,191 | P348,561 | P634,752 |

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

**CERTIFIED CORRECT:**

**BELMA O. NAVARRA**
**SVP, Corporate Finance - Comptrollership**

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)

| | Note | 2024 Unaudited | 2023 Unaudited |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **P59,642** | P49,561 |
| Adjustments for: | | | |
| Interest expense and other financing charges | | **72,693** | 66,086 |
| Depreciation, amortization and others - net | *3, 5* | **46,693** | 46,499 |
| Interest income | | **(11,063)** | (10,372) |
| Equity in net earnings of associates and joint ventures | | **(1,612)** | (1,392) |
| Gain on sale of investments and property and equipment | | **(142)** | (136) |
| Operating income before working capital changes | | **166,211** | 150,246 |
| Changes in noncash current assets, certain current liabilities and others | | **17,650** | 7,785 |
| Cash generated from operations | | **183,861** | 158,031 |
| Interest and other financing charges paid | | **(72,197)** | (66,914) |
| Income taxes paid | | **(17,487)** | (15,581) |
| Net cash flows provided by operating activities | | **94,177** | 75,536 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property, plant and equipment | *5* | **(54,968)** | (45,200) |
| Intangible assets | | **(30,132)** | (52,331) |
| Investments and advances | | **(8,182)** | (3,459) |
| Investment property | | **(6,930)** | (4,053) |
| Advances to contractors and suppliers | | **(3,205)** | (9,983) |
| Investments in equity and debt instruments | | **(1,962)** | (536) |
| Increase in other noncurrent assets and others | | **(18,215)** | (15,105) |
| Interest received | | **10,869** | 8,932 |
| Dividends received | | **1,210** | 650 |
| Proceeds from: | | | |
| Sale of property and equipment and other intangible assets | | **828** | 943 |
| Disposal of investments in debt instruments | | **519** | 529 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | | **8** | 418 |
| Net cash flows used in investing activities | | **(110,160)** | (119,195) |

*Forward*

| | Note | 2024 Unaudited | 2023 Unaudited |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Short-term borrowings | | **P933,794** | P823,203 |
| Long-term borrowings | | **239,571** | 237,042 |
| Payments of: | | | |
| Short-term borrowings | | **(898,657)** | (867,666) |
| Long-term borrowings | | **(212,256)** | (153,033) |
| Redemption of capital securities of subsidiaries | | **(45,040)** | (27,134) |
| Net proceeds from issuance of preferred shares and capital securities of subsidiaries | | **71,384** | - |
| Cash dividends and distributions paid to non-controlling shareholders | | **(25,780)** | (23,095) |
| Payments of lease liabilities | | **(17,172)** | (15,727) |
| Cash dividends and distributions paid | 7 | **(9,726)** | (7,349) |
| Share issuance costs from reissuance of treasury shares | | **(26)** | - |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | | **(6)** | (2,977) |
| Net proceeds from reissuance of treasury shares of a subsidiary | | **-** | 13,888 |
| Net proceeds from reissuance of treasury shares | | **-** | 12,980 |
| Net cash flows provided by (used in) financing activities | | **36,086** | (9,868) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(299)** | 606 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **19,804** | (52,921) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **261,358** | 318,214 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **P281,162** | P265,293 |

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

**CERTIFIED CORRECT:**

**BEL LAO NAVARRA**
**SVP, Corporate Finance - Comptrollership**

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**TRADE AND OTHER RECEIVABLES**
**September 30, 2024**
**(In Millions)**

| | | | Past Due | | | |
|---|---|---|---|---|---|---|
| | **Total** | **Current** | **1 - 30 Days** | **31 - 60 Days** | **61 - 90 Days** | **Over 90 Days** |
| Trade | P 176,423 | P 122,430 | P 11,180 | P 3,540 | P 1,763 | P 37,510 |
| Non-trade | 68,778 | 38,698 | 417 | 822 | 1,019 | 27,822 |
| Amounts Owed by Related Parties | 11,048 | 9,017 | 476 | 17 | 8 | 1,530 |
| Total | 256,249 | **P 170,145** | **P 12,073** | **P 4,379** | **P 2,790** | **P 66,862** |
| Less allowance for impairment losses | 13,945 | | | | | |
| Net | **P 242,304** | | | | | |

**San Miguel Corporation**
**Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares**
**September 30, 2024**
***(Amounts in Millions)***

**i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement** [a]

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 50,000 |
| Estimated fees, commissions and expenses relating to the issue: | | | | |
| Underwriting fees | **P** | 275 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Taxes | | 25 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Estimated legal and other professional fees | | 6 | | |
| Estimated other expenses | | 4 | | 379 |
| Net proceeds | | | **P** | 49,621 |

**ii) Actual Gross and Net Proceeds** [b]

| | | | | |
|---|---|---|---|---|
| Gross proceeds | | | **P** | 34,000 |
| Underwriting fees | **P** | 218 | | |
| PSE filing fee (inclusive of VAT) | | 56 | | |
| Taxes | | 17 | | |
| Philippine SEC filing and legal research fee | | 13 | | |
| Legal and other professional fees | | 5 | | |
| Other expenses | | 1 | | 310 |
| Net proceeds/balance of the proceeds | | | **P** | 33,690 |

**iii) Each Expenditure Item Where the Proceeds were Used**

| | | | | |
|---|---|---|---|---|
| Repayment of Philippine Peso-denominated short-term loans | **P** | 16,530 | | |
| Repayment of the Series B Bonds | | 7,294 | **P** | 23,824 |

**iv) Balance of the Proceeds as of End of Reporting Period** **P** 9,866

a *The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.*

b *The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.*

**San Miguel Corporation**
**Proceeds from the Offering of the Fixed-Rate Bonds Series "O" and Series "P"**
**September 30, 2024**
***(Amounts in Millions)***

**i) Gross and Net Proceeds as Disclosed in the Final Prospectus**

| | | | | |
|---|---|---|---|---|
| Gross Proceeds | | | **P** | 20,000 |
| Estimated Fees, Commissions and Expenses Relating to the Issue: | | | | |
| Underwriting fees | **P** | 80 | | |
| Taxes to be paid by the Company | | 150 | | |
| Philippine SEC filing and legal research fee | | 5 | | |
| Estimated legal and other professional fees | | 6 | | |
| Estimated other expenses | | 10 | | 251 |
| Net Proceeds | | | **P** | 19,749 |

**ii) Actual Gross and Net Proceeds**

| | | |
|---|---|---|
| Gross Proceeds | **P** | 20,000 |
| Expenses related to the Offering | | 267 * |
| Net Proceeds | **P** | 19,733 |

**iii) Each Expenditure Item Where the Proceeds were Used**

| | | |
|---|---|---|
| Partial redemption of Series "I" Fixed-Rate Bonds | **P** | 11,240 |
| Additional investment in the Manila International Airport | | 1,038 |
| Total Expenditure Where the Proceeds Were Used | **P** | 12,278 |

**iv) Balance of the Proceeds as of End of Reporting Period** **P** 7,455

* *Expenses of the Offering include: (i) payment of filing fees with the SEC; (ii) payments made to Philratings for its rating fees and monitoring fees; (iii) underwriting fees; (iv) documentary stamp taxes; (v) PDEx listing application and maintenance fees; (vi) legal and other professional fees; and (vii) other fees and miscellaneous expenses .*

## 1. Material Accounting Policy Information

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

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

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

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

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

*Adoption of Amendments to Standards*

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

- 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.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

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

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

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

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

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

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

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

*New and Amendments to Standards Not Yet Adopted*

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

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

- 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.

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

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

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

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

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

  The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1. The new standard introduces the following key requirements:

    - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.

    - Management-defined performance measures are disclosed in a single note to the financial statements.

    - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

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

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

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

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

## 2. 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 real estate.

The food and beverage segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice, and international operations ("Others"). 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, ancillary service procurement agreements and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Manila Electric Company, electric cooperatives, industrial customers and National Grid Corporation of the Philippines) 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 real estate segment is primarily engaged in leasing, sale of real estate, management services, and hotel operations.

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, 2024, December 31, 2023 and September 30, 2023 follows:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 |
| **Sales** | | | | | | | | | | | | | | | | | | |
| External sales | **P291,035** | P276,592 | **P18,282** | P18,617 | **P147,337** | P117,367 | **P650,764** | P574,390 | **P26,987** | P25,077 | **P26,536** | P28,391 | **P18,580** | P20,654 | **P -** | P - | **P1,179,521** | P1,061,088 |
| Inter-segment sales | **73** | 64 | **10,198** | 9,048 | **6,255** | 7,846 | **7,169** | 12,893 | **5** | 4 | **505** | 496 | **29,173** | 26,988 | **(53,378)** | (57,339) | - | - |
| Total sales | **P291,108** | P276,656 | **P28,480** | P27,665 | **P153,592** | P125,213 | **P657,933** | P587,283 | **P26,992** | P25,081 | **P27,041** | P28,887 | **P47,753** | P47,642 | **(P53,378)** | (P57,339) | **P1,179,521** | P1,061,088 |
| **Result** | | | | | | | | | | | | | | | | | | |
| Segment result | **P39,914** | P34,685 | **P2,098** | P1,596 | **P33,481** | P23,337 | **P22,254** | P27,008 | **P14,613** | P13,567 | **P5,305** | P4,593 | **P3,884** | P4,580 | **P305** | P820 | **P121,854** | P110,186 |
| Interest expense and other financing charges | | | | | | | | | | | | | | | | | **(72,693)** | (66,086) |
| Interest income | | | | | | | | | | | | | | | | | **11,063** | 10,372 |
| Equity in net earnings of associates and joint ventures | | | | | | | | | | | | | | | | | **1,612** | 1,392 |
| Gain on sale of investments and property and equipment | | | | | | | | | | | | | | | | | **142** | 136 |
| Other income (charges) - net | | | | | | | | | | | | | | | | | **(2,336)** | (6,439) |
| Income tax expense | | | | | | | | | | | | | | | | | **(22,548)** | (18,374) |
| **Net Income** | | | | | | | | | | | | | | | | | **P37,094** | P31,187 |

| | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other Information** | | | | | | | | | | | | | | | | | | |
| Segment assets | **P314,760** | P297,032 | **P49,438** | P50,431 | **P739,159** | P702,778 | **P459,892** | P432,972 | **P478,901** | P440,455 | **P116,084** | P116,185 | **P351,904** | P339,296 | **(P183,328)** | (P180,120) | **P2,326,810** | P2,199,029 |
| Investments in and advances to associates and joint ventures | **-** | - | **-** | - | **13,880** | 10,953 | **10** | 6 | **8,561** | 5,184 | **835** | 2,358 | **20,640** | 18,588 | **-** | - | **43,926** | 37,089 |
| Goodwill and trademarks | | | | | | | | | | | | | | | | | **187,417** | 183,008 |
| Other assets | | | | | | | | | | | | | | | | | **22,522** | 20,606 |
| Deferred tax assets | | | | | | | | | | | | | | | | | **18,746** | 19,633 |
| **Consolidated Total Assets** | | | | | | | | | | | | | | | | | **P2,599,421** | P2,459,365 |

*Forward*

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 | **September 2024** | December 2023 |
| Segment liabilities | **P80,685** | P73,742 | **P9,646** | P9,603 | **P116,051** | P81,870 | **P70,624** | P66,707 | **P57,155** | P53,317 | **P8,718** | P6,974 | **P100,994** | P102,371 | **(P153,934)** | (P148,456) | **P289,939** | P246,128 |
| Loans payable | | | | | | | | | | | | | | | | | **251,136** | 214,881 |
| Long-term debt | | | | | | | | | | | | | | | | | **1,226,132** | 1,190,584 |
| Lease liabilities | | | | | | | | | | | | | | | | | **41,527** | 56,572 |
| Income and other taxes payable | | | | | | | | | | | | | | | | | **46,332** | 46,254 |
| Dividends and distributions payable and others | | | | | | | | | | | | | | | | | **11,022** | 10,277 |
| Deferred tax liabilities | | | | | | | | | | | | | | | | | **33,174** | 29,503 |
| **Consolidated Total Liabilities** | | | | | | | | | | | | | | | | | **P1,899,262** | P1,794,199 |

## 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, 2024 and 2023:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement | | Real Estate and Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 | **September 2024** | September 2023 |
| **Timing of recognition** | | | | | | | | | | | | | | | | |
| Sales recognized at point in time | **P291,026** | P276,585 | **P17,646** | P18,023 | **P -** | P - | **P650,764** | P574,390 | **P -** | P - | **P26,536** | P28,391 | **P15,645** | P17,810 | **P1,001,617** | P915,199 |
| Sales recognized over time | **9** | 7 | **636** | 594 | **147,337** | 117,367 | **-** | - | **26,987** | 25,077 | **-** | - | **2,935** | 2,844 | **177,904** | 145,889 |
| **Total external sales** | **P291,035** | P276,592 | **P18,282** | P18,617 | **P147,337** | P117,367 | **P650,764** | P574,390 | **P26,987** | P25,077 | **P26,536** | P28,391 | **P18,580** | P20,654 | **P1,179,521** | P1,061,088 |

## 3. Other Income (Charges) - Net

Other income (charges) - net consists of:

| | Note | September 30 2024 | 2023 |
|---|---|---|---|
| Construction costs | | **(P41,431)** | (P37,051) |
| Loss on foreign exchange - net | *8* | **(2,241)** | (8,510) |
| Loss on derivatives - net | *9* | **(1,646)** | (993) |
| Construction revenue | | **41,431** | 37,051 |
| Rent income | | **413** | 232 |
| Dividend income | | **330** | 25 |
| Miscellaneous gain | | **-** | 2,291 |
| Others | | **808** | 516 |
| | | **(P2,336)** | (P6,439) |

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 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 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.

## 4. Related Party Disclosures

San Miguel Corporation (SMC 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, 2024 and December 31, 2023:

| | Year | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | **September 30, 2024** | **P6** | **P -** | **P -** | **P -** | On demand; non-interest bearing | Unsecured |
| | December 31, 2023 | 8 | - | - | 515 | | |
| | **September 30, 2024** | **-** | **-** | **3,037** | **-** | To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | - | - | 3,037 | - | | |
| Retirement Plans | **September 30, 2024** | **21** | **-** | **3,108** | **-** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 29 | - | 3,332 | - | | |
| | **September 30, 2024** | **176** | **-** | **4,127** | **-** | On demand; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 239 | - | 4,129 | 9 | | |
| Associates | **September 30, 2024** | **1,646** | **-** | **1,300** | **184** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 2,466 | - | 1,119 | 73 | | |
| | **September 30, 2024** | **245** | **-** | **4,288** | **27,902** | Less than 1 to 12 years; interest bearing | Unsecured and secured; no impairment |
| | December 31, 2023 | 469 | - | 4,288 | 25,076 | | |
| Joint Ventures | **September 30, 2024** | **65** | **472** | **249** | **442** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 74 | 65 | 197 | 18 | | |
| | **September 30, 2024** | **13** | **-** | **621** | **-** | On demand; interest bearing | Unsecured; with impairment |
| | December 31, 2023 | 40 | - | 621 | - | | |
| | **September 30, 2024** | **61** | **-** | **1,480** | **-** | Less than 1 to 10.5 years; interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 77 | - | 1,479 | - | | |
| Shareholder of the Ultimate Parent Company | **September 30, 2024** | **-** | **-** | **1,300** | **-** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | - | - | 1,300 | - | | |
| Shareholders in Subsidiaries | **September 30, 2024** | **26** | **966** | **95** | **1,327** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 30 | 990 | 100 | 1,304 | | |
| Others | **September 30, 2024** | **302** | **967** | **143** | **47** | On demand; non-interest bearing | Unsecured; no impairment |
| | December 31, 2023 | 451 | 2,965 | 157 | 162 | | |
| **Total** | **September 30, 2024** | **P2,561** | **P2,405** | **P19,748** | **P29,902** | | |
| Total | December 31, 2023 | P3,883 | P4,020 | P19,759 | P27,157 | | |

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, advances to suppliers and deposits and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

      *(i) Amounts owed by the Ultimate Parent Company amounting to P2,312:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually

agreed by the parties in writing. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at September 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statements of financial position as at September 30, 2024 and December 31, 2023.

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at September 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under "Other noncurrent assets - net" account in the consolidated statements of financial position as at September 30, 2024 and December 31, 2023.

b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P6,265 and P6,522 as at September 30, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5.75% per annum in 2024 and 2023. Interest income earned from the advances amounted to P142 and P141 for the periods ended September 30, 2024 and 2023, respectively.

c) Petron Corporation has advances to Petron Corporation Employee Retirement Plan amounting to P970 and P937 as at September 30, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5% per annum in 2024 and 2023. Interest income earned from the advances amounted to P34 for the periods ended September 30, 2024 and 2023.

d) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BankCom) for a total amount of P4,288 as at September 30, 2024 and December 31, 2023, 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. Interest income earned from investments in debt instruments amounted to P243 and P379 for the periods ended September 30, 2024 and 2023, respectively.

e) Amounts owed by related parties include interest-bearing receivable from joint ventures amounting to P621 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, 2024 and December 31, 2023. Interest income earned from the receivable amounted to P13 and P20 for the periods ended September 30, 2024 and 2023, respectively.

f) Amounts owed by joint ventures include the interest-bearing loans granted to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. amounting to P1,480 and P1,479 as at September 30, 2024 and December 31, 2023, respectively, presented as part of “Trade and other receivables - net” and “Other noncurrent assets - net” accounts in the consolidated statements of financial position. Interest income earned from the loans amounted to P61 and P54 for the periods ended September 30, 2024 and 2023, respectively.

g) Amounts owed by related parties include the receivable from the assignment by Eagle Cement Corporation to Far East Holdings, Inc. of the advances for future investment in KB Space Holdings, Inc. amounting to P1,300, presented as part of “Trade and other receivables - net” account in the consolidated statements of financial position as at September 30, 2024 and December 31, 2023.

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 P7 and P4 as at September 30, 2024 and December 31, 2023, respectively, and as part of “Lease liabilities - net of current portion” amounted to P1 and P5 as at September 30, 2024 and December 31, 2023, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.

5) The amounts owed to associates include interest bearing loans payable to BankCom presented as part of “Loans payable” account amounting to P11,519 and P6,382 and “Long-term debt” account amounting to P16,383 and P18,694 in the consolidated statements of financial position as at September 30, 2024 and December 31, 2023, respectively.

   The amounts owed to associates include syndicated project finance loans amounting to P13,452 and P12,375 as at September 30, 2024 and December 31, 2023, 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 SMC or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

## 5. Property, Plant and Equipment

Property, plant and equipment consist of:

**September 30, 2024 and December 31, 2023**

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| January 1, 2023 (Audited) | P53,863 | P80,797 | P203,466 | P194,444 | P20,482 | P233,513 | P9,971 | P194,022 | P990,558 |
| Additions | 320 | 734 | 1,728 | 394 | 514 | 7,698 | 173 | 59,612 | 71,173 |
| Acquisition of a subsidiary | 448 | - | - | - | - | - | - | - | 448 |
| Disposals/retirement | (6) | (168) | (76) | (1) | (918) | (2,943) | (14) | (14) | (4,140) |
| Reclassifications and others | 3,801 | 12,365 | 20,251 | 948 | 261 | 23,101 | 2,549 | (55,165) | 8,111 |
| Currency translation adjustments | (102) | (276) | - | (1,278) | (494) | (773) | 2 | (38) | (2,959) |
| December 31, 2023 (Audited) | 58,324 | 93,452 | 225,369 | 194,507 | 19,845 | 260,596 | 12,681 | 198,417 | 1,063,191 |
| Additions | 3,139 | 360 | 2,039 | 929 | 791 | 5,081 | 312 | 59,687 | 72,338 |
| Disposals/retirement | (67) | (21) | - | (2) | (1,407) | (2,094) | (1) | (37) | (3,629) |
| Reclassifications and others | (204) | 4,547 | 36,397 | (11) | (22) | 14,549 | 4,066 | (47,597) | 11,725 |
| Currency translation adjustments | 353 | 468 | - | 3,369 | 1,212 | 1,479 | 13 | 123 | 7,017 |
| **September 30, 2024 (Unaudited)** | **61,545** | **98,806** | **263,805** | **198,792** | **20,419** | **279,611** | **17,071** | **210,593** | **1,150,642** |
| **Accumulated Depreciation** | | | | | | | | | |
| January 1, 2023 (Audited) | 4,418 | 22,994 | 31,561 | 70,405 | 15,550 | 119,783 | 2,817 | - | 267,528 |
| Depreciation | 560 | 2,518 | 8,760 | 6,336 | 950 | 12,496 | 547 | - | 32,167 |
| Disposals/retirement | (6) | (117) | (13) | (1) | (818) | (1,980) | (14) | - | (2,949) |
| Reclassifications | (11) | (477) | - | 31 | 14 | 467 | (8) | - | 16 |
| Currency translation adjustments | 1 | (129) | - | (553) | (320) | (444) | - | - | (1,445) |
| December 31, 2023 (Audited) | 4,962 | 24,789 | 40,308 | 76,218 | 15,376 | 130,322 | 3,342 | - | 295,317 |
| Depreciation | 440 | 2,080 | 7,544 | 4,646 | 610 | 10,090 | 566 | - | 25,976 |
| Disposals/retirement | - | (20) | - | - | (1,352) | (1,372) | (1) | - | (2,745) |
| Reclassifications | (762) | (100) | - | - | (1) | 3,134 | 2 | - | 2,273 |
| Currency translation adjustments | 5 | 265 | - | 1,568 | 666 | 1,023 | 2 | - | 3,529 |
| **September 30, 2024 (Unaudited)** | **4,645** | **27,014** | **47,852** | **82,432** | **15,299** | **143,197** | **3,911** | **-** | **324,350** |
| **Accumulated Impairment Losses** | | | | | | | | | |
| January 1, 2023 (Audited) | - | 3,417 | - | - | - | 11,395 | 26 | - | 14,838 |
| Impairment | - | - | - | - | - | 15 | - | 65 | 80 |
| Disposals/retirement | - | (42) | - | - | - | (84) | - | - | (126) |
| Reclassifications | - | - | - | - | - | (122) | - | - | (122) |
| Currency translation adjustments | - | (72) | - | - | - | (196) | - | - | (268) |
| December 31, 2023 (Audited) | - | 3,303 | - | - | - | 11,008 | 26 | 65 | 14,402 |
| Impairment (Reversal of impairment) | - | - | - | - | - | (16) | - | 9 | (7) |
| Disposals/retirement | - | - | - | - | - | (92) | - | - | (92) |
| Currency translation adjustments | - | 73 | - | - | - | 217 | 1 | - | 291 |
| **September 30, 2024 (Unaudited)** | **-** | **3,376** | **-** | **-** | **-** | **11,117** | **27** | **74** | **14,594** |
| **Carrying Amount** | | | | | | | | | |
| December 31, 2023 (Audited) | P53,362 | P65,360 | P185,061 | P118,289 | P4,469 | P119,266 | P9,313 | P198,352 | P753,472 |
| **September 30, 2024 (Unaudited)** | **P56,900** | **P68,416** | **P215,953** | **P116,360** | **P5,120** | **P125,297** | **P13,133** | **P210,519** | **P811,698** |

September 30, 2023

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| January 1, 2023 (Audited) | P53,863 | P80,797 | P203,466 | P194,444 | P20,482 | P233,513 | P9,971 | P194,022 | P990,558 |
| Additions | 315 | 581 | 1,130 | 297 | 171 | 4,746 | 96 | 37,864 | 45,200 |
| Acquisition of a subsidiary | 448 | - | - | - | - | - | - | - | 448 |
| Disposals/retirement | (6) | (115) | (76) | - | (105) | (1,955) | (7) | (8) | (2,272) |
| Reclassifications and others | 2,191 | 15,074 | 16,356 | 501 | 196 | 18,564 | 1,934 | (45,175) | 9,641 |
| Currency translation adjustments | (147) | (201) | - | (1,204) | (469) | (570) | (19) | (36) | (2,646) |
| September 30, 2023 (Unaudited) | 56,664 | 96,136 | 220,876 | 194,038 | 20,275 | 254,298 | 11,975 | 186,667 | 1,040,929 |
| Accumulated Depreciation | | | | | | | | | |
| January 1, 2023 (Audited) | 4,418 | 22,994 | 31,561 | 70,405 | 15,550 | 119,783 | 2,817 | - | 267,528 |
| Depreciation | 400 | 1,802 | 6,352 | 4,488 | 724 | 9,130 | 377 | - | 23,273 |
| Disposals/retirement | (6) | (89) | (13) | - | (95) | (1,425) | (7) | - | (1,635) |
| Reclassifications | 62 | (23) | - | - | 21 | 497 | (5) | - | 552 |
| Currency translation adjustments | - | (95) | - | (521) | (297) | (370) | (3) | - | (1,286) |
| September 30, 2023 (Unaudited) | 4,874 | 24,589 | 37,900 | 74,372 | 15,903 | 127,615 | 3,179 | - | 288,432 |
| Accumulated Impairment Losses | | | | | | | | | |
| January 1, 2023 (Audited) | - | 3,417 | - | - | - | 11,395 | 26 | - | 14,838 |
| Reversal of impairment | - | - | - | - | - | (137) | - | - | (137) |
| Disposals/retirement | - | (25) | - | - | - | (78) | - | - | (103) |
| Currency translation adjustments | - | (46) | - | - | - | (85) | (1) | - | (132) |
| September 30, 2023 (Unaudited) | - | 3,346 | - | - | - | 11,095 | 25 | - | 14,466 |
| Carrying Amount | | | | | | | | | |
| September 30, 2023 (Unaudited) | P51,790 | P68,201 | P182,976 | P119,666 | P4,372 | P115,588 | P8,771 | P186,667 | P738,031 |

Depreciation charged to operations amounted to P25,976 and P23,273 for the periods ended September 30, 2024 and 2023, 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, 2024 and December 31, 2023, certain property, plant and equipment amounting to P194,604 and P165,263, respectively, are pledged as security for syndicated project finance loans.

## 6. Basic and Diluted Earnings Per Common 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 | |
|---|---|---|
| | **2024** | 2023 |
| Net income attributable to equity holders of the Parent Company | **P4,978** | P146 |
| Less: Dividends on preferred shares for the period | **5,562** | 2,723 |
| Distributions on capital securities for the period | **1,567** | 1,503 |
| Net loss attributable to common shareholders of the Parent Company (a) | **(P2,151)** | (P4,080) |
| Weighted average number of common shares outstanding (in millions) - basic and diluted (b) | **2,384** | 2,384 |
| Basic and diluted loss per common share attributable to equity holders of the Parent Company (a/b) | **(P0.90)** | (P1.71) |

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

The Parent Company has no dilutive debt or equity instruments for the periods ended September 30, 2024 and 2023.

## 7. Dividends and Distributions

Dividends

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

**2024**

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| **Common** | | | | |
| | March 11, 2024 | March 27, 2024 | April 26, 2024 | **P0.35** |
| | June 11, 2024 | June 28, 2024 | July 26, 2024 | **0.35** |
| **Preferred** | | | | |
| **Regular Dividend** | | | | |
| SMC2F | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.27635** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.27635** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.27635** |
| SMC2I | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.18790625** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.18790625** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.18790625** |
| SMC2J | January 18, 2024 | March 21, 2024 | April 4, 2024 | **0.890625** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.890625** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **0.890625** |

*Forward*

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| **Preferred** | | | | |
| **Regular Dividend** | | | | |
| SMC2K | January 18, 2024 | March 21, 2024 | April 4, 2024 | **P0.84375** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.84375** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **0.84375** |
| SMC2L | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.48396875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.48396875** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.48396875** |
| SMC2M | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5703125** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.5703125** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.5703125** |
| SMC2N | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.5649875** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.5649875** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.5649875** |
| SMC2O | January 18, 2024 | March 21, 2024 | April 4, 2024 | **1.611300** |
| | May 14, 2024 | June 21, 2024 | July 4, 2024 | **1.611300** |
| | August 8, 2024 | September 20, 2024 | October 4, 2024 | **1.611300** |
| **One-Time Dividend** | | | | |
| SMC2K | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.1031250** |
| SMC2L | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.329770833333333** |
| SMC2M | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.505989583333333** |
| SMC2N | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.347775** |
| SMC2O | May 14, 2024 | June 21, 2024 | July 4, 2024 | **0.358066666666667** |

The foregoing one-time dividend was paid for the purpose of synchronization and alignment of dividend payments on the outstanding Series 2 Preferred Shares, in accordance with the respective terms and conditions of the Series 2 Preferred Shares issuances.

2023

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| Common | March 9, 2023 | March 31, 2023 | April 28, 2023 | P0.35 |
| | June 13, 2023 | June 30, 2023 | July 26, 2023 | 0.35 |
| | September 7, 2023 | October 6, 2023 | October 27, 2023 | 0.35 |
| Preferred | | | | |
| SMC2F | January 26, 2023 | March 21, 2023 | April 4, 2023 | 1.27635 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 1.27635 |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | 1.27635 |
| SMC2I | January 26, 2023 | March 21, 2023 | April 4, 2023 | 1.18790625 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 1.18790625 |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | 1.18790625 |
| SMC2J | January 26, 2023 | March 21, 2023 | April 4, 2023 | 0.890625 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 0.890625 |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | 0.890625 |
| SMC2K | January 26, 2023 | March 21, 2023 | April 4, 2023 | 0.84375 |
| | May 11, 2023 | June 21, 2023 | July 5, 2023 | 0.84375 |
| | August 3, 2023 | September 21, 2023 | October 5, 2023 | 0.84375 |

On November 7, 2024, the BOD of the Parent Company declared regular cash dividends to: (a) all common shareholders of record as at November 22, 2024 in the amount of P0.35 per common share to be paid on December 2, 2024; and (b) all preferred shareholders of record as at December 20, 2024 on the following shares to be paid on January 3, 2025, as follows:

| Class of Shares | Dividend Per Share |
|---|---|
| SMC2F | P1.27635 |
| SMC2I | 1.18790625 |
| SMC2J | 0.890625 |
| SMC2K | 0.84375 |
| SMC2L | 1.48396875 |
| SMC2M | 1.5703125 |
| SMC2N | 1.5649875 |
| SMC2O | 1.611300 |

Distributions

The Parent Company paid P2,102 and P2,007 for the periods ended September 30, 2024 and 2023, respectively, to the holders of Senior Perpetual Capital Securities, as distributions in accordance with the terms and conditions of the subscription agreement.

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

Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, dividends and distributions payable, 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 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, 2024** | **<1 Year** | **1-2 Years** | **>2-3 Years** | **>3-4 Years** | **>4-5 Years** | **>5 Years** | **Total** |
|---|---|---|---|---|---|---|---|
| **Fixed Rate** | | | | | | | |
| Philippine Peso-denominated | **P85,332** | **P92,221** | **P94,120** | **P115,319** | **P52,482** | **P127,571** | **P567,045** |
| Interest rate | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.2837% - 9.635%** | **3.5483% - 9.635%** | **3.5483% - 9.635%** | **3.5483% - 9.635%** | |
| Foreign currency-denominated (expressed in Philippine Peso) | **1,377** | **1,438** | **1,505** | **9,976** | **10,051** | **9,262** | **33,609** |
| Interest rate | **8.331%** | **8.331%** | **8.331%** | **6.55% - 8.331%** | **6.68% - 8.331%** | **8.331%** | |
| **Floating Rate** | | | | | | | |
| Philippine Peso-denominated | **21,944** | **2,090** | **4,305** | **4,466** | **32,198** | **8,383** | **73,386** |
| 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) | **24,371** | **34,575** | **149,656** | **117,615** | **137,969** | **102,828** | **567,014** |
| Interest rate | **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** | |
| | **P133,024** | **P130,324** | **P249,586** | **P247,376** | **P232,700** | **P248,044** | **P1,241,054** |

| December 31, 2023 | <1 Year | 1-2 Years | >2-3 Years | >3-4 Years | >4-5 Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|
| Fixed Rate | | | | | | | |
| Philippine Peso-denominated | P98,099 | P73,303 | P75,000 | P118,771 | P87,199 | P142,861 | P595,233 |
| Interest rate | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.2837% - 9.635% | 3.3832% - 9.635% | 3.5483% - 9.635% | 3.5483% - 9.635% | |
| Foreign currency-denominated (expressed in Philippine peso) | 1,330 | 1,391 | 1,454 | 1,520 | 9,895 | 9,967 | 25,557 |
| Interest rate | 8.331% | 8.331% | 8.331% | 8.331% | 6.55% - 8.331% | 8.331% | |
| Floating Rate | | | | | | | |
| Philippine Peso-denominated | 2,286 | 21,819 | 1,938 | 1,938 | 2,398 | 23,561 | 53,940 |
| 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) | 136,617 | 23,802 | 88,505 | 73,884 | 120,336 | 85,960 | 529,104 |
| Interest 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 | |
| | P238,332 | P120,315 | P166,897 | P196,113 | P219,828 | P262,349 | P1,203,834 |

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 P4,803 and P5,830 for the period ended September 30, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine Peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group 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, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **US$2,033** | **P113,772** | US$1,720 | P95,227 |
| Trade and other receivables | **1,109** | **61,653** | 1,322 | 73,163 |
| Prepaid expenses and other current assets | **48** | **2,706** | 21 | 1,165 |
| Noncurrent receivables | **277** | **15,516** | 33 | 1,857 |
| | **3,467** | **193,647** | 3,096 | 171,412 |
| **Liabilities** | | | | |
| Loans payable | **143** | **7,985** | 243 | 13,458 |
| Accounts payable and accrued expenses | **3,315** | **185,718** | 2,497 | 138,309 |
| Long-term debt (including current maturities) | **10,720** | **600,623** | 10,018 | 554,661 |
| Lease liabilities (including current portion) | **286** | **15,945** | 434 | 24,066 |
| Other noncurrent liabilities | **39** | **2,227** | 25 | 1,447 |
| | **14,503** | **812,498** | 13,217 | 731,941 |
| Net foreign currency-denominated monetary liabilities | **US$11,036** | **P618,851** | US$10,121 | P560,529 |

The Group reported net loss on foreign exchange amounting to P2,241 and P8,510 for the periods ended September 30, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). These mainly resulted from the movements of the Philippine Peso against the US dollar as shown in the following table:

| | **US Dollar to Philippine Peso** |
|---|---|
| **September 30, 2024** | **P56.030** |
| December 31, 2023 | 55.370 |
| September 30, 2023 | 56.575 |
| December 31, 2022 | 55.755 |

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

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

| | **P1 Decrease in the US Dollar Exchange Rate** | | **P1 Increase in the US Dollar Exchange Rate** | |
|---|---|---|---|---|
| **September 30, 2024** | **Effect on Income before Income Tax** | **Effect on Equity** | **Effect on Income before Income Tax** | **Effect on Equity** |
| Cash and cash equivalents | **(P1,598)** | **(P1,626)** | **P1,598** | **P1,626** |
| Trade and other receivables | **(374)** | **(816)** | **374** | **816** |
| Prepaid expenses and other current assets | **(30)** | **(41)** | **30** | **41** |
| Noncurrent receivables | **(273)** | **(208)** | **273** | **208** |
| | **(2,275)** | **(2,691)** | **2,275** | **2,691** |
| Loans payable | **-** | **141** | **-** | **(141)** |
| Accounts payable and accrued expenses | **2,178** | **2,682** | **(2,178)** | **(2,682)** |
| Long-term debt (including current maturities) | **10,682** | **8,049** | **(10,682)** | **(8,049)** |
| Lease liabilities (including current portion) | **191** | **238** | **(191)** | **(238)** |
| Other noncurrent liabilities | **24** | **33** | **(24)** | **(33)** |
| | **13,075** | **11,143** | **(13,075)** | **(11,143)** |
| | **P10,800** | **P8,452** | **(P10,800)** | **(P8,452)** |

| | P1 Decrease in the US Dollar Exchange Rate | | P1 Increase in the US Dollar Exchange Rate | |
|---|---|---|---|---|
| December 31, 2023 | Effect on Income before Income Tax | Effect on Equity | Effect on Income before Income Tax | Effect on Equity |
| Cash and cash equivalents | (P1,238) | (P1,425) | P1,238 | P1,425 |
| Trade and other receivables | (429) | (1,076) | 429 | 1,076 |
| Prepaid expenses and other current assets | (10) | (19) | 10 | 19 |
| Noncurrent receivables | (31) | (25) | 31 | 25 |
| | (1,708) | (2,545) | 1,708 | 2,545 |
| Loans payable | - | 242 | - | (242) |
| Accounts payable and accrued expenses | 1,338 | 2,054 | (1,338) | (2,054) |
| Long-term debt (including current maturities) | 9,977 | 7,775 | (9,977) | (7,775) |
| Lease liabilities (including current portion) | 341 | 349 | (341) | (349) |
| Other noncurrent liabilities | 16 | 21 | (16) | (21) |
| | 11,672 | 10,441 | (11,672) | (10,441) |
| | P9,964 | P7,896 | (P9,964) | (P7,896) |

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.

The Parent Company 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, 2024 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | **P281,162** | **P281,162** | **P281,162** | **P -** | **P -** | **P -** |
| Trade and other receivables - net | **242,304** | **242,304** | **242,304** | **-** | **-** | **-** |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **3,333** | **3,333** | **2,254** | **-** | **1,079** | **-** |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **901** | **901** | **442** | **-** | **-** | **459** |
| Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account) | **9,007** | **9,289** | **2,692** | **54** | **853** | **5,690** |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,171** | **15,448** | **1,360** | **846** | **10,883** | **2,359** |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **8,724** | **8,920** | **35** | **3,655** | **64** | **5,166** |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **25,425** | **25,425** | **20,175** | **2,894** | **548** | **1,808** |
| **Financial Liabilities** | | | | | | |
| Loans payable | **251,136** | **253,261** | **253,261** | **-** | **-** | **-** |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO), and deferred income) | **259,898** | **259,898** | **259,898** | **-** | **-** | **-** |
| Dividends and distributions payable | **3,685** | **3,685** | **3,685** | **-** | **-** | **-** |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **3,543** | **3,543** | **2,502** | **-** | **1,041** | **-** |
| Long-term debt (including current maturities) | **1,226,132** | **1,530,145** | **205,513** | **196,119** | **839,878** | **288,635** |
| Lease liabilities (including current portion) | **41,527** | **55,603** | **8,826** | **8,629** | **19,498** | **18,650** |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities) | **13,592** | **13,592** | **-** | **6,018** | **4,220** | **3,354** |

| December 31, 2023 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | P261,358 | P261,358 | P261,358 | P - | P - | P - |
| Trade and other receivables - net | 263,119 | 263,119 | 263,119 | - | - | - |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 2,364 | 2,364 | 2,063 | - | 301 | - |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 1,401 | 1,401 | 1,012 | - | - | 389 |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account) | 7,424 | 7,738 | 54 | 54 | 1,970 | 5,660 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 12,158 | 16,822 | 1,333 | 846 | 2,636 | 12,007 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | 9,181 | 10,613 | 843 | 1,541 | 2,156 | 6,073 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 18,519 | 18,519 | 14,076 | 3,111 | - | 1,332 |
| Financial Liabilities | | | | | | |
| Loans payable | 214,881 | 217,073 | 217,073 | - | - | - |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income) | 220,205 | 220,205 | 220,205 | - | - | - |
| Dividends and distributions payable | 4,605 | 4,605 | 4,605 | - | - | - |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | 1,177 | 1,177 | 908 | - | 269 | - |
| Long-term debt (including current maturities) | 1,190,584 | 1,521,481 | 312,675 | 181,041 | 699,563 | 328,202 |
| Lease liabilities (including current portion) | 56,572 | 69,146 | 20,878 | 6,467 | 22,334 | 19,467 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | 11,023 | 11,023 | - | 5,577 | 3,671 | 1,775 |

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 was determined as follows:

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

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

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

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

| | **September 30, 2024** | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | **P278,454** | P256,366 |
| Trade and other receivables - net | **242,304** | 263,119 |
| Derivative assets | **3,333** | 2,364 |
| Investment in debt instruments at FVPL | **442** | 1,012 |
| Investment in debt instruments at FVOCI | **673** | 667 |
| Investment in debt instruments at amortized cost | **12,171** | 12,158 |
| Noncurrent receivables and deposits - net | **8,724** | 9,181 |
| Restricted cash | **25,425** | 18,519 |
| | **P571,526** | P563,386 |

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

| | **September 30, 2024** | | | | | |
|---|---|---|---|---|---|---|
| | **Financial Assets at Amortized Cost** | | | | | |
| | **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) | **P278,454** | **P -** | **P -** | **P -** | **P -** | **P278,454** |
| Trade and other receivables | **-** | **242,304** | **13,945** | **-** | **-** | **256,249** |
| Derivative assets | **-** | **-** | **-** | **2,284** | **1,049** | **3,333** |
| Investment in debt instruments at FVPL | **-** | **-** | **-** | **442** | **-** | **442** |
| Investment in debt instruments at FVOCI | **-** | **-** | **-** | **-** | **673** | **673** |
| Investment in debt instruments at amortized cost | **12,171** | **-** | **-** | **-** | **-** | **12,171** |
| Noncurrent receivables and deposits | **-** | **8,724** | **607** | **-** | **-** | **9,331** |
| Restricted cash | **25,425** | **-** | **-** | **-** | **-** | **25,425** |

| | December 31, 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) | P256,366 | P - | P - | P - | P - | P256,366 |
| Trade and other receivables | - | 263,119 | 13,120 | - | - | 276,239 |
| Derivative assets | - | - | - | 1,270 | 1,094 | 2,364 |
| Investment in debt instruments at FVPL | - | - | - | 1,012 | - | 1,012 |
| Investment in debt instruments at FVOCI | - | - | - | - | 667 | 667 |
| Investment in debt instruments at amortized cost | 12,158 | - | - | - | - | 12,158 |
| Noncurrent receivables and deposits | - | 9,181 | 567 | - | - | 9,748 |
| Restricted cash | 18,519 | - | - | - | - | 18,519 |

The aging of receivables is as follows:

| **September 30, 2024** | **Trade** | **Non-trade** | **Amounts Owed by Related Parties** | **Total** |
|---|---|---|---|---|
| Current | **P122,430** | **P38,698** | **P9,017** | **P170,145** |
| Past due: | | | | |
| 1 - 30 days | **11,180** | **417** | **476** | **12,073** |
| 31 - 60 days | **3,540** | **822** | **17** | **4,379** |
| 61 - 90 days | **1,763** | **1,019** | **8** | **2,790** |
| Over 90 days | **37,510** | **27,822** | **1,530** | **66,862** |
| | **P176,423** | **P68,778** | **P11,048** | **P256,249** |

| December 31, 2023 | Trade | Non-trade | Amounts Owed by Related Parties | Total |
|---|---|---|---|---|
| Current | P127,332 | P42,108 | P8,709 | P178,149 |
| Past due: | | | | |
| 1 - 30 days | 17,482 | 8,071 | 66 | 25,619 |
| 31 - 60 days | 5,049 | 282 | 14 | 5,345 |
| 61 - 90 days | 3,322 | 1,331 | 14 | 4,667 |
| Over 90 days | 35,262 | 24,939 | 2,258 | 62,459 |
| | P188,447 | P76,731 | P11,061 | P276,239 |

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, investments in debt instruments 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 BankCom which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

## 9. Financial Assets and Financial Liabilities

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

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

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

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

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 and presented in the consolidated statements of changes in equity. 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 cash flow 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.

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

| | **September 30, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **P281,162** | **P281,162** | P261,358 | P261,358 |
| Trade and other receivables - net | **242,304** | **242,304** | 263,119 | 263,119 |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **3,333** | **3,333** | 2,364 | 2,364 |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **901** | **901** | 1,401 | 1,401 |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account) | **9,007** | **9,007** | 7,424 | 7,424 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **12,171** | **12,171** | 12,158 | 12,158 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **8,724** | **8,724** | 9,181 | 9,181 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **25,425** | **25,425** | 18,519 | 18,519 |

*Forward*

| | September 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Liabilities** | | | | |
| Loans payable | **P251,136** | **P251,136** | P214,881 | P214,881 |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income) | **259,898** | **259,898** | 220,205 | 220,205 |
| Dividends and distributions payable | **3,685** | **3,685** | 4,605 | 4,605 |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **3,543** | **3,543** | 1,177 | 1,177 |
| Long-term debt (including current maturities) | **1,226,132** | **1,249,223** | 1,190,584 | 1,211,878 |
| Lease liabilities (including current portion) | **41,527** | **41,527** | 56,572 | 56,572 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **13,592** | **13,592** | 11,023 | 11,023 |

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 and equity 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, Accounts Payable and Accrued Expenses, and Dividends and Distributions Payable.* The carrying amount of loans payable, accounts payable and accrued expenses, and dividends and distributions payable 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 5.1% to 5.7% and 5.1% to 6.0% as at September 30, 2024 and December 31, 2023, respectively. The discount rates used for foreign currency-denominated loans range from 3.6% to 4.9% and 3.9% to 5.3% as at September 30, 2024 and December 31, 2023, 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, 2024** | **1 Year or Less** | **> 1 Year - 2 Years** | **> 2 Years - 5 Years** | **Total** |
| Foreign currency risk: | | | | |
| Call spread swaps: | | | | |
| Notional amount | **US$ -** | **US$ -** | **US$555** | **US$555** |
| Average strike rate | **-** | **-** | **P51.35 to P61.62** | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | **US$ -** | **US$ -** | **US$1,275** | **US$1,275** |
| Interest rate | **-** | **-** | **0.39% to 6.30%** | |

| | Maturity | | | |
|---|---|---|---|---|
| December 31, 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$30 |
| Average strike rate | P50.635 | - | - | |
| Fixed interest rate | 3.60% to 4.01% | - | - | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | US$ - | US$ - | US$525 | US$525 |
| Interest rate | - | - | 0.39% to 6.35% | |

The following are the amounts relating to hedged items:

| **September 30, 2024** | **Change in Fair Value Used for Measuring Hedge Ineffectiveness** | **Hedging Reserve** | **Cost of Hedging Reserve** |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | **(P1,143)** | **P -** | **(P374)** |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | **(76)** | **(743)** | **-** |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | **3,540** | **(1,878)** | **1,298** |

| December 31, 2023 | Change in Fair Value Used for Measuring Hedge Ineffectiveness | Hedging Reserve | Cost of Hedging Reserve |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | P4 | P - | (P290) |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | (142) | (23) | 20 |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | 59 | 148 | (258) |

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, 2024** | **Notional Amount** | **Carrying Amount** | | **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** |
|---|---|---|---|---|---|---|---|---|---|
| | | **Assets** | **Liabilities** | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | **US$555** | **P946** | **P -** | Other noncurrent assets - net | **P1,143** | **(P342)** | **(P1,143)** | **P238** | Interest expense and other financing charges, and Other income (charges) - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | **-** | **-** | **-** | | **76** | **(27)** | **(44)** | **-** | Interest expense and other financing charges, and Other income (charges) - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | **1,275** | **103** | **(786)** | Other noncurrent assets - net, and Other noncurrent liabilities | **(3,540)** | **2,066** | **(153)** | **-** | Interest expense and other financing charges |

| December 31, 2023 | Notional Amount | Carrying Amount | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | US$270 | P832 | P - | Prepaid expenses and other current assets, and Other noncurrent assets - net | (P4) | P10 | P4 | P197 | Interest expense and other financing charges, and Other income - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | 30 | 137 | - | Prepaid expenses and other current assets | 142 | 105 | (291) | (9) | Interest expense and other financing charges, and Other income - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | 525 | 125 | (269) | Other noncurrent assets - net, and Other noncurrent liabilities | (59) | (202) | (77) | (21) | Interest expense and other financing charges |

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized for the periods ended September 30, 2024 and 2023 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, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Hedging Reserve** | **Cost of Hedging Reserve** | Hedging Reserve | Cost of Hedging Reserve |
| Beginning balance | **P125** | **(P528)** | P339 | (P595) |
| Changes in fair value: | | | | |
| Foreign currency risk | **1,143** | **(342)** | (4) | 10 |
| Foreign currency risk and interest rate risks | **76** | **(27)** | 142 | 105 |
| Interest rate risk | **(3,540)** | **2,066** | (59) | (202) |
| Amount reclassified to profit or loss | **(1,340)** | **238** | (364) | 167 |
| Tax effect | **915** | **(483)** | 71 | (13) |
| Ending balance | **(P2,621)** | **P924** | P125 | (P528) |

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$225, US$75 and US$90 as at September 30 and June 30, 2024 and December 31, 2023, respectively. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2029. The net positive (negative) fair value of the swap amounted to (P223), P39 and P47 as at September 30 and June 30, 2024 and December 31, 2023, respectively.

*Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$757, US$653 and US$978 as at September 30 and June 30, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net negative fair value of these currency forwards amounted to P421, P63 and P385 as at September 30 and June 30, 2024 and December 31, 2023, respectively.

*Currency Options*

The Group has outstanding currency options with an aggregate notional amount of US$713, US$977 and US$200 as at September 30 and June 30, 2024 and December 31, 2023, respectively, and with various maturities in 2024 and 2025. The net negative fair value of these currency options amounted to P650, P388 and P18 as at September 30 and June 30, 2024 and December 31, 2023, respectively.

*Commodity Swaps*

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2024 and 2025. 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 86.6 million barrels, 43.0 million barrels and 51.1 million barrels as at September 30 and June 30, 2024 and December 31, 2023, respectively. The net positive fair value of these swaps amounted to P797, P236 and P738 as at September 30 and June 30, 2024 and December 31, 2023, respectively.

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

*Embedded Currency Forwards*
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$167, US$170 and US$145 as at September 30 and June 30, 2024 and December 31, 2023, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to P24, (P339) and (P20) as at September 30 and June 30, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to (P1,646), (P993), P2,313 and (P574) for the periods ended September 30, 2024 and 2023, and June 30, 2024 and 2023, respectively (Note 3).

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

| | **September 30, 2024** | December 31, 2023 |
|---|---|---|
| Balance at beginning of year | **P1,187** | P792 |
| Net change in fair value of derivatives: | | |
| Designated as accounting hedge | **(624)** | 43 |
| Not designated as accounting hedge | **(1,646)** | (1,379) |
| | **(1,083)** | (544) |
| Less fair value of settled instruments | **(873)** | (1,731) |
| Balance at end of period | **(P210)** | P1,187 |

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

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

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

| | **September 30, 2024** | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** | Level 1 | Level 2 | Total |
| **Financial Assets** | | | | | | |
| Derivative assets | **P -** | **P3,333** | **P3,333** | P - | P2,364 | P2,364 |
| Financial assets at FVPL | **442** | **459** | **901** | 1,012 | 389 | 1,401 |
| Financial assets at FVOCI | **1,628** | **7,379** | **9,007** | 1,407 | 6,017 | 7,424 |
| **Financial Liabilities** | | | | | | |
| Derivative liabilities | **-** | **3,543** | **3,543** | - | 1,177 | 1,177 |

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

## 10. Events After the Reporting Date

### a. Payment of Series H Fixed Rate Peso-denominated Bonds by the Parent Company

On October 4, 2024, the Parent Company paid the P10,000 Series H Fixed Rate Peso-denominated Bonds issued in 2019.

### b. Acquisition of 90% Ownership Interest in Bulakan Water Company, Inc. (BWCI) and 90% Ownership Interest in Obando Water Company, Inc. (OWCI) by SMC Bulacan Water Services Corporation (SMC Bulacan)

On May 16, 2024, SMC Bulacan entered into a Share Purchase Agreement with Filipinas Water Holdings Corporation (FWHC), a subsidiary of Manila Water Company, Inc., for the sale of 90% ownership interest in both BWCI and OWCI for a

total consideration of P1,025, subject to closing conditions which have been complied with on October 22, 2024.

Amendments to the respective Joint Venture Agreements between FWHC, BWCI and OWCI were also executed on October 22, 2024, whereby SMC Bulacan replaced FWHC as the joint venture partner of the water districts.

BWCI is a joint venture corporation with the Bulakan Water District operating the water and sanitation concession in the Municipality of Bulakan while OWCI is a joint venture corporation with the Obando Water District operating the concession in Obando, also in Bulacan.

**c. Acquisition of Sual Coal-fired Thermal Power Plant (Sual Power Plant) in Pangasinan**

On October 25, 2024, the 1,294 megawatts Sual Power Plant, located in Pangasinan, was turned over to Sual Power Inc. (SPI) by TeaM Energy Corp. (TPEC), through the Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Power Corporation, in accordance with the Independent Power Producer Administration Agreement effective November 6, 2009 and the Deed of Absolute Sale executed between PSALM and SPI dated October 24, 2024, after the contract between TPEC and the government expired.

Sual Power Plant, is the largest coal-fired power plant in the Philippines in terms of installed capacity, has been providing power to the Luzon grid since 1999 under a 25-year build-operate-transfer scheme.

## 11. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P265,619 and P248,484 as at September 30, 2024 and December 31, 2023, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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. 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.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of September 30, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ending September 30, 2024 and 2023 for operating efficiency ratios.

| | **September 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.23** | 1.12 |
| Quick Ratio | **0.74** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.71** | 2.70 |
| Asset to Equity Ratio | **3.71** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **1.62%** | 0.07% |
| Interest Rate Coverage Ratio | **1.82** | 1.80 |
| Return on Assets | **2.00%** | 1.84% |

| | **Period Ended September 30** | |
|---|---|---|
| | **2024** | 2023 |
| Operating Efficiency: | | |
| Volume Growth | **14%** | 7% |
| Revenue Growth (Decline) | **11%** | (5%) |
| Operating Margin | **10%** | 10% |

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 | $\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$ |
| 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 | $\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$ |

*Forward*

| KPI | Formula |
| --- | --- |
| 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.*

SAN MIGUEL CORPORATION

ANNEX "B"

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended September 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended September 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2024, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

## I. 2024 SIGNIFICANT TRANSACTIONS

The following are the major developments in 2024:

### INVESTING ACTIVITIES

- **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

  On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the "Consortium"), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

  On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, Manila International Airport Authority (MIAA) and the concession company, NNIC. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the 8th year.

  The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 to 48 peak hourly rate.

  On September 13, 2024, NNIC remitted to MIAA the upfront fee required under the CA, including value-added tax (VAT), and annuity payment which was funded by loan availment and equity infusion.

  On September 14, 2024, NNIC officially took over operations at NAIA following the completion of all required deliverables for turnover as outlined in the CA.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in entities through which San Miguel Global Power owns and/or operates the following: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) the land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI.

  Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of securing the necessary clearance from the Philippine Competition Commission in relation to the joint investment by San Miguel Global Power and CGHI.

In 2024, the Group has undertaken various financing activities. The significant transactions are as follows:

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **Energy**

  - **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

    On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) Projects, and for payment of transaction costs.

  - **San Miguel Global Power**

    On July 19, 2024, San Miguel Global Power availed of a P10,000 million term loan, subject to a fixed interest rate of 7.375% per annum and with a term of five years. The proceeds from the loan were used to refinance a short-term loan.

- **Infrastructure**

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

    On various dates in 2024, SMC MRT 7 drew a total of P15,400 million term loans from the P100,000 million OLSA executed with various local banks on May 18, 2023. The loans are subject to a floating interest rate and with a term of 14 years and six months. The proceeds from the loans were used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

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

    On March 4 and June 18, 2024, SMC NAIAX drew a total of P761 million term loans from the P5,656 million OLSA executed with various banks on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds from the loans were used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **SMC**

  a. On various dates in 2024, SMC drew a total of US$289 million term loans from the US$2,165 million loan facility executed on March 31, 2022. The loans are subject to a floating interest rate and with a term of 13 years. The proceeds from the loans were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.

  b. On May 17, 2024, SMC availed of a US$150 million term loan, subject to a fixed interest rate and with a term of five years. The proceeds from the loan were used for general corporate purposes.

  c. On August 2, 2024, SMC availed of a US$50 million term loan, subject to a floating interest rate and with a term of five years. The proceeds from the loan were used for general corporate purposes.

  d. On September 27, 2024, SMC availed of a US$2,000 million term loan, subject to a floating interest rate and with a term of five years. The proceeds from the loan were used to refinance the matured loans drawn by SMC amounting to US$50 million and US$1,950 million on December 27, 2019 and March 19, 2020, respectively.

- **Petron Corporation (Petron)**

  On various dates in July and September 2024, Petron drew a total of US$359 million from the US$500 million term loan facility executed on July 11, 2024. The loans are subject to a floating interest rate and have a final maturity in July 2029. The proceeds from the loans were partially used to repay outstanding indebtedness and settle liabilities for crude oil importations.

- **San Miguel Yamamura Australasia Pty. Ltd. (SMYA)**

  On July 29, 2024, SMYA drew a AU$45 million term loan from the syndicated facility agreement entered into on July 22, 2024. The loan is subject to a floating interest rate and will mature in July 2027. The proceeds from the loan were used to refinance existing indebtedness.

- **San Miguel Global Power**

  On September 9, 2024, San Miguel Global Power drew a US$200 million term loan from the US$200 million loan facility, with option to increase up to US$300 million, executed with a foreign bank on August 30, 2024. The loan is subject to a floating interest rate and will mature in August 2027. The proceeds from the loan were used to refinance the US$200 million matured term loan drawn on January 21, 2022.

**ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **Issuance of Series O and Series P Fixed Rate Peso-denominated Bonds by SMC**

  On July 3, 2024, SMC issued and listed on the Philippine Dealing & Exchange Corp. P13,000 million Series O and P7,000 million Series P fixed rate Peso-denominated Bonds from the P50,000 million Shelf Registered fixed rate Bonds approved by the Securities and Exchange Commission in 2021. The Series O Bonds have a term of five years and six months from the issue date with a fixed interest rate of 7.2584% per annum. The Series P Bonds have a term of ten years from the issue date with a fixed interest rate of 7.7197% per annum.

  The proceeds from the issuance of the bonds were used for the partial payment of Series I fixed rate Peso-denominated Bonds and the remaining balance will be used for the repayment of Series F Bonds on March 19, 2025 and investments in the MIA Project and other airport-related projects in Bulacan.

- **Payment of Series B Fixed Rate Peso-denominated Bonds by SMC**

  On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million Shelf Registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued in 2017.

  The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

- **Partial Payment of Series I Fixed Rate Peso-denominated Bonds by SMC**

  On July 8, 2024, SMC partially paid the P11,240 million of the P30,000 million Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by the bondholders. The Series I Bonds, which formed part of the first tranche of the P50,000 million Shelf Registered fixed rate Bonds were issued in 2021. The remaining balance of the Series I fixed rate Peso-denominated Bonds was repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until maturity on July 8, 2027.

  The payment was funded partly from the proceeds of Series O and Series P fixed rate Peso-denominated Bonds.

- **Payment of Series C Fixed Rate Peso-denominated Bonds by Petron**

  On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds, which matured on the same date. The Series C Bonds which formed part of the P20,000 million Retail Bonds were issued in October 2018.

  The payment was funded by the: (a) P7,000 million term loan availed on March 6, 2024 subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years; (b) P5,000 million term loan availed on April 18, 2024, subject to a floating interest rate and with a term of five years; and (c) cash generated from operations.

- **Payment of Series I Fixed Rate Peso-denominated Bonds by San Miguel Global Power**

  On April 24, 2024, San Miguel Global Power paid the P9,232 million Series I fixed rate Peso-denominated Bonds, from the proceeds of short-term loan facilities and from cash generated from operations.

  The Series I Bonds which formed part of the P30,000 million Series H, Series I and Series J fixed rate Peso-denominated Bonds were issued in April 2019.

**PAYMENT OF PESO TERM LOAN BY SAN MIGUEL GLOBAL POWER**

On April 26, 2024, San Miguel Global Power fully paid the P14,100 million balance of its P15,000 million fixed rate seven-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

The payment was funded by the proceeds of short-term loan facilities and from cash generated from operations.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the nine-month period ended September 30, 2024, the Group paid a total of P24,274 million of its scheduled amortizations and maturing obligations funded by the proceeds of short-term loan facilities and cash generated from operations.

**ISSUANCE AND REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

a. On April 19, 2024, San Miguel Global Power issued US$800 million Redeemable Perpetual Securities at an issue price of 100%, with a prescribed initial distribution rate per annum, payable pursuant to the terms of the agreement.

   The net proceeds were used in part for the redemption of the US$783 million Senior Perpetual Capital Securities (SPCS) on April 25, 2024, pursuant to the terms and conditions of the securities. The US$783 million SPCS is the remaining securities out of the US$800 million SPCS issued in April and July 2019.The redemption price included the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

   The difference between the price paid and the net carrying amount of the SPCS repurchased amounting to P4,854 million was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at September 30, 2024.

b. On September 12, 2024, San Miguel Global Power issued US$800 million SPCS ("Securities") at an issue price of 100%, with a distribution rate of 8.75% per annum, payable pursuant to the terms of the agreement. The Securities were used in part for the exchange of certain existing SPCS amounting to US$532 million and the repurchase of certain existing SPCS amounting to US$157 million on September 12, 2024.

The remaining proceeds of US$111 million were used for the payment of: (i) costs and expenses related to the issuance of the Securities; (ii) accrued distribution in respect of the securities that was accepted for exchange and repurchase; and (iii) pre-development costs of solar energy projects.

The difference between the price paid and the net carrying amount of the SPCS exchanged and repurchased amounting to P5,259 million was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at September 30, 2024.

On September 30, 2024, San Miguel Global Power issued an additional US$100 million SPCS ("Additional Securities") at an issue price of 100% plus an amount corresponding to accrued distribution from and including September 12, 2024 to, but excluding, September 30, 2024. The Additional Securities are consolidated into and form a single series with the Securities issued on September 12, 2024, bringing the total securities to US$900 million and are identical in all respects, except for the date of issuance and issue price.

The net proceeds of the Additional Securities are intended for the pre-development costs of solar energy projects and capital expenditures related to the BESS projects.

The Securities and Additional Securities were listed on the Singapore Exchange Securities Trading Limited on September 13, 2024 and October 1, 2024, respectively.

**ISSUANCE OF PREFERRED SHARES BY PETRON**

On September 23, 2024, Petron issued and listed at the Philippine Stock Exchange 8,500,000 Series 4-D and 8,330,000 Series 4-E Preferred 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 P16,830 million. The shares are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable, Philippine Peso-denominated perpetual Preferred Shares with a par value of P1.00 per share.

The preferred shares are perpetual and have no fixed final maturity date. Dividend rates are 6.8364% and 7.1032% per annum for Series 4-D and Series 4-E, respectively.

The net proceeds will be used to redeem the Series 3-A Preferred Shares in December 2024, refinance maturing obligations, and fund general corporate purposes, including the purchase of crude oil inventory.

## EVENTS AFTER THE REPORTING DATE

**a) Payment of Series H Fixed Rate Peso-denominated Bonds by SMC**

On October 4, 2024, SMC paid the P10,000 million Series H Fixed Rate Peso-denominated Bonds which were issued in 2019.

**b) Acquisition of 90% Ownership Interest in Bulakan Water Company, Inc. (BWCI) and 90% Ownership Interest in Obando Water Company, Inc. (OWCI) by SMC Bulacan Water Services Corporation (SMC Bulacan)**

On May 16, 2024, SMC Bulacan entered into a Share Purchase Agreement with Filipinas Water Holdings Corporation (FWHC), a subsidiary of Manila Water Company, Inc., for the sale of 90% ownership interest in both BWCI and OWCI for a total consideration of P1,025 million, subject to closing conditions which have been complied with on October 22, 2024.

Amendments to the respective Joint Venture Agreements between FWHC, BWCI and OWCI were also executed on October 22, 2024, whereby SMC Bulacan replaced FWHC as the joint venture partner of the water districts.

BWCI is a joint venture corporation with the Bulakan Water District operating the water and sanitation concession in the Municipality of Bulakan while OWCI is a joint venture corporation with the Obando Water District operating the concession in Obando, also in Bulacan.

**c) Acquisition of Sual Coal-fired Thermal Power Plant (Sual Power Plant) in Pangasinan**

On October 25, 2024, the 1,294 MW Sual Power Plant, located in Pangasinan, was turned over to Sual Power Inc. (SPI) by TeaM Energy Corp. (TPEC), through the Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Power Corporation, in accordance with the Independent Power Producer Administration (IPPA) Agreement effective November 6, 2009 and the Deed of Absolute Sale executed between PSALM and SPI dated October 24, 2024, after the contract between TPEC and the government expired.

Sual Power Plant, the largest coal-fired power plant in the Philippines in terms of installed capacity, has been providing power to the Luzon grid since 1999 under a 25-year build-operate-transfer scheme.

## II. FINANCIAL PERFORMANCE

**2024 vs. 2023**

| | September | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **%** | **2024** | **2023** |
| | | ***(In Millions)*** | | | | |
| Sales | **P1,179,521** | P1,061,088 | P118,433 | 11% | **100%** | 100% |
| Cost of sales | **(983,803)** | (884,199) | 99,604 | 11% | **(84%)** | (83%) |
| Gross profit | **195,718** | 176,889 | 18,829 | 11% | **16%** | 17% |
| Selling and administrative expenses | **(73,864)** | (66,703) | 7,161 | 11% | **(6%)** | (6%) |
| Operating income | **121,854** | 110,186 | 11,668 | 11% | **10%** | 11% |
| Interest expense and other financing charges | **(72,693)** | (66,086) | 6,607 | 10% | **(6%)** | (6%) |
| Interest income | **11,063** | 10,372 | 691 | 7% | **1%** | 1% |
| Equity in net earnings of associates and joint ventures | **1,612** | 1,392 | 220 | 16% | **0%** | 0% |
| Gain on sale of investments and property and equipment | **142** | 136 | 6 | 4% | **0%** | 0% |
| Other charges - net | **(2,336)** | (6,439) | (4,103) | (64%) | **(0%)** | (1%) |
| Income before income tax | **59,642** | 49,561 | 10,081 | 20% | **5%** | 5% |
| Income tax expense | **(22,548)** | (18,374) | 4,174 | 23% | **(2%)** | (2%) |
| **Net Income** | **P37,094** | P31,187 | P5,907 | 19% | **3%** | 3% |
| Net income attributable to: | | | | | | |
| Equity holders of the Parent Company | **P4,978** | P146 | P4,832 | 3310% | **0%** | 0% |
| Non-controlling interests | **32,116** | 31,041 | 1,075 | 3% | **3%** | 3% |
| **Net Income** | **P37,094** | P31,187 | P5,907 | 19% | **3%** | 3% |

The Group's consolidated sales of P1,179,521 million for the nine-month period of 2024 increased by 11% compared to the same period last year, mainly on account of the sales volume growth of Petron, the Energy and Food and Beverage businesses, combined with the higher average selling prices of Ginebra San Miguel Inc. (GSMI) and San Miguel Brewery Inc. (SMB).

The Group's cost of sales increased by P99,604 million or 11%, mainly due to: (a) the increase in volume sold and increase in average cost per liter of petroleum products of Petron; and (b) the higher LNG consumption during the period of the Ilijan Power Plant as a result of the resumption of operations on May 31, 2023, costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning, and higher volume of power purchases due to the increased demand from bilateral customers from the spot market during the period of the Energy business. This was partly offset by the lower cost of coal due primarily to the decline in NewCastle coal price indices for the period.

The increase in selling and administrative expenses by P7,161 million or 11% was mainly due to higher distribution and handling costs and other contracted services mainly from the Food and Beverage business, and salaries and employee benefits of the Group.

The consolidated operating income increased by P11,668 million or 11% from the same period last year mainly driven by the: (a) improved margins on contracted volumes of the Energy business as it worked out a transition to fuel passthrough arrangements for most of its bilateral customers and the margin contributed by SMGP BESS through ancillary services; (b) higher sales volume of the Food and Beverage business; and (c) continued cost management initiatives and improvement works of the Infrastructure business. The increase was tempered by the decline in operating income of Petron due to correction in refining margins partly offset by the impact of higher volume.

The increase in interest expense and other financing charges by P6,607 million was mainly due to higher interest rates and increased average level of borrowings of the Energy business, SMC and Petron.

The increase in interest income by P691 million was primarily due to higher interest rates and average balance of short-term placements of the Food and Beverage and Infrastructure businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC.

The increase in equity in net earnings of associates and joint ventures by P220 million was mainly due to the share on higher net income of Angat Hydropower Corporation (Angat Hydro), reduced by the share on the net loss of NNIC.

The lower amount of other charges - net by P4,103 million was mainly due to the: (a) lower amount of loss on the revaluation of foreign currency-denominated long-term debt primarily of SMC and Petron as a result of the lower depreciation of the Philippine Peso against the US Dollar from P0.82 in 2023 to P0.66 in 2024; and (b) foreign exchange gain realized by Petron in 2024 due to payment in July to September of foreign currency-denominated crude oil liabilities when the Philippine Peso and Malaysian Ringgit drastically appreciated against the US Dollar, a turnaround from foreign exchange loss in 2023.

The increase in income tax expense by P4,174 million was mainly due to the reversal of deferred income tax benefit by: (a) SPPC as a result of the utilization of net operating loss carry over (NOLCO) in 2024 and (b) SMC on realized foreign exchange loss as a result of the payment of foreign currency-denominated long-term debt in 2024 and 2023.

Consolidated net income increased by 19% to P37,094 million from P31,187 million in the same period last year, mainly on account of the improved operations of most businesses mainly the Food division, the Energy, Infrastructure and Cement businesses, and the lower amount of loss on the revaluation of foreign currency-denominated long-term debt primarily of SMC and Petron as a result of the lower depreciation of the Philippine Peso against the US Dollar.

The significant increase in net income attributable to equity holders of the Parent Company by P4,832 million was mainly due to the higher net income, partly reduced by the increase in share of non-controlling interests (NCI) on the Group’s net income.

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

## 1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) delivered strong financial results for the first nine months of 2024 with significant growth registered across all division. Consolidated sales reached P291,108 million, a 5% increase compared to the same period last year.

Operating income rose 15%, reaching P39,914 million, primarily driven by higher sales volume across all divisions. Net income also saw robust growth, rising by 11% to P30,410 million compared to the same period last year.

### a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB reported consolidated sales of P111,220 million, an increase of 3% from the same period last year, driven by higher sales volume and the implementation of a price increase in the domestic market effective September 1, 2024.

Consolidated operating income declined by 3% to P23,433 million, reflecting the effects of the excise tax increase. Net income fell by 5% to P18,533 million.

**Domestic Operations**
Domestic operations experienced a 4% growth in the third quarter, reversing the slight decline seen in the first semester of the year. This resulted in total volumes of 152.7 million cases for the nine-month period, representing a 1% increase from the same period last year.

**International Operations**
International operations volumes also grew by 2% in the third quarter, up from the flat growth in the first half. This led to the year-to-date September volume of 20.8 million cases.

### b) Spirits Division

GSMI continued its upward volume trend in the third quarter, closing the nine-month period with a 10% year-on-year increase to 37.0 million cases. This double-digit growth was driven by the consistent robust performance of its flagship Ginebra San Miguel and recovery of Vino Kulafu. The combination of strong volumes and a price increase implemented in February led to significant revenue growth, resulting in a 17% rise to P45,562 million.

Operating income grew by 26% to P6,336 million, benefiting from lower costs of packaging materials. Net income held steady at P5,441 million, aligned with prior year's level. Without the effects of the one-time gain from the assignment of product rights in March of last year, net income would have risen by 25%.

**c) Food Division**

The Food division sustained its positive performance, posting a 4% year-on-year revenue growth for the nine-month period to P134,329 million, as most business segments continued to show strong volume growth.

Operating income nearly doubled to P9,805 million, supported by an expansion in gross margin from 17% to 22%, driven by a decline in raw material costs.

Net income surged to P6,701 million, more than doubling last year's figure of P2,899 million.

The Protein segment revenues increased by 7%, fueled by a 9% rise in volume and continued favorable selling prices in the third quarter.

The Animal Nutrition and Health segment revenues declined by 6%, as volumes remained muted in the third quarter.

The Prepared and Packaged Food segment maintained its growth trajectory, posting an 11% revenue increase on account of favorable selling prices and a 9% rise in volume.

**2. PACKAGING**

The Packaging business for the nine-month period, generated consolidated revenues of P28,480 million, up 3% against the comparable period last year and a significant recovery from the previous quarter.

Consolidated operating income posted a robust 31% year-on-year increase to P2,098 million on account of improved production efficiencies, coupled with cost measures implemented across the group.

**3. ENERGY**

San Miguel Global Power sustained its exceptional performance, reporting a 57% increase in offtake volumes for the nine-month period of 2024, reaching 27,043 gigawatt hours (GWh). This growth was driven by: (a) Power Supply Agreements (PSAs) secured from Manila Electric Company (Meralco) and other distribution utilities; (b) new retail electricity supply customers for Limay Power Plant; (c) ancillary services provided to the National Grid Corporation of the Philippines and offered to the reserve market through BESS; and (d) the commencement of commercial operations of Mariveles Greenfield Power Plant’s Units 1 and 2 on March 28 and September 26, 2024, respectively. Consequently, consolidated revenues rose by 23% to P153,592 million, compared to P125,213 million in the same period in 2023.

Operating income saw significant growth of 43% driven by improved margins as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and additional margin contributions of BESS ancillary services.

Net income surged by 48% to P13,465 million.

## 4. FUEL AND OIL

Petron continued to report strong revenues in the first nine months of the year despite challenges in the international oil market. Consolidated revenues grew by 12% to P657,933 million from P587,283 million in the same period last year. This was driven by the sustained volume growth of 12% to 104.4 million barrels from 93.6 million barrels in 2023.

Petron's sales volume from its Philippine operations and Singapore trading arm posted a combined 16% increase to 67.8 million barrels, while sales volume from Malaysian operations rose by 4% to 36.6 million barrels.

Petron managed an operating income of P22,254 million in the first nine months from P27,008 million in the same period last year, as the strong performance of the marketing segment weighed down by the correction in refining margins by as much as 30% year-on-year. This resulted in a net income for the nine-month period of P7,109 million from P9,508 million in 2023.

## 5. INFRASTRUCTURE

The Infrastructure business continues to deliver steady growth, posting consolidated revenues of P26,992 million in the nine-month period of 2024, an 8% increase compared to the same period last year. The revenue growth was buoyed by the 2% increase in total average daily traffic from all operating toll roads, reaching 1,024,881 vehicles. The Infrastructure business recorded an 8% increase in operating income to P14,613 million.

The land development and ground improvement works of the MIA Project are ongoing with overall progress at 84.61%. Per the approved DOTr timeline, Airport Development is expected to be completed by the end of 2028.

SMC-led consortium, NNIC, officially took over operations at NAIA on September 14, 2024, following the completion of all required deliverables for turnover as outlined in the CA.

The depot, detailed engineering and design, site development, and construction of other facilities of the MRT 7 Project are still ongoing. There is also an ongoing study of the realignment of the Highway Component. In addition, the new location of Station 14 has been agreed by the San Jose del Monte Local Government Unit with DOTr. In the third quarter of 2024, four additional trainsets were delivered on-site, bringing the total to 26 trainsets out of 36 trainsets ordered.

## 6. CEMENT

The Cement business consolidated revenues in the nine-month period of 2024 declined by 6% to P27,041 million compared to the same period last year, while sales volume increased by 3%. The decline in revenue was driven by lower selling prices, influenced by the influx of cheaper imported traded cement. Despite the decline in topline, operating income grew by 16%, supported by lower costs and increased operating efficiencies.

**2023 vs. 2022**

| | September | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| | | ***(In Millions)*** | | | | |
| Sales | **P1,061,088** | P1,112,522 | (P51,434) | (5%) | **100%** | 100% |
| Cost of sales | **(884,199)** | (970,245) | (86,046) | (9%) | **(83%)** | (87%) |
| Gross profit | **176,889** | 142,277 | 34,612 | 24% | **17%** | 13% |
| Selling and administrative expenses | **(66,703)** | (56,780) | 9,923 | 17% | **(6%)** | (5%) |
| Operating income | **110,186** | 85,497 | 24,689 | 29% | **11%** | 8% |
| Interest expense and other financing charges | **(66,086)** | (41,175) | 24,911 | 61% | **(6%)** | (4%) |
| Interest income | **10,372** | 4,125 | 6,247 | 151% | **1%** | 1% |
| Equity in net earnings of associates and joint ventures | **1,392** | 876 | 516 | 59% | **0%** | 0% |
| Gain on sale of investments and property and equipment | **136** | 584 | (448) | (77%) | **0%** | 0% |
| Other charges - net | **(6,439)** | (30,867) | (24,428) | (79%) | **(1%)** | (3%) |
| Income before income tax | **49,561** | 19,040 | 30,521 | 160% | **5%** | 2% |
| Income tax expense | **(18,374)** | (6,095) | 12,279 | 201% | **(2%)** | (1%) |
| **Net Income** | **P31,187** | P12,945 | P18,242 | 141% | **3%** | 1% |
| Net income (loss) attributable to: | | | | | | |
| Equity holders of the Parent Company | **P146** | (P15,115) | P15,261 | 101% | **0%** | (2%) |
| Non-controlling interests | **31,041** | 28,060 | 2,981 | 11% | **3%** | 3% |
| **Net Income** | **P31,187** | P12,945 | P18,242 | 141% | **3%** | 1% |

The Group's consolidated sales for the nine-month period of 2023 ended at P1,061,088 million, 5% lower than the same period in 2022. The lower average selling prices of Petron and the Energy business and decrease in volumes of the Energy business and the Food division have offset the higher sales volume of Petron, SMB and GSMI and the Infrastructure business, along with the higher average selling prices of the Food and Beverage business and the sales contribution of Eagle Cement Corporation (ECC), which was consolidated effective December 14, 2022.

The Group's cost of sales decreased by P86,046 million or 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 of 2023.

The increase in selling and administrative expenses by P9,923 million or 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 P110,186 million compared to the same period in 2022 mainly driven by the sustained performance improvements of Petron, the Infrastructure business, SMB and GSMI, plus the operating income contribution of ECC for the nine-month period of 2023.

The increase in interest expense and other financing charges by P24,911 million was mainly due to higher average loan balance of SMC and Petron coupled with higher interest rates.

The increase in interest income by P6,247 million 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 by P516 million was mainly due to the share on the higher net income of Bank of Commerce (BankCom) and the share in the lower net loss of Angat Hydro for the nine-month period of 2023 compared to the same period in 2022.

The decrease in gain on sale of investments and property and equipment by P448 million was mainly due to the gain recognized in 2022 by San Miguel Global Power from the sale of its investments in shares of stock of Strategic Energy Development, Inc.

The lower amount of other charges - net in 2023 by P24,428 million primarily pertains to the decrease in the loss on foreign exchange from 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 by P12,279 million was mainly due to the turnaround 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 NOLCO in 2023 by SPI.

Consolidated net income in 2023 significantly increased by 141% to P31,187 million, from P12,945 million in 2022, 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 in 2022; (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 2023; and (d) income recognized from the assignment of product rights by GSMI in 2023. The increase was partly offset by the higher net financing costs due to higher average loan balance primarily of SMC and Petron and increased interest rates.

Net income attributable to equity holders of the Parent Company in 2023 amounting to P146 million was a turnaround from the net loss of P15,115 million attributable to equity holders of the Parent Company in 2022. This was primarily due to the higher net income, partly reduced by the increase in share of NCI in the Group’s net income.

The increase in the net income attributable to NCI by P2,981 million was mainly due to the higher net income of SMB and higher amount of dividend and distribution on preferred shares and SPCS of Petron.

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

## 1. FOOD AND BEVERAGE

SMFB sustained consolidated revenue growth for the nine-month period of 2023, 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 in 2023, 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 of 2023, with consolidated revenues reaching P108,333 million, 9% higher from the P98,992 million in 2022 while consolidated sales volumes increased by 5% to 177 million cases.

Correspondingly, operating income in 2023 grew to P24,114 million, exceeding the same period in 2022 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 the same period in 2022.

**Domestic Operations**
SMB's domestic beer and NAB volumes rose by 4% and 24%, respectively, for the nine-month period of 2023 compared to the same period in 2022. This was attributed to the relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives as well as intensified offtake generation and defense programs alongside 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 the same period in 2022. 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 2022. 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 2023, 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 2023 year-to-date volume growth recovery was maintained, reaching 34 million cases, 3% better than the comparable period in 2022. Supporting this 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 by 10% over the 2022 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 than in 2022, which included the one-time gain 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 2022. 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 the volumes of poultry and feeds during the nine-month period of 2023.

Income from operations dipped by 50% to P5,217 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 P2,899 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 remainder of 2023.

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.

The Protein segment which consists of the poultry and meats businesses, registered revenue 7% lower than in 2022 as improvement due to additional capacity in the third quarter could not yet offset capacity limitations in the first half of 2023. Revenue of the fresh meats business likewise declined from 2022 following downsized hog operations amidst the resurgence of the ASF in some provinces.

The Prepared and Packaged Food segment, comprising 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 2022 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 P27,665 million for the nine-month period of 2023, a 10% increase from the same period in 2022, driven by the high demand from glass and plastics businesses together with the sustained growth from its Australian operations.

Operating income increased by 20% to P1,596 million against the comparable period in 2022 on account of improved efficiencies and implementation of cost containment programs.

## 3. ENERGY

San Miguel Global Power posted 17,237 GWh offtake volume, 19% lower than the nine-month period of 2023 compared to 2022, 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 the substantial completion of the adjacent full-scale LNG terminal that has a long-term tolling agreement to receive, store and re-gasify LNG fuel.

Consolidated revenues amounted to P125,213 million, down 25% from 2022, 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 passthrough 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 in 2022, resulting from lower foreign exchange loss recorded in 2023 compared to 2022.

## 4. FUEL AND OIL

Petron sustained its volume growth in the first nine months of 2023, recording consolidated sales volume of 93.6 million barrels, up 16% from the 80.4 million barrels sold in the same period in 2022. 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 in 2022, 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-month period of 2023, lower than the P631,138 million recorded in 2022, which reflected the price correction from the extraordinarily elevated levels in the oil market which began in the second semester of 2022 brought upon by the Russia-Ukraine conflict. While international prices started to rise again in the third quarter, the average benchmark Dubai crude oil as of September 2023 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 P16,498 million in 2022, driven largely by the robust volume growth.

Subsequently, net income grew 16% to P9,508 million compared to P8,179 million in 2022.

## 5. INFRASTRUCTURE

The Infrastructure business continued its consistent growth momentum from the operating toll roads for the nine-month period of 2023, posting consolidated revenues of P25,081 million a 20% increase from 2022. Combined average daily traffic volumes reached more than 1,002,362 vehicles, up 11% from the 2022 level brought by the continuous increase in travel activities.

Operating income increased by 35% to P13,567 million, driven primarily by the sustained growth in traffic volumes, coupled with continued cost management initiatives.

## 6. CEMENT

The Cement business registered consolidated revenues of P28,887 million, tripling from P8,126 million in 2022. Operating income amounted to P4,593 million from an operating loss of P19 million in 2022.

Despite 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.

## III. FINANCIAL POSITION

**2024 vs. 2023**

| *(Amounts in millions)* | September 2024 | December 2023 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2024 | 2023 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **P281,162** | P261,358 | P19,804 | 8% | **11%** | 11% |
| Trade and other receivables - net | **242,304** | 263,119 | (20,815) | (8%) | **9%** | 11% |
| Inventories | **175,658** | 161,986 | 13,672 | 8% | **7%** | 6% |
| Current portion of biological assets - net | **3,215** | 3,515 | (300) | (9%) | **0%** | 0% |
| Prepaid expenses and other current assets | **165,829** | 141,424 | 24,405 | 17% | **6%** | 6% |
| **Total Current Assets** | **868,168** | 831,402 | 36,766 | 4% | **33%** | 34% |
| Investments and advances - net | **43,926** | 37,089 | 6,837 | 18% | **2%** | 2% |
| Investments in equity and debt instruments | **21,070** | 19,417 | 1,653 | 9% | **1%** | 1% |
| Property, plant and equipment - net | **811,698** | 753,472 | 58,226 | 8% | **31%** | 31% |
| Right-of-use assets - net | **105,147** | 108,014 | (2,867) | (3%) | **4%** | 4% |
| Investment property - net | **86,586** | 79,513 | 7,073 | 9% | **3%** | 3% |
| Biological assets - net of current portion | **2,460** | 2,667 | (207) | (8%) | **0%** | 0% |
| Goodwill - net | **187,199** | 182,791 | 4,408 | 2% | **7%** | 7% |
| Other intangible assets - net | **330,831** | 306,638 | 24,193 | 8% | **13%** | 12% |
| Deferred tax assets | **18,746** | 19,633 | (887) | (5%) | **1%** | 1% |
| Other noncurrent assets - net | **123,590** | 118,729 | 4,861 | 4% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,731,253** | 1,627,963 | 103,290 | 6% | **67%** | 66% |
| **Total Assets** | **P2,599,421** | P2,459,365 | P140,056 | 6% | **100%** | 100% |
| Loans payable | **P251,136** | P214,881 | P36,255 | 17% | **10%** | 9% |
| Accounts payable and accrued expenses | **265,153** | 223,055 | 42,098 | 19% | **10%** | 9% |
| Lease liabilities - current portion | **6,792** | 19,631 | (12,839) | (65%) | **0%** | 1% |
| Income and other taxes payable | **46,332** | 46,254 | 78 | 0% | **2%** | 2% |
| Dividends and distributions payable | **3,685** | 4,605 | (920) | (20%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **131,998** | 236,798 | (104,800) | (44%) | **5%** | 9% |
| **Total Current Liabilities** | **705,096** | 745,224 | (40,128) | (5%) | **27%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **1,094,134** | 953,786 | 140,348 | 15% | **42%** | 39% |
| Lease liabilities - net of current portion | **34,735** | 36,941 | (2,206) | (6%) | **1%** | 2% |
| Deferred tax liabilities | **33,174** | 29,503 | 3,671 | 12% | **1%** | 1% |
| Other noncurrent liabilities | **32,123** | 28,745 | 3,378 | 12% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,194,166** | 1,048,975 | 145,191 | 14% | **46%** | 43% |

*Forward*

| (Amounts in millions) | September 2024 | December 2023 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2024 | 2023 |
|---|---|---|---|---|---|---|
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,442** | 177,468 | (26) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **68** | 7,354 | (7,286) | (99%) | **0%** | 0% |
| Retained earnings: | | | | | | |
| Appropriated | **89,799** | 87,170 | 2,629 | 3% | **3%** | 4% |
| Unappropriated | **95,811** | 103,151 | (7,340) | (7%) | **4%** | 4% |
| Treasury stock | **(109,763)** | (109,763) | - | 0% | **(4%)** | (4%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **304,198** | 316,221 | (12,023) | (4%) | **12%** | 13% |
| Non-controlling interests | **395,961** | 348,945 | 47,016 | 13% | **15%** | 14% |
| **Total Equity** | **700,159** | 665,166 | (34,993) | 5% | **27%** | 27% |
| **Total Liabilities and Equity** | **P2,599,421** | P2,459,365 | P140,056 | 6% | **100%** | 100% |

Consolidated total assets as at September 30, 2024 amounted to P2,599,421 million, P140,056 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, inventories, prepaid expenses and other current assets, property, plant and equipment and other intangible assets, partly offset by the decrease in trade and other receivables.

The increase in cash and cash equivalents by P19,804 million was mainly due to the cash generated from operations and net proceeds from borrowings and issuance of capital securities. This was partly offset by capital expenditures for the ongoing projects of the Infrastructure and Energy businesses and Food division, payment of interests, dividends and distributions, income taxes and lease liabilities and redemption of capital securities.

The decrease in trade and other receivables - net by P20,815 million was mainly attributable to Petron's lower receivable balance from trade customers and from the Malaysian and Philippine Government due to subsidy payment received and excise tax refund claims granted, respectively.

The increase in inventories by P13,672 million was attributable mainly to: (a) higher volume of both crude oil and finished products of Petron; (b) higher materials and supplies, mostly wheat, and increase in finished goods of the Food division; and (c) reclassification of properties due to change in use from investment property to inventory by San Miguel Properties, Inc. The increase was reduced by the lower prices of both crude oil and finished products of Petron and the utilization of spare parts during the combustor and turbine inspection conducted for the Ilijan Power Plant of the Energy business.

The decrease in total biological assets by P507 million was mainly attributable to lower production costs in 2024 compared to December 2023.

The increase in prepaid expenses and other current assets by P24,405 million was primarily due to: (a) higher excise tax claims, input VAT and unused creditable withholding taxes of Petron; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) increase in restricted cash balance for debt servicing requirements of the Energy and Infrastructure businesses.

The increase in investments and advances - net by P6,837 million was mainly due to the advances for future investments to certain companies by the Energy business and SMC and investment in NNIC by SMHC.

The increase in investments in equity and debt instruments by P1,653 million was mainly due to the investment of SMC in non-voting preferred shares of stock of a company.

The increase in property, plant and equipment - net by P58,226 million was mainly due to the costs of the ongoing projects of the Energy business and the Food division.

The increase in investment property - net by P7,073 million was mainly due to the acquisition of land for the MIA Project and for future projects of the Energy business and the effect of foreign currency translation adjustment on the investment property of Petron Malaysia.

The increase in other intangible assets - net by P24,193 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the amortization during the period.

The decrease in deferred tax assets by P887 million was primarily due to the reversal by SMC of deferred tax asset on realized foreign currency losses resulting from the payment of foreign currency-denominated long-term loan in 2024, net of the recognition of deferred tax asset on unrealized foreign currency losses on derivatives, cash flow hedges and foreign currency-denominated long-term debt.

The increase in loans payable by P36,255 million was mainly due to the net availment made by SMC and the Energy business.

The increase in accounts payable and accrued expenses by P42,098 million was mainly due to: (a) higher payables for capital expenditures and higher trade-related payables mainly for power purchases, coal and fuel supply of the Energy business; and (b) higher payables for the purchase of raw materials and acquisition of fixed assets for the various expansion projects of the Food division.

The decrease in dividends and distributions payable by P920 million was mainly due to the payment of dividends by: (a) Petron to Series 3A and Series 3B preferred shareholders on March 1, 2024, which were declared on November 7, 2023; and (b) SMC Skyway Corporation (SMC Skyway) to common shareholders in February 2024 which were declared in December 2023.

The increase in total long-term debt, net of debt issue costs by P35,548 million was primarily due to the net availment made by the Group.

The decrease in total lease liabilities by P15,045 million was primarily due to the payments made to PSALM, partly offset by the interest expense and foreign exchange loss recognized in 2024 by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P3,671 million was mainly due to the difference in actual PSALM payments over finance lease liability-related expenses and the deferred income tax expense recognized by SPPC for the application of its available NOLCO carryforward benefits to its income tax liability.

The increase in other noncurrent liabilities by P3,378 million was mainly due to the higher amount of retention payable for the ongoing projects of the Infrastructure business, and higher derivative liabilities on currency options of SMC.

The decrease in equity reserves by P7,286 million was mainly due to the loss on foreign exchange recognized on the redemption, exchange and repurchase of foreign currency-denominated SPCS of San Miguel Global Power. The decrease was reduced by the gain on exchange differences on the translation of foreign operations for the period with the depreciation of the Philippine Peso against the US Dollar.

The decrease in unappropriated retained earnings by P7,340 million was mainly due to the dividends and distributions declared and net appropriations of retained earnings during the period. This was partly offset by the net income attributable to equity holders of the Parent Company.

The increase in equity attributable to NCI by P47,016 million was mainly due to the net issuance of capital securities by San Miguel Global Power, issuance of Series 4-D and Series 4-E Preferred Shares by Petron and the share of NCI in the net income and other comprehensive income of the Group, net of dividends and distributions declared to NCI.

**2023 vs. 2022**

| *(Amounts in millions)* | September 2023 | December 2022 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2023 | 2022 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **P265,293** | P318,214 | (P52,921) | (17%) | **11%** | 13% |
| Trade and other receivables - net | **262,221** | 238,782 | 23,439 | 10% | **11%** | 10% |
| Inventories | **169,608** | 190,193 | (20,585) | (11%) | **7%** | 8% |
| Current portion of biological assets - net | **3,709** | 3,418 | 291 | 9% | **0%** | 0% |
| Prepaid expenses and other current assets | **137,439** | 133,691 | 3,748 | 3% | **5%** | 6% |
| **Total Current Assets** | **838,270** | 884,298 | (46,028) | (5%) | **34%** | 37% |
| Investments and advances - net | **36,073** | 32,523 | 3,550 | 11% | **1%** | 1% |
| Investments in equity and debt instruments | **19,484** | 18,921 | 563 | 3% | **1%** | 1% |
| Property, plant and equipment - net | **738,031** | 708,192 | 29,839 | 4% | **30%** | 30% |
| Right-of-use assets - net | **109,189** | 112,067 | (2,878) | (3%) | **5%** | 5% |
| Investment property - net | **76,377** | 74,660 | 1,717 | 2% | **3%** | 3% |
| Biological assets - net of current portion | **2,738** | 2,671 | 67 | 3% | **0%** | 0% |
| Goodwill - net | **184,519** | 184,100 | 419 | 0% | **8%** | 8% |
| Other intangible assets - net | **295,921** | 249,321 | 46,600 | 19% | **12%** | 10% |
| Deferred tax assets | **22,153** | 22,554 | (401) | (2%) | **1%** | 1% |
| Other noncurrent assets - net | **114,031** | 102,518 | 11,513 | 11% | **5%** | 4% |
| **Total Noncurrent Assets** | **1,598,516** | 1,507,527 | 90,989 | 6% | **66%** | 63% |
| **Total Assets** | **P2,436,786** | P2,391,825 | P44,961 | 2% | **100%** | 100% |
| Loans payable | **P222,549** | P267,704 | (P45,155) | (17%) | **9%** | 11% |
| Accounts payable and accrued expenses | **230,032** | 227,126 | 2,906 | 1% | **10%** | 9% |
| Lease liabilities - current portion | **22,256** | 21,020 | 1,236 | 6% | **1%** | 1% |
| Income and other taxes payable | **46,313** | 37,694 | 8,619 | 23% | **2%** | 2% |
| Dividends and distributions payable | **3,734** | 4,037 | (303) | (8%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **227,648** | 170,032 | 57,616 | 34% | **9%** | 7% |
| **Total Current Liabilities** | **752,532** | 727,613 | 24,919 | 3% | **31%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **955,668** | 918,164 | 37,504 | 4% | **39%** | 39% |
| Lease liabilities - net of current portion | **38,966** | 54,455 | (15,489) | (28%) | **2%** | 2% |
| Deferred tax liabilities | **27,687** | 26,297 | 1,390 | 5% | **1%** | 1% |
| Other noncurrent liabilities | **27,181** | 26,144 | 1,037 | 4% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,049,502** | 1,025,060 | 24,442 | 2% | **43%** | 43% |

*Forward*

| | September | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **1%** | 0% |
| Additional paid-in capital | **177,699** | 177,719 | (20) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **9,047** | 12,753 | (3,706) | (29%) | **0%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **83,225** | 71,004 | 12,221 | 17% | **3%** | 3% |
| Unappropriated | **109,142** | 129,239 | (20,097) | (16%) | **5%** | 6% |
| Treasury stock | **(143,763)** | (156,763) | (13,000) | (8%) | **(6%)** | (7%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **286,191** | 284,793 | 1,398 | 0% | **12%** | 12% |
| Non-controlling interests | **348,561** | 354,359 | (5,798) | (2%) | **14%** | 15% |
| **Total Equity** | **634,752** | 639,152 | (4,400) | (1%) | **26%** | 27% |
| **Total Liabilities and Equity** | **P2,436,786** | P2,391,825 | P44,961 | 2% | **100%** | 100% |

Consolidated total assets as at September 30, 2023 amounted to P2,436,786 million, P44,961 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 by P52,921 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 availment of long-term debt.

The increase in trade and other receivables - net by P23,439 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 P20,585 million was attributable mainly to the lower purchases of major raw materials during the nine-month period of 2023 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 by P358 million was mainly due to higher growing expenses, which include feed costs and broiler/hog costs.

The increase in investments and advances - net by P3,550 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 BankCom and Manila North Harbour Port, Inc. (MNHPI) in third quarter of 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in other intangible assets - net by P46,600 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization in 2023.

The increase in other noncurrent assets - net by P11,513 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 P45,155 million was mainly due to the net payments made by Petron, the Food division, the Energy business and SMC.

The increase in income and other taxes payable by P8,619 million was mainly due to the higher amount of: a) VAT payable resulting from 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 P303 million was mainly due to payment of cash dividends to the non-controlling stockholders of SMC Skyway in 2023 which were declared in December 2022.

The increase in total long-term debt, net of debt issue costs by 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 reduced by the payment of foreign currency-denominated term loans by SMC, San Miguel Global Power and Masinloc Power Co. Ltd. (formerly, Masinloc Power Partners Co. Ltd.), 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.

The decrease in total lease liabilities by P14,253 million was primarily due to the payments made to PSALM by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P1,390 million was mainly due to the higher deferred tax liability recognized by the Energy business arising from the differences in actual PSALM payments over finance lease liability-related expenses and the utilization by Petron Malaysia of deferred tax on carryforward capital allowance.

The decrease in equity reserves by P3,706 million was mainly due to the loss on exchange differences from the redemption of US$500 million SPCS of Petron and translation of foreign operations of Petron Malaysia as a result of the strengthening of the Philippine Peso against the Malaysian Ringgit in 2023.

The increase in appropriated retained earnings by P12,221 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 matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (c) SMC SLEX Inc. for capital expenditures in 2023, net of reversals for projects that were already completed. The increase was partly offset by the reversal of appropriations for the power plant project of Petron.

The decrease in unappropriated retained earnings by P20,097 million was mainly due to the net appropriations of retained earnings and dividends and distributions declared.

The decrease in treasury stock by P13,000 million represents the re-issuance on August 29, 2023, of 173,333,325 Series "2-M" Preferred Shares of SMC at an issue price of P75.00 per share.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In Millions)* | **September 30** | |
|---|---|---|
| | **2024** | 2023 |
| Net cash flows provided by operating activities | **P94,177** | P75,536 |
| Net cash flows used in investing activities | **(110,160)** | (119,195) |
| Net cash flows provided by (used in) financing activities | **36,086** | (9,868) |

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** | |
|---|---|---|
| | **2024** | 2023 |
| Additions to: | | |
| Property, plant and equipment | **(P54,968)** | (P45,200) |
| Intangible assets | **(30,132)** | (52,331) |
| Investments and advances | **(8,182)** | (3,459) |
| Investment property | **(6,930)** | (4,053) |
| Advances to contractors and suppliers | **(3,205)** | (9,983) |
| Investments in equity and debt instruments | **(1,962)** | (536) |
| Increase in other noncurrent assets and others | **(18,215)** | (15,105) |
| Interest received | **10,869** | 8,932 |
| Dividends received | **1,210** | 650 |
| Proceeds from: | | |
| Sale of property and equipment and other intangible assets | **828** | 943 |
| Disposal of investments in debt instruments | **519** | 529 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | **8** | 418 |

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

| *(In Millions)* | **September 30** | |
|---|---|---|
| | **2024** | 2023 |
| Net proceeds from issuance of preferred shares and capital securities of subsidiaries | **P71,384** | P - |
| Proceeds from (payment of) short-term loans - net | **35,137** | (44,463) |
| Proceeds from long-term debt - net | **27,315** | 84,009 |
| Redemption of capital securities of subsidiaries | **(45,040)** | (27,134) |
| Cash dividends and distributions paid to non-controlling shareholders | **(25,780)** | (23,095) |
| Payments of lease liabilities | **(17,172)** | (15,727) |
| Cash dividends and distributions paid | **(9,726)** | (7,349) |
| Share issuance costs from re-issuance of treasury shares | **(26)** | - |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | **(6)** | (2,977) |
| Net proceeds from reissuance of treasury shares of a subsidiary | **-** | 13,888 |
| Net proceeds from reissuance of treasury shares | **-** | 12,980 |

The effect of exchange rate changes on cash and cash equivalents amounted to (P299 million) and P606 million in September 2024 and 2023, 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 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.23** | 1.12 |
| Quick Ratio | **0.74** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.71** | 2.70 |
| Asset to Equity Ratio | **3.71** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **1.62%** | 0.07% |
| Interest Rate Coverage Ratio | **1.82** | 1.80 |
| Return on Assets | **2.00%** | 1.84% |

| | **Period Ended September 30** | |
|---|---|---|
| | **2024** | 2023 |
| Operating Efficiency: | | |
| Volume Growth | **14%** | 7% |
| Revenue Growth (Decline) | **11%** | (5%) |
| Operating Margin | **10%** | 10% |

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 P265,619 million as at September 30, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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, 2023.

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.

**ANNEX "B"**

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE
## (As of December 31, 2023)

SAN MIGUEL CORPORATION

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation ("SMC" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. 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 *(Please refer to Note 40 of the Audited Consolidated Financial Statements as at December 31, 2023)*. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023 and for all the other periods presented, have been made.

The financial information appearing in this report is presented in Philippine Peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

## I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following tables.

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | | *(In Millions)* | |
| Sales | **P1,446,703** | P1,506,591 | P941,193 |
| Cost of Sales | **1,208,410** | 1,314,607 | 751,015 |
| Gross Profit | **238,293** | 191,984 | 190,178 |
| Selling and Administrative Expenses | **(93,808)** | (83,972) | (77,991) |
| Operating Income | **144,485** | 108,012 | 112,187 |
| Interest Expense and Other Financing Charges | **(91,303)** | (60,795) | (49,265) |
| Interest Income | **14,027** | 7,108 | 3,591 |
| Equity in Net Earnings of Associates and Joint Ventures | **1,729** | 1,197 | 1,040 |
| Gain on Sale of Investments and Property and Equipment | **83** | 733 | 167 |
| Other Income (Charges) - net | **4,086** | (16,178) | (1,768) |
| Net Income | **44,699** | 26,760 | 48,159 |
| Net Income (Loss) Attributable to Equity Holders of the Parent Company | **198** | (12,968) | 13,925 |
| Net Income Attributable to Non-controlling Interests | **44,501** | 39,728 | 34,234 |

**2023 vs. 2022**

| | December | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| | | ***(In Millions)*** | | | | |
| Sales | **P1,446,703** | P1,506,591 | (P59,888) | (4%) | **100%** | 100% |
| Cost of Sales | **1,208,410** | 1,314,607 | (106,197) | (8%) | **84%** | 87% |
| Gross Profit | **238,293** | 191,984 | 46,309 | 24% | **16%** | 13% |
| Selling and Administrative Expenses | **(93,808)** | (83,972) | 9,836 | 12% | **(6%)** | (6%) |
| Operating Income | **144,485** | 108,012 | 36,473 | 34% | **10%** | 7% |
| Interest Expense and Other Financing Charges | **(91,303)** | (60,795) | 30,508 | 50% | **(6%)** | (4%) |
| Interest Income | **14,027** | 7,108 | 6,919 | 97% | **1%** | 1% |
| Equity in Net Earnings of Associates and Joint Ventures | **1,729** | 1,197 | 532 | 44% | **0%** | 0% |
| Gain on Sale of Investments and Property and Equipment | **83** | 733 | (650) | (89%) | **0%** | 0% |
| Other Income (Charges) - Net | **4,086** | (16,178) | 20,264 | 125% | **0%** | (1%) |
| Income Before Income Tax | **73,107** | 40,077 | 33,030 | 82% | **5%** | 3% |
| Income Tax Expense | **28,408** | 13,317 | 15,091 | 113% | **2%** | 1% |
| Net Income | **P44,699** | P26,760 | P17,939 | 67% | **3%** | 2% |
| Net Income (Loss) Attributable to: | | | | | | |
| Equity Holders of the Parent Company | **P198** | (P12,968) | P13,166 | 102% | **0%** | (1%) |
| Non-controlling Interests | **44,501** | 39,728 | 4,773 | 12% | **3%** | 3% |
| Net Income | **P44,699** | P26,760 | P17,939 | 67% | **3%** | 2% |

The Group's consolidated sales of P1,446,703 million for the year ended December 31, 2023, declined by 4% compared to last year mainly due to the lower average selling prices of Petron Corporation (Petron) and the Energy business and the decrease in volume of the Energy business and the Food division under the Food and Beverage business. The decrease was partly offset mainly by the higher sales volume of Petron, San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) and the sales contribution of Eagle Cement Corporation (ECC), which was consolidated effective December 14, 2022.

The Group's cost of sales decreased by 8% 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 production, reduced by the lower volumes of the Food division; and (b) the cost of sales of ECC.

Selling and administrative expenses increased by 12% to P93,808 million compared to last year, mainly due to higher salaries and employee benefits of the Group, 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 34% to P144,485 million from last year mainly driven by the sustained performance improvements of Petron, Energy and Infrastructure businesses, and the operating income contribution of ECC in 2023.

The increase in interest expense and other financing charges was mainly due to both higher interest rates and from increased average level of loans of SMC and Petron.

The increase in interest income was primarily due to higher interest rates and average balance of short-term placements of the Infrastructure and Food and Beverage businesses and SMC, as well as the investment in debt securities of SMB in December 2022, 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 in the higher net income of Bank of Commerce (BankCom) and in the lower net loss of Angat Hydropower Corporation (Angat Hydro).

The decrease in gain on sale of investments and property and equipment was mainly due to the gain recognized in 2022 by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) from the sale of its investment in shares of stock of Strategic Energy Development, Inc. (SEDI).

Other income - net of P4,086 million was a turnaround from last year's other charges - net of P16,178 million. This primarily pertains to the gain on foreign exchange in 2023 compared to the loss recognized in 2022 mainly by the Energy business and SMC resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents, and the income recognized from the assignment of product rights by GSMI. In December 2023, the Philippine Peso appreciated against the US Dollar by P0.385 (2023 - P55.370 vs. 2022 - P55.755), while in December 2022, the Philippine Peso significantly depreciated against the US Dollar by P4.756 (2022 - P55.755 vs. 2021 - P50.999).

The increase in income tax expense was mainly due to the turnaround of deferred income tax from income tax benefit in 2022 to income tax expense in 2023 primarily from SMC and the Energy business as a result of the deferred income tax recognized on unrealized losses in 2022 compared to unrealized gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income significantly increased by 67% to P44,699 million, from P26,760 million last year, mainly on account of the: (a) improved operations of most businesses mainly Petron, Energy, Infrastructure, SMB and GSMI; (b) gain on foreign exchange in 2023, a turnaround from the loss recognized in 2022 mainly by the Energy business and SMC; (c) net income contributed by ECC; and (d) income recognized from the assignment of product rights by GSMI. The increase was partly offset by the higher net financing cost.

The income attributable to equity holders of the Parent Company was a turnaround from the loss recognized in 2022 mainly due to the higher net income, partly reduced by the increase in the share of non-controlling interests (NCI) on the Group's net income.

The increase in the share of NCI on the Group's net income was mainly due to the higher net income of SMB and higher amount of dividend on preferred shares and distribution on Senior Perpetual Capital Securities (SPCS) of Petron.

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

## 1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) delivered a year of steady topline growth despite challenging macroeconomic conditions particularly in the first half of the year.

SMFB's consolidated sales for the year ended 2023 amounted to P379,822 million, reflecting a 6% increase from 2022. All business segments delivered sales growth, driven by better volumes and prices.

SMFB's consolidated income from operations for the year amounted to P48,411 million, 1% lower, as the growth in volumes and prices were not sufficient to offset rising input costs and operating expense increases.

Consolidated net income jumped 10% to P38,105 million, the highest net income figure achieved by the Food and Beverage Group since the SMFB consolidation in 2018.

### a. Beer and Non-Alcoholic Beverages (NAB) Division

SMB sustained its growth and recovery in 2023 with consolidated sales of P147,347 million, up 8%, driven by higher volumes and selling prices in both domestic and overseas markets.

SMB's consolidated net income was up 16% at P25,322 million.

**Domestic Operations**
SMB's domestic sales climbed 8% to P131,720 million on the back of a 3% growth in volumes coupled with a price increase effective March 1, 2023. Improved results were supported by effective marketing campaigns, expanded sales initiatives, as well as the resumption of tourism activities, fiestas, and festivals.

**International Operations**
SMB's revenue from its international operations rose 7% as volumes increased 6%, driven by robust demand for its San Miguel global brands, including Red Horse, across all markets that resulted in overall growth, particularly in South China, Thailand, and Exports.

### b. Spirits Division

GSMI registered another record-breaking year, which coincidentally marked its tenth year of continued growth.

Revenues grew 13% to P53,639 million as a result of higher volumes and selling prices. Total volumes in 2023 recorded a 4% growth from 2022 as the Spirits division implemented initiatives to sustain strong brand equity through creative, consistent, and relevant messaging. This was complemented by consumer promos and various marketing programs on-ground that made consumers experience its brands better. Distribution coverage was, likewise, further broadened last year.

Income from operations grew 14% to P6,835 million, while net income was up 55% to P7,046 million.

### c. Food Division

The Food division delivered P178,847 million in consolidated revenues, 2% higher than the previous year, driven largely by increased pricing to cope with rising input costs, backed by aggressive marketing efforts to boost demand.

Income from operations amounted to P10,228 million and net income at P6,590 million. While lower than the previous year, these figures still surpass pre-pandemic levels.

All the Food segments, except for the Protein segment, sustained topline growth.

- The Animal Nutrition and Health segment saw a 5% increase in revenue, driven by higher selling prices, which helped offset a decline in volume due to the lingering effects of African Swine Fever (ASF) on hog feeds and the Avian Flu on layer feeds.

- The Prepared and Packaged Food segment demonstrated resilience with a 3% revenue growth despite challenging market conditions marked by high inflation and reduced consumer spending. Strategic price adjustments played a significant role in sustaining revenue growth despite a decline in overall volumes.

- The Flour segment capitalized on the favorable trend of easing wheat prices, employing a competitive pricing strategy that boosted volumes and enabled it to achieve a 15% increase in revenue.

- The Protein segment which consists of the Poultry and Fresh Meats businesses, experienced a 3% decline in revenues. This can be primarily attributed to Poultry which grappled with capacity limitations early in the year that hindered volume growth. Although this was substantially addressed during the year, the influx of imported chicken created an industry oversupply that exerted downward pressure on chicken prices and impeded revenue growth.

  The performance of fresh meats reflects a deliberate strategy to keep hog operations at a minimum to manage the impact of ASF on the business. For the meantime, the Food division has been importing pork to supplement the needs of the Monterey meat shops.

Thus, although the Feeds, Prepared and Packaged Food, and the Flour segments delivered strong revenue and income growth, the overall performance of the Food division was adversely affected by the challenges faced in the Poultry segment due to its significant contribution to the Food division.

## 2. PACKAGING

The Packaging business recorded consolidated revenues of P38,379 million in 2023, 4% better than the previous year's level. This was driven by the sustained demand of glass containers, plastic crates and pallets from the food and beverage customers complemented by the continued growth of its operations in Australia.

Operating income reached P1,915 million, a significant increase of 16% against 2022 on account of enhanced operational efficiencies coupled with cost containment programs.

## 3. ENERGY

San Miguel Global Power posted relatively flat generation volumes year-on-year, primarily due to the extended outage of the 1200 megawatts (MW) Ilijan Power Plant from June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of an adjacent full-scale Liquefied Natural Gas (LNG) terminal that has been tolled on a long-term basis.

San Miguel Global Power sold 8% lower offtake volumes in 2023 as it ceased to supply 670 MW contract capacity to Manila Electric Company (Meralco) following the suspension and eventual termination of the pertinent power supply agreement, anchored on a favorable decision from the higher court. It has, however, been able to secure several emergency power supply agreements that allowed the contracting of its available capacities, and to operate the Ilijan Power Plant using commercial LNG on a fuel pass-through basis.

Consolidated revenues were at P169,590 million, 23% lower from last year, as fuel tariffs went down with an equivalent decline in coal prices - averaging only US$172.79/Metric Tons (MT) in 2023 compared to US$360.19/MT in 2022, in terms of GlobalCoal Newcastle indexed prices.

However, San Miguel Global Power was able to improve its operating income by 13% on contracted volumes as it worked out a transition to fuel pass thru arrangements for most of its bilateral customers and with fuel prices going significantly lower. Operating income reached P32,526 million.

Consequently, with improved margin and turnaround from foreign exchange loss to foreign exchange gain in 2023, consolidated net income surged to P9,903 million, a significant increase from the P3,134 million net income reported in 2022.

## 4. FUEL AND OIL

Petron's consolidated revenues slipped to P801,027 million in 2023 despite higher volumes, down 7% from last year's P857,638 million, reflecting the continued price correction of the extraordinarily elevated levels in the oil market. The average benchmark Dubai crude as of full year 2023 closed at US$82 per barrel, still down by 15% from 2022 average.

This was primarily driven by the strong performance in its Philippine operations, while Malaysia continued to deliver steady growth. Petron's volumes of 126.9 million barrels in 2023 was 13% higher than last year's level, fueled by the significant growth in its jet fuel and Liquefied Petroleum Gas (LPG) sales, backed by higher production at its Bataan and Port Dickson refineries.

Consolidated operating income reached P30,721 million, a notable 60% leap from last year's level, primarily driven by its continued efforts in optimizing assets and resources, capturing continued demand recovery, and response to market volatility.

Petron posted a consolidated net income of P10,134 million, growing by 51% from P6,697 million in 2022.

## 5. INFRASTRUCTURE

The Infrastructure business delivered a remarkable performance in 2023, posting consolidated revenues of P34,006 million, 17% higher than last year. This was mainly brought by the sustained growth from all operating toll roads reaching a combined average daily traffic volumes of 1.0 million vehicles, up 8% from the previous year's level complemented by the continued increase in travel activities.

Driven by the robust volume growth, operating income surged 25% to P17,722 million, coupled by continued cost management initiatives. Net income also posted a 29% increase to P11,413 million.

The Group's major infrastructure projects are in full swing.

The railway component percentage accomplishment for its Metro Rail Transit Line 7 (MRT 7) is at 68.70% while the detailed engineering design and site development for the depot is still ongoing and on track to operate by end of 2025 or early 2026.

At the center of SMC's push to transform the Philippines into a regional hub and major tourist destination, its Manila International Airport (MIA) Project is underway, with the overall progress of land development and ground improvement works at 77%.

## 6. CEMENT

The cement business, comprised of ECC, Northern Cement Corporation (NCC) and Southern Concrete Industries, Inc. (SCII), registered a four-fold growth in consolidated revenues to P37,231 million in 2023, mainly due to the sales contribution of ECC in 2023.

Operating income, likewise, posted robust growth amounting to P5,980 million while net income reached P4,010 million.

Despite the challenges in the market, the business continued to deliver a strong performance through various cost containment initiatives and significant improvement in the cost of major inputs.

**2022 vs. 2021**

| | December | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | Amount | % | 2022 | 2021 |
| | *(In Millions)* | | | | | |
| Sales | P1,506,591 | P941,193 | P565,398 | 60% | 100% | 100% |
| Cost of Sales | 1,314,607 | 751,015 | 563,592 | 75% | 87% | 80% |
| Gross Profit | 191,984 | 190,178 | 1,806 | 1% | 13% | 20% |
| Selling and Administrative Expenses | (83,972) | (77,991) | 5,981 | 8% | (6%) | (8%) |
| Operating Income | 108,012 | 112,187 | (4,175) | (4%) | 7% | 12% |
| Interest Expense and Other Financing Charges | (60,795) | (49,265) | 11,530 | 23% | (4%) | (5%) |
| Interest Income | 7,108 | 3,591 | 3,517 | 98% | 1% | 0% |
| Equity in Net Earnings of Associates and Joint Ventures | 1,197 | 1,040 | 157 | 15% | 0% | 0% |
| Gain on Sale of Investments and Property and Equipment | 733 | 167 | 566 | 339% | 0% | 0% |
| Other Charges - Net | (16,178) | (1,768) | 14,410 | 815% | (1%) | (0%) |
| Income Before Income Tax | 40,077 | 65,952 | (25,875) | (39%) | 3% | 7% |
| Income Tax Expense | 13,317 | 17,793 | (4,476) | (25%) | 1% | 2% |
| Net Income | P26,760 | P48,159 | (P21,399) | (44%) | 2% | 5% |
| Net Income (Loss) Attributable to: | | | | | | |
| Equity Holders of the Parent Company | (P12,968) | P13,925 | (P26,893) | (193%) | (1%) | 1% |
| Non-controlling Interests | 39,728 | 34,234 | 5,494 | 16% | 3% | 4% |
| Net Income | P26,760 | P48,159 | (P21,399) | (44%) | 2% | 5% |

The Group recorded an all-time high consolidated sales of P1,506,591 million, up 60% from P941,193 million in 2021, beating its pre-pandemic 2019 sales of P1,020,502 million by 48%.

The Group's cost of sales increased by P563,592 million or 75% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron; (b) higher cost of coal and higher power purchases of the Energy business; and (c) higher prices of major raw materials of the Food division under the Food and Beverage business.

The increase in selling and administrative expenses by 8% to P83,972 million was mainly due to higher: (a) personnel expenses of Petron and the Energy business; (b) advertising and promotions of Petron and the Beer and NAB and Spirits divisions of the Food and Beverage business; (c) impairment loss on receivables of the Energy business and on deferred containers of the Beer and NAB division under the Food and Beverage business; (d) repairs and maintenance of Petron; and (e) taxes and licenses of the Energy business.

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

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 Group.

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

The gain on sale of investments and property and equipment in 2022 primarily represents the sale by: (a) San Miguel Global Power of its investment in shares of stock of SEDI; and (b) Sual Power Inc. (SPI; formerly San Miguel Energy Corporation) of its investments in Daguma Agro-Minerals, Inc., Sultan Energy Phils. Corp. and Bonanza Energy Resources, Inc. The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel (Baoding) Brewery Co., Ltd. and San Miguel (China) Investment Company Limited.

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 Philippine Peso against the US Dollar by P4.756 in December 2022 (2022 - P55.755 vs. 2021 - P50.999) as compared to P2.976 in December 2021 (2021 - P50.999 vs. 2020 - P48.023).

The lower income tax expense was primarily due to the recognition in 2022 of deferred tax benefit on: (a) NOLCO by SPI and South Premiere Power Corp. (SPPC); and (b) unrealized net foreign exchange loss by SMC. This was partly offset by the: (a) impact for 2020 of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which was adjusted in the first quarter of 2021 and reduced income tax expense by P3,607 million in 2021; and (b) higher income tax from the improved performances of the Beer and NAB division under the Food and Beverage business, the Infrastructure business and other subsidiaries of the Energy business.

Excluding the significant effect of foreign exchange losses recognized in 2022 and the adjustment in 2021 of the impact of CREATE Act for 2020, consolidated core net income amounted to P43,216 million, down by 8% from last year’s P47,042 million.

With higher interest expense and foreign exchange losses, consolidated net income ended at P26,760 million.

The loss attributable to equity holders of the Parent Company was a turnaround from the income recognized in 2021 mainly due to the lower net income and increase in the share of NCI on the Group's net income.

The share of NCI on the Group's net income increased in 2022 mainly due to the: (a) higher amount of distribution on SPCS of San Miguel Global Power and Petron and (b) higher net income of the SMB and Infrastructure businesses. The increase was partly offset by the lower amount of dividend on preferred shares of Petron.

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

## 1. FOOD AND BEVERAGE

SMFB posted full year consolidated sales of P358,853 million, 16% increase from 2021 mainly driven by sustained volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income grew 11% to P48,711 million and net income rose 10% to P34,665 million compared to 2021.

### a. Beer and NAB Division

SMB sustained its growth trend in 2022 delivering consolidated volumes of 224.6 million cases, up 10% from 2021, primarily driven by the positive impact of relaxed mobility and continued re-opening of markets in both domestic and international operations. Consolidated sales amounted to P136,235 million, an increase of 17% from 2021.

Accordingly, consolidated operating income and net income ended at P29,516 million and P21,750 million, higher by 10% and 6% from 2021, respectively.

**Domestic Operations**
SMB's domestic beer volumes reached 198.9 million cases, 9% higher than 2021, the result of continuous brand-building and demand-generating programs in key channels capitalizing on the further easing of restrictions and expanded mobility beginning end of March of 2022 which paved the way for the re-opening of on-premise outlets.

This was further 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*" alongside online posts in SMB Viber Community; Red Horse' new digital contents including the "*Muziknuman*" and "*Lakas Sa-Rap Battle*" episodes on Red Horse Beer's "*Lakas Tama*" YouTube channel, continued airing of "*Una*" Entry Point Drinker and "*Spirit Horse*" core campaigns; and San Mig Light's ongoing "*Bright Side*" thematic campaign, New "*Speakeasy*" podcast episode and "*The Light Space*" live Twitter Space, together with other trade and social media marketing programs.

With higher volumes and reflecting the full impact of the price increase implemented in October 2021, SMB's domestic sales grew 16% to P121,849 million. Operating income reached P26,993 million, 7% higher than 2021 on the back of cost saving initiatives and improvements in operational efficiencies.

**International Operations**
SMB's international operations sustained its strong performance, ending 2022 with a double-digit volume growth of 15% compared to 2021 brought about by the consistent volume gains recorded from Thailand, Indonesia and Export businesses. These were the result of continued re-opening of the economy, revival of tourism supported by distributor and wholesaler incentive programs implemented, and Exports growth to the United States of America, Bahrain, Middle East and new markets in Asia and Africa. Meanwhile, Hong Kong, South China and Vietnam have shown signs of recovery but still remained lower compared to 2021.

**b. Spirits Division**

GSMI delivered another record-breaking performance in 2022 registering its highest-ever net income of P4,547 million, exceeding 2021 by 9%.

Volumes reached an all-time high of 44.6 million cases, surpassing 2021 levels by 7%. Growth was supported by effective marketing campaigns which resonated well with consumers, such as Ginebra San Miguel's award-winning "*Hanggang Huling Patak ng Bagong Tapang*", Vino Kulafu's "*Lakas Ka Namo*" and GSM Blue's "*Choose What's True*" advertising campaigns alongside the on-ground market penetration promos such as "*Kusog Kulafu Buenas Grasya*" and expanded distribution.

Full year 2022 sales reached P47,341 million, 11% higher from the P42,534 million reported in 2021. Operating income ended at P5,987 million, 13% higher than 2021 on account of the increase in selling price implemented in February 2022, operational efficiency improvements and rationalization of fixed expense, offsetting the impact of inflationary pressures on raw materials and other inputs.

**c. Food Division**

The Food division sustained its robust top line performance throughout the year 2022, delivering consolidated sales of P175,288 million, 16% higher than 2021. Amidst rising inflation, volumes in most segments grew, boosted by intensified distribution, aggressive promotional activities, launch of new products and utilization of additional capacity from new facilities. Faced with escalating raw material prices, most businesses implemented price increases to partly recover rising costs.

Despite the challenges brought about by rising commodity prices, inflation and depreciating peso, the Food Division managed to grow operating income by 15% to P13,270 million on the back of optimized utilization of company-owned facilities and strategic spending on revenue-generating advertising and promotions.

Net income stood at P9,218 million, a 21% increase compared to 2021's level.

- The Protein segment, comprised of the Poultry and Meats businesses, registered sales 4% higher than 2021. Poultry's sales climbed 9% mainly on account of better selling prices as volumes were constrained by capacity shortages. Notwithstanding, Poultry benefitted from the strong recovery of food service and positive market acceptance of marinated *Timplados* products. Meanwhile, the decline in meats' sales is reflective of deliberate moves to downsize hog operations due to the ASF.

- The Animal Nutrition and Health segment posted 26% growth in sales compared to 2021, propelled by volume growth and better selling prices. Volume grew on the back of higher sales of broiler, layer, and hog feeds, as well as growing demand for its Nutri Chunks pet care and San Miguel Animal Health Care veterinary medicine products.

- The Prepared and Packaged Food segment sales exceeded 2021 by 17%. Growth was led by flagship products - *Purefoods Tender Juicy Hotdogs, Purefoods Chicken Nuggets*, whole hams, and Magnolia butter and cheese, with significant contribution from newly launched products under the Purefoods native line and Magnolia salad aids. Significant volume growth along with market share gains was seen across multiple categories.

- Revenue of the Flour segment soared 38%, mainly driven by higher prices, as the business had to cover for higher wheat cost.

## 2. PACKAGING

The Packaging business generated consolidated sales of P37,039 million in 2022, 10% higher than 2021, boosted by the increase in domestic demand for Glass, Metal, two-piece Aluminum Cans, Beverage Filling and Logistics Services operations from domestic food and beverage customers combined. International operations in China, Vietnam, Malaysia, and Australia also grew from 2021.

Better productivity, management of expenses along with cost saving programs implemented across all business units propelled operating income to increase by 42% at P1,648 million compared to 2021.

## 3. ENERGY

San Miguel Global Power recorded offtake volumes of 27,402 gigawatt hours (GWh) in 2022, higher by 181 GWh from 2021 mainly driven by the increase in energy demand from distribution utilities with the recovery in economic activities.

Consolidated sales amounted to P221,389 million, up by 66% from P133,710 million in 2021, brought about by the increase in average realization prices reflecting higher fuel costs, increase in spot sale prices, and improved power nominations. In addition, the commencement of commercial operations of the 20 MW Kabankalan Battery Energy Storage System (BESS) in January 2022 likewise contributed to the increase.

The unprecedented spikes in coal prices in 2022 has challenged San Miguel Global Power's operating performance, with prices soaring from US$65 or P3,340.00 per metric ton (at P51.30 per US$1) at execution date of contract to as high as US$434 or P25,430.00 per metric ton (at P58.59 per US$1). This resulted in incremental supply costs that the Energy business had absorbed to cover the 1,000 MW capacity contracted to Meralco alone. This, along with the increase in power purchase costs driven by elevated spot sale prices combined with the deration of the Ilijan Power Plant resulting from the Malampaya gas supply restriction and the plant's shutdown for inspection, repairs, and maintenance since June 5, 2022, all translated to a significant increase in supply costs. Hence, operating income declined by 22% from P36,841 million in 2021 to P28,886 million.

With lower margins and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of Philippine Peso against the US dollar in 2022, net income amounted to P3,134 million, 80% behind 2021. Without the recognized foreign exchange losses and CREATE Act adjustments in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from 2021.

Despite these challenges, San Miguel Global Power has remained focused on its goal to provide stable and reliable power to the country through its baseload capacities. Construction of committed additional capacities located in Mariveles, Bataan, Masinloc, Zambales and the Batangas Combined Cycle Power Plant (BCCPP) in Ilijan, Batangas that will provide additional 2,600 MW are progressing well, along with the 1,000 MW BESS and 800 MW from Solar. These will boost the baseload power capacity of the country in the next two years. In particular, the BESS and BCCPP is San Miguel Global Power's path to transitioning its power generation to more renewable sources.

## 4. FUEL AND OIL

Petron ended 2022 strong mainly driven by the recovery in demand specifically from the industrial and aviation sectors. Combined sales volumes from its Philippine and Malaysia operations reached 112.8 million barrels, 37% higher compared to 2021. The Philippine operation registered 68.5 million barrels, 43% higher than the 47.9 million barrels in 2021. Demand for gasoline and diesel products remained high with notable increases as well in the sales of jet fuel, LPG and polypropylene products, as Petron resumed its production of polypropylene in 2022.

Consolidated sales rose 96% to P857,638 million mainly driven by growth in fuel demand and higher crude oil prices. Dubai crude oil averaged at US$96 per barrel in 2022, nearly 40% higher than 2021's average of US$69 per barrel. The year 2022 was characterized with high volatility in crude oil prices. Dubai crude oil surged to as high as US$113 per barrel in June, dropping by 32% in the second half to US$77 per barrel in December, due to global inflationary and recession fears.

Consolidated operating income ended 12% higher at P19,213 million, compared to P17,215 million in 2021, despite external headwinds and lower prices in the second semester of 2022. Operating costs were contained, further supported by continued optimization of refining assets. Petron ramped up its refinery production to take advantage of favorable refining cracks, partly countered by more expensive crude and finished product import costs, higher working capital requirements and borrowing rates.

Consolidated net income settled at P6,697 million, up 9% from 2021's P6,136 million.

## 5. INFRASTRUCTURE

The Infrastructure business continued its growth momentum for the year 2022 recording a 25% increase in combined average daily traffic volumes. Travel and mobility have returned to normal with the resumption of onsite work and classes and increased outdoor activities. Consolidated revenues ended at P29,008 million, 47% higher than 2021's level.

Operating income soared 112% to P14,142 million, mainly driven by the sustained double-digit volume growth in all operating toll roads.

The Group's major ongoing infrastructure projects are all on track.

The railway component of the Metro Rail Transit Line 7 (MRT 7) Project which include the guideway and stations is already 60% completed. The detailed engineering design and site development of the depots are ongoing. The road component is undergoing the study of the realignment.

The South Luzon Expressway - Toll Road 4 Project is progressing well with ongoing right-of-way (ROW) acquisition, construction of underpass, bridges, earthworks and embankments including installation of reinforced concrete pipe culvert and concrete box culvert, including clearing works.

The Supplemental Toll Operation Agreement (STOA) for the South Luzon Expressway - Toll Road 5 Project was signed on June 3, 2022 and was approved by the Office of the President on June 27, 2022. Detailed engineering design studies, ROW acquisitions and awarding of the independent contractor contract are in progress.

The Ninoy Aquino International Airport Expressway (NAIAX) Tramo Connecting Ramp has been issued the Notice to Proceed on May 16, 2022 by the Department of Public Works and Highways, with variation order approval issued on July 6, 2022. Ongoing works for the bored piling are almost complete. Delivery of universal beams girders and accessories has been completed. Civil works for the columns and fabrication of the pre-cast coping beam are set to begin.

Skyway Stage 4 Project is also progressing well with ongoing ROW acquisition, detailed engineering design either already approved or undergoing review and evaluation by the Toll Regulatory Board and pre-construction activities already started which include inspection of seedlings for the planting of trees.

The STOA for Pasig River Expressway Project has been signed on September 21, 2021 and approved by the Office of the President on March 13, 2022. Environmental Compliance Certificate application and detailed engineering design services are in progress while ongoing activities are still limited to site development and river dredging.

The Northern Access Link Expressway and Southern Access Link Expressway's STOA have been signed on March 21 and June 20, 2022 and approved by the Office of the President on May 6 and June 27, 2022, respectively.

On March 31, 2022, SMC entered into a loan facility agreement with several lenders amounting to US$2,165 million for the financing of the land development works for the MIA Project, of which US$871 million has been drawn as at December 31, 2022. SMC has received the initial certification from the Independent Environmental and Social Consultant of the Airport land development works lenders and is in continuous compliance with the International Finance Corporation Performance Standards. The project team together with the consultants and third-party providers are currently working on the Airport Masterplan along with the critical components of the airport. Site clearing activities is almost complete while land filling and ground improvement works are almost 50% done.

## II. FINANCIAL POSITION

### A. The following are the major developments in 2023:

In 2023, the Group has undertaken various financing activities. The significant transactions are as follows:

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **Energy**

**a) Masinloc Power Co. Ltd. (MPCL; formerly Masinloc Power Partners Co. Ltd.)**

On January 17, 2023, MPCL agreed with local bank lenders to amend its Omnibus Refinancing Agreement, with an outstanding obligation amounting to US$149 million as at the agreement date, into a Peso-denominated loan amounting to P8,155 million, subject to floating interest rate with maturities up to January 2023. MPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary allowed under the terms of the agreement.

**b) San Miguel Global Power**

On June 15 and August 8, 2023, San Miguel Global Power drew P5,000 and P2,500 million, respectively, from a P10,000 million Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028. The proceeds of the loan were used to partially refinance maturing debt obligations, fund general corporate purposes, including investments in LNG and BESS, and cover transaction-related costs, fees and expenses.

**c) SMGP BESS Power, Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On October 27, 2023, SMGP BESS drew the first tranche amounting to P28,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the first tranche were used for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from San Miguel Global Power, both of which were used to finance payment for interest, design, construction and the operation of the BESS projects, and cover transaction-related costs, fees and expenses.

- **Infrastructure**

  **a) SMC NAIAX Corporation (SMC NAIAX)**

  On various dates in 2023, SMC NAIAX availed of a total of P1,187 million term loans from its P5,656 million 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.

  **b) 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 payable quarterly 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.

  **c) 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 MRT 7 Project. The loan is subject to a floating interest rate and with a term of 15 years.

- **Food and Beverage**

  **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 and repricing thereafter.

- **Cement**

  **a) 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 for refinancing of existing short-term loan and/or other general corporate purposes.

  **b) NCC**

  On various dates in 2023, NCC availed of a total of P3,750 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 partially finance the ongoing cement plant project in Sison, Pangasinan. The OLSA was fully drawn as at December 31, 2023.

- **SMC**

  On June 30, 2023, SMC availed of a P5,200 million term loan for the refinancing of its Corona Virus Disease 2019 response activities during the period 2020 to 2022. The loan is subject to a fixed interest rate and with a term of six years.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **San Miguel Global Power**

  a) On March 16, 2023, San Miguel Global Power availed of a US$100 million term loan from a facility agreement executed on March 10, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in September 2024.

  The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

  b) On October 31, 2023, San Miguel Global Power availed of a US$50 million term loan from a facility agreement executed on October 24, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in April 2025. The proceeds of the loan were used to refinance the US$50 million three-year term loan drawn in April 2021 which matured in October 2023, and payment of transaction related fees, costs and expenses in relation to the facility agreement.

- **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$622 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 MIA Project in Bulacan. Total drawdowns as at December 31, 2023 amounted to $1,493 million.

  c) On July 10 and July 31, 2023, SMC availed of a US$200 million term loan, subject to a floating interest rate and US$150 million term loan, subject to a fixed interest rate, with a term of five years. The proceeds of the loans 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.

  d) On September 20, 2023, SMC availed of a US$300 million term loan, subject to a 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.

  e) In November 2023, SMC availed of a total of US$300 million term loans, subject to a floating interest rate and with a term of five years. 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.

- **Petron**

  On various dates in 2023, Petron availed of a total of US$399 million loans from the following: (1) US$174 million from the remaining balance of the term loan facility executed in November 2022, which was increased from US$550 million to US$669 million effective February 17, 2023 (the “US$669 million Facility”), and (2) US$225 million from the term loan facility executed on March 28, 2023 (the “US$225 million Facility”). The final amortization of the US$669 million Facility will be

on November 8, 2027, while the final amortization of the US$225 million Facility will be on March 28, 2028. Both Facilities are subject to floating interest rates.

The US$174 million loans from the US$669 million Facility 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 partially fund payment of the P7,000 million Series B Bonds due on October 27, 2023 amounting to US$31 million. Proceeds from the US$225 million Facility were used to partially fund the redemption of Petron's US$500 million SPCS.

**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 payment was funded through capital infusion by SMC and cash generated from operations.

- **Petron**

  On October 27, 2023, Petron paid its Series B Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same date. The Series B Bonds formed part of the P20,000 million retail bonds issued by Petron in 2016.

  The payment was funded by the US$31 million term loan drawn on August 14, 2023 from the US$669 million facility 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**

- **ECC**

  On May 29, 2023, ECC prepaid in full the balance of its Term Loan Facility and Security Agreement entered in 2016, amounting to P4,049 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 year, the Group paid a total of P27,497 million of its scheduled amortizations and maturing obligations.

The Infrastructure, Energy, Cement, Petron, Packaging, Food and Beverage businesses and SMC paid a total of P9,526 million, P5,129 million, P4,900 million, P4,643 million, P2,625 million, P514 million and P160 million, respectively, of their maturing obligations.

**ISSUANCE OF EQUITY AND CAPITAL SECURITIES**

- **Petron**

  On July 7, 2023, Petron issued and listed at 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 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**

  On August 23, 2023, SMC issued 173,333,325 Series 2-M Preferred Shares (Series 2-M) and were listed at the PSE on August 29, 2023. The shares were issued at an offer price of P75.00 per share for a total amount of P13,000 million, with dividend rate of 8.375% per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC. The Series 2-M Preferred Shares were privately-placed.

The net proceeds from the issuance of Series 2-M were used for general corporate purposes.

On December 1, 2023, SMC issued a total of 453,333,400 Series 2-L, 2-N and 2-O (Series 2-LNO) Preferred Shares which were under the 866,666,700 shelf-registration and were listed at the PSE on the same date. The shares were issued at an offer price of P75.00 per share for a total amount of P34,000 million, with dividend rates of 7.9145% (Series 2-L), 8.3466% (Series 2-N) and 8.5936% (Series 2-O) per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC.

The net proceeds of the from the issuance of the Series 2-LNO were used for repayment of Peso-denominated short-term facilities, repayment of Series B Bonds and will be used for the repayment of Series H Bonds on October 4, 2024.

**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 at the Singapore Exchange Securities Trading Limited (SGX-ST) 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 SGX-ST.

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

**SUBSEQUENT EVENTS**

- **Payment of P7,294 million Series B Fixed Rate Peso-denominated Bonds by SMC**

  On March 1, 2024, SMC paid the P7,294 million Series B Fixed Rate Peso-denominated bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by the Parent Company in 2017.

- **Rehabilitation, Operation and Maintenance of Ninoy Aquino International Airport (NAIA) by SMC SAP & Company Consortium (Consortium)**

  On February 16, 2024, the Consortium, led by San Miguel Holdings Corp. (SMHC), has officially won the contract to rehabilitate, operate and maintain the NAIA which is the country's main international gateway. The Consortium is comprised of SMHC owning 33%, RMM Asian Logistics Inc. owning 30%, RLW Aviation Development Inc. owning 27% and Incheon International Airport Corp owning 10%. Together, the members of the consortium incorporated the concession company, New NAIA Infra Corp. in the same ownership percentage sharing.

On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA is expected to be turned-over by the Manila International Airport Authority to the concession company, six months after the execution of the Concession Agreement.

- **Joint Investment in an Integrated LNG Facility by San Miguel Global Power and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, the Board of Directors (BOD) of San Miguel Global Power approved the following transactions:

  1) Subscription by CGHI, a joint venture company owned by Meralco PowerGen Corporation and Therma NatGas Power Inc., of approximately 67% equity interest in the wholly-owned subsidiaries of San Miguel Global Power, namely: SPPC, Excellent Energy Resources Inc. (EERI) and Ilijan Primeline Industrial Estates, Inc. (IPIEC); and

  2) Purchase by San Miguel Global Power of approximately 33% of the total outstanding capital stock of Linseed Field Corporation (LFC) from Eurodite Universal Power Incorporated.

  The assets covered by the transaction consists of the: (a) 1,275 MW Ilijan Combined Cycle Gas Power Plant owned by SPPC which is currently operational, (b) 1,320 MW BCCPP owned by EERI which is under construction, (c) 390,829 sqm land where the BCCPP of EERI is situated, and (d) import and regasification LNG terminal owned by LFC which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

**B. The following are the major developments in 2022:**

**INVESTING ACTIVITIES**

**Acquisition by SMC through SMEII of ECC**

On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc., the parent company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares (Sale Shares) representing approximately 88.50% of the total outstanding and issued capital stock of ECC for a total consideration of P97,441 million or P22.02 per Sale Share.

ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

On October 27, 2022, the Philippine Competition Commission issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the PSE after the required written assent of the stockholders of ECC was secured.

The tender offer period ended on December 5, 2022, a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding common shares of ECC were tendered (Tendered Shares) for a total consideration of P12,613 million or P22.02 per share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As a result of the transaction, ECC was consolidated effective December 14, 2022. SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding common shares of ECC as at December 31, 2023 and 2022.

The total acquisition cost of ECC amounting to P110,054 million was funded by short-term loan availed by SMC and existing cash balance.

**Redemption of Investment in Preferred Shares of Top Frontier Investment Holdings, Inc. (Top Frontier)**

On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by SMC. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424 million, corresponding to the original issue price, plus unpaid cash dividends amounting to P267 million.

In 2022, the Group has undertaken various financing activities. The significant transactions are as follows:

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **SSHCI**

  On various dates in 2022, SSHCI availed of a total of P15,800 million term loans from the P20,000 million term loan facility agreement executed on December 3, 2021. The loans are subject to a floating interest rate and will mature on January 3, 2025. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

- **Petron**

  a. On May 19, June 15 and June 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of power plant project, (b) payment of the remaining balance of US dollar term loan, and (c) payment of various loan facilities. The P15,000 million term loan is divided into three P5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and June 16, 2027, respectively.

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

- **SMC NAIAX**

  On December 28, 2022, SMC NAIAX availed of a P3,124 million term loan from its P5,656 million OLSA with various banks executed on December 21, 2022. The loan is subject to a fixed interest rate and will mature on June 21, 2030. The proceeds of the loan were used to prepay the balance of the OLSA executed in 2014 and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- **SMB**

  On December 20, 2022, SMB availed of a P5,000 million five-year term loan from its P10,000 million loan facility with a local bank. The loan is subject to a fixed interest rate and will mature on December 20, 2027. The proceeds of the loan were used to partially finance capital expenditures.

- **NCC**

  On various dates in 2022, NCC availed of a total of P1,674 million term loan from its existing P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to finance the ongoing cement plant project in Sison, Pangasinan. Total drawdowns from the OLSA as at December 31, 2022 amounted to P8,749 million.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **San Miguel Global Power**

  a. On January 21, 2022, San Miguel Global Power availed of a US$200 million term loan from the loan facility agreement executed on September 8, 2021. Proceeds of the loan were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility. The term of the loan is for three years and is subject to a floating interest rate.

  b. On May 24, 2022, San Miguel Global Power availed of a US$100 million term loan from the loan facility agreement executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of BESS and BCCPP Projects, for general corporate requirements and payment of other transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in May 2025.

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

- **SMC**

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

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

c. On various dates in 2022, SMC availed of a total of US$871 million term loan from the US$2,165 million loan facility executed on March 31, 2022 for the financing of the MIA Project's land development works. The term of the loan is 13 years and is subject to a floating interest rate.

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

- **Petron**

  In November and December 2022, Petron availed of US$267 million and US$228 million loans, respectively, from the US$550 million term loan facility executed on November 8, 2022. The loan is amortized over five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to partially prepay the US$800 million term loan facility availed in 2019 and the US$150 million term loan availed in 2020.

**ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **Issuance of P30,000 Million Fixed Rate Bonds by SMC**

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

  The proceeds from the issuance of the bonds were used to refinance short-term loan facilities and other general corporate purposes.

- **Registration and Issuance of P60,000 Million Fixed Rate Peso-denominated Bonds by SMC**

  On December 14, 2022, SMC issued and listed at the PDEx a total of P60,000 million Fixed Rate Peso-denominated Bonds comprising of P27,101 million Series L, P9,712 million Series M and P23,187 million Series N bonds which were approved by the SEC on November 22, 2022. The Series L, Series M and Series N bonds are due in December 2028, 2029 and 2032 with interest rates of 7.4458%, 7.8467% and 8.4890% per annum, respectively.

  Portion of the proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Subseries "2-H" Preferred Shares; and (ii) the repayment of Peso-denominated short-term loan facilities used to redeem the Series A and Series D Bonds, and the remaining balance will be used for (iii) the final redemption and payment of the Series E Bonds due in 2023; and (iv) the refinancing of certain US Dollar-denominated obligations.

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

  On July 26, 2022, San Miguel Global Power issued and listed at the PDEx a total of P40,000 million Fixed Rate Peso-denominated Bonds, the first tranche of the P60,000 million shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

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

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

- **Payment of Fixed Rate Peso-Denominated Series A and D Bonds by SMC**

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

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

- **Payment of Fixed Rate Peso-Denominated Series D and Series H Bonds by San Miguel Global Power**

  On April 25 and December 22, 2022, San Miguel Global Power paid its P13,845 million Series H and P9,913 million Series D Fixed Rate Peso-denominated Bonds, which matured on the same dates. The Series D and Series H Bonds were issued by San Miguel Global Power in 2017 and 2019, respectively.

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

- **Payment of Fixed Rate Peso-Denominated Series F Bonds by SMB**

  On April 2, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds were issued by SMB in 2012.

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

- **Payment of Fixed Rate Peso-Denominated Series B Bonds by SMC SLEX Inc. (SMC SLEX)**

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

  The Series B Bonds were paid using internally generated funds.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

In 2022, the Group paid a total of P22,074 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Infrastructure, Energy, Petron, Packaging, Food and Beverage and SMC paid a total of P8,575 million, P6,824 million, P3,430 million, P2,902 million, P183 million and P160 million, respectively, of their maturing obligations.

**REDEMPTION OF PREFERRED SHARES BY SMC**

**Redemption of Series "2" Preferred Shares - Subseries "2-H" by SMC**

On December 21, 2022, SMC redeemed its outstanding 164,000,000 Subseries "2-H" Preferred Shares issued in March 2016. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries "2-H" Preferred Shares was approved by the BOD of SMC on September 22, 2022.

The Subseries "2-H" Preferred Shares were redeemed using part of the proceeds of the P60,000 million Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

**REPURCHASE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US dollar-denominated SPCS listed at the SGX-ST to purchase for cash up to US$400 million SPCS. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 million in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the expiration deadline and which San Miguel Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

The payment for the repurchased SPCS was funded by San Miguel Global Power's issuance of RPS to SMC.

**C. The following are the major developments in 2021:**

**INVESTMENT IN SUBSIDIARIES**

**Merger of NCC and San Miguel Northern Cement, Inc. (SMNCI)**

On March 3, 2021, the BOD and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving entity.

On June 14, 2021, the SEC approved the Articles and Plan of Merger executed by NCC and SMNCI, whereby the entire assets and liabilities of SMNCI were transferred to and absorbed by NCC, the surviving entity.

On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 million as consideration for the net assets of SMNCI in accordance with the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of NCC, which was approved by the SEC on June 14, 2021.

The merger of NCC and SMNCI is considered to be a business combination under common control. The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interest method.

The assets and liabilities of the combining entities are reflected in the consolidated statement of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination.

On October 6, 2021, the BIR issued Ruling No. S40M-371-2021 which confirmed the tax-free exchange of investment relative to the merger of NCC and SMNCI.

**Investment by SMC Equivest Corporation (SMCEC) in Preferred Shares and Common Shares of BankCom**

On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BankCom at P132.00 per share or a total of P5,500 million.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BankCom and subject to the other terms and conditions as may be fixed by the BOD of BankCom, required under regulations, and to the extent permitted by applicable law.

On October 20, 2021, SMCEC acquired 1,571,600 common shares of BankCom at P226.48 per share or P357 million, including transaction cost, representing additional 1.4% ownership interest.

The Bangko Sentral ng Pilipinas (BSP) and SEC approved the Amendment of Articles of Incorporation of BankCom on October 4 and November 2, 2021, respectively, for the change in the par value of BankCom's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BankCom on May 25 and July 8, 2021, respectively. As a result, San Miguel Properties, Inc. (SMPI) and SMCEC's investment in BankCom's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BankCom's preferred shares also increased from 41,666,667 shares to 416,666,670 shares.

As at December 31, 2021, SMC through SMPI and SMCEC, respectively, has 39.93% and 6.09% equity ownership interests in BankCom.

On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license.

On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom, which includes the 280,602,800 common shares subject of the initial public offering. On March 31, 2022, BankCom listed its common shares with the PSE.

In 2021, the Group has undertaken various financing activities. The significant transactions are as follows:

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **San Miguel Global Power**

  On May 28, 2021, San Miguel Global Power availed of a P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to a fixed interest rate and will mature on May 28, 2025.

- **SMC Tollways**

  On March and June 2021, SMC Tollways drew a total of P12,900 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. The proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction-related fees, taxes and expenses. The loan is subject to a fixed interest rate and repricing on the fifth year from initial drawdown date, and payable in 40 quarterly installments up to December 14, 2029. As at December 31, 2021, the total amount of the P41,200 million facility has been fully drawn.

- **NCC**

  On June 30, 2021, SMNCI availed of a P7,075 million from the P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan. On July 1, 2021, the balance of the loan was transferred to NCC following the merger of NCC and SMNCI.

- **The Purefoods-Hormel Company, Inc. (PF-Hormel)**

  On September 29, 2021, PF-Hormel availed of a P7,000 million term loan, subject to a fixed interest rate and will mature on September 29, 2026. The proceeds of the loan were used for the refinancing of existing indebtedness and general corporate purposes.

- **SCII**

  On December 29, 2021, SCII fully availed the P4,800 million loan from the OLSA executed on December 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on December 31, 2028. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

**FOREIGN CURRENCY-DENOMINATED TERM LOANS**

- **San Miguel Global Power**

  a. On March 9, 2021, San Miguel Global Power executed a five-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021. On May 21, 2021, the loan facility agreement was amended to increase the amount from US$200 million to US$300 million.

     On June 7, 2021, San Miguel Global Power availed of the remaining US$100 million from its amended loan facility agreement. The proceeds of the loan were used mainly for the payment of Series A Fixed Rate Bonds in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

b. On April 12, 2021, San Miguel Global Power availed of a US$50 million from its term loan facility with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures of the BCCPP (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities, pre-operating and operating working capital requirements for the BESS Projects, and transaction-related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.

- **SMC**

a. On October 21, 2021, SMC executed a five-year term loan facility agreement for the amount of US$700 million. The facility agreement was amended on November 29, 2021 increasing the amount from US$700 million to US$900 million. On October 28 and December 23, 2021, SMC drew a total of US$450 million from the facility. The loan is subject to a floating interest rate and will mature on October 21, 2026. The proceeds of the loan were and will be used for general corporate purposes.

b. On December 13, 2021, SMC executed a five-year term loan facility agreement for the amount of US$100 million. Drawdown was completed on December 23, 2021. The loan is subject to a floating interest rate and will mature on December 14, 2026. The proceeds of the loan were used for general corporate purposes.

**ISSUANCE AND PAYMENT OF BONDS**

- **Shelf-registration of P50,000 Million Fixed Rate Peso-Denominated Bonds by SMC and Issuance of P30,000 Million Bonds**

On June 21, 2021, the SEC approved the shelf-registration of P50,000 million fixed rate Peso-denominated bonds of SMC.

On July 8, 2021, SMC issued and listed at the PDEx P30,000 million Series I Bonds. The bonds are due in 2027, with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

The proceeds from the issuance of the Bonds were used to repay existing obligations.

- **Issuance of P18,000 Million Fixed Rate Bonds by Petron**

On October 12, 2021, Petron issued and listed at the PDEx P18,000 million fixed rate, Peso-denominated bonds, the first tranche of the P50,000 million shelf-registered fixed rate bonds approved by the SEC.

The bonds consist of P9,000 million Series E Bonds maturing in 2025 with an interest rate of 3.4408% per annum and P9,000 million Series F Bonds maturing in 2027 with an interest rate of 4.3368% per annum. Interest is payable quarterly in arrears every 12th of January, April, July and October of each year.

The proceeds from the issuance of the bonds were used primarily for the payment of the outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

- **Payment of Fixed Rate Peso-Denominated Series G Bonds by SMB**

  On April 5, 2021, SMB paid its Series G Fixed Rate Bonds amounting to P12,462 million, which matured on the same day. The Series G Bonds form part of the P15,000 million fixed rate bonds issued by SMB in 2014.

  The payment was financed from the proceeds of the P12,000 million term loans availed on March 30, 2021 from four banks. The loans are subject to fixed interest rates, where P10,000 million are due on March 30, 2026 and P2,000 million are due on March 30, 2028.

- **Payment of Fixed Rate Peso-Denominated Series A Bonds by San Miguel Global Power**

  On July 12, 2021, San Miguel Global Power paid its Series A Fixed rate Bonds amounting to P6,153 million, which matured on the same day. The Series A Bonds, which form part of the P15,000 million Series ABC Fixed Rate Bonds issued by San Miguel Global Power in 2016.

  The Series A Bonds were paid partly from the proceeds of the US$100 million out of the US$300 million Syndication Agreement availed in June 2021 and partly from the P5,000 million term loan availed in May 2021.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

In 2021, the Group paid P18,686 million of maturing obligations funded by cash generated from operations.

Energy, Petron, Infrastructure, Packaging and other businesses paid a total of P7,293 million, P4,785 million, P3,778 million, P2,488 million and P342 million, respectively, of their maturing long-term debt.

**ISSUANCE OF CAPITAL SECURITIES BY SUBSIDIARIES**

- **Issuance of US$550 Million SPCS by Petron**

  On April 19, 2021, Petron issued US$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

- **Issuance of US$750 Million SPCS by San Miguel Global Power**

  On June 9, 2021, San Miguel Global Power issued US$600 million SPCS at an issue price of 100%, with an initial distribution rate of 5.45% per annum. The securities were listed at the SGX-ST on June 10, 2021.

  On September 15, 2021, San Miguel Global Power issued US$150 million SPCS at an issue price of 100.125%, with an initial distribution rate of 5.45% per annum. The additional securities which were listed at the SGX-ST on September 16, 2021 were consolidated into single series with the securities issued in June 2021.

  The net proceeds were used primarily for the 1,320 MW BCCPP and for general corporate purposes.

## REDEMPTION OF PREFERRED SHARES BY SMC

### Redemption of Series "2" Preferred Shares - Subseries "2-G", Subseries "2-C" and Subseries "2-E" by SMC

On March 30 and September 21, 2021, SMC redeemed its outstanding 66,666,600 Subseries "2-G", 255,559,400 Subseries "2-C" and 134,000,100 Subseries "2-E" Preferred Shares issued in March 2016, September 2012 and 2015, respectively. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries "2-G" Preferred Shares was approved by the BOD of SMC on March 11, 2021 while the redemption of Subseries "2-C" and Subseries "2-E" Preferred Shares was approved by the BOD of SMC on August 5, 2021.

The Subseries "2-G" Preferred Shares were redeemed using the proceeds of the US$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US$2,000 million.

The Subseries "2-C" and Subseries "2-E" Preferred Shares were redeemed from proceeds of short-term loan availments.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

## REDEMPTION OF SERIES 2B PREFERRED SHARES BY PETRON

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The Series 2B Preferred Shares were redeemed from proceeds of short-term loan availments. The redemption was approved by the BOD of Petron on March 9, 2021.

## REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 million Undated Subordinated Capital Securities (USCS) issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$300 million USCS were redeemed using part of the proceeds of the US$350 million SPCS issued on December 15, 2020.

## D. MATERIAL CHANGES PER LINE OF ACCOUNT

**2023 vs. 2022**

| | December | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | Amount | % | **2023** | 2022 |
| | | | *(In Millions)* | | | |
| Cash and cash equivalents | **P261,358** | P318,214 | (P56,856) | (18%) | **11%** | 13% |
| Trade and other receivables - net | **263,119** | 238,782 | 24,337 | 10% | **11%** | 10% |
| Inventories | **161,986** | 190,193 | (28,207) | (15%) | **6%** | 8% |
| Current portion of biological assets - net | **3,515** | 3,418 | 97 | 3% | **0%** | 0% |
| Prepaid expenses and other current assets | **141,424** | 133,691 | 7,733 | 6% | **6%** | 6% |
| **Total Current Assets** | **831,402** | 884,298 | (52,896) | (6%) | **34%** | 37% |
| Investments and advances - net | **37,089** | 32,523 | 4,566 | 14% | **2%** | 1% |
| Investments in equity and debt instruments | **19,417** | 18,921 | 496 | 3% | **1%** | 1% |
| Property, plant and equipment - net | **753,472** | 708,192 | 45,280 | 6% | **31%** | 30% |
| Right-of-use assets - net | **108,014** | 112,067 | (4,053) | (4%) | **4%** | 5% |
| Investment property - net | **79,513** | 74,660 | 4,853 | 7% | **3%** | 3% |
| Biological assets - net of current portion | **2,667** | 2,671 | (4) | (0%) | **0%** | 0% |
| Goodwill - net | **182,791** | 184,100 | (1,309) | (1%) | **7%** | 8% |
| Other intangible assets - net | **306,638** | 249,321 | 57,317 | 23% | **12%** | 10% |
| Deferred tax assets | **19,633** | 22,554 | (2,921) | (13%) | **1%** | 1% |
| Other noncurrent assets - net | **118,729** | 102,518 | 16,211 | 16% | **5%** | 4% |
| **Total Noncurrent Assets** | **1,627,963** | 1,507,527 | 120,436 | 8% | **66%** | 63% |
| **Total Assets** | **P2,459,365** | P2,391,825 | P67,540 | 3% | **100%** | 100% |
| Loans payable | **P214,881** | P267,704 | (P52,823) | (20%) | **9%** | 11% |
| Accounts payable and accrued expenses | **223,055** | 227,126 | (4,071) | (2%) | **9%** | 9% |
| Lease liabilities - current portion | **19,631** | 21,020 | (1,389) | (7%) | **1%** | 1% |
| Income and other taxes payable | **46,254** | 37,694 | 8,560 | 23% | **2%** | 2% |
| Dividends and distributions payable | **4,605** | 4,037 | 568 | 14% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **236,798** | 170,032 | 66,766 | 39% | **9%** | 7% |
| **Total Current Liabilities** | **745,224** | 727,613 | 17,611 | 2% | **30%** | 30% |

*Forward*

| | December | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Long-term debt - net of current maturities and debt issue costs | **P953,786** | P918,164 | P35,622 | 4% | **39%** | 39% |
| Lease liabilities - net of current portion | **36,941** | 54,455 | (17,514) | (32%) | **2%** | 2% |
| Deferred tax liabilities | **29,503** | 26,297 | 3,206 | 12% | **1%** | 1% |
| Other noncurrent liabilities | **28,745** | 26,144 | 2,601 | 10% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,048,975** | 1,025,060 | 23,915 | 2% | **43%** | 43% |
| Capital stock - common | **16,443** | 16,443 | - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,468** | 177,719 | (251) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **7,354** | 12,753 | (5,399) | (42%) | **0%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **87,170** | 71,004 | 16,166 | 23% | **4%** | 3% |
| Unappropriated | **103,151** | 129,239 | (26,088) | (20%) | **4%** | 6% |
| Treasury stock | **(109,763)** | (156,763) | 47,000 | 30% | **(4%)** | (7%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **316,221** | 284,793 | 31,428 | 11% | **13%** | 12% |
| Non-controlling Interests | **348,945** | 354,359 | (5,414) | (2%) | **14%** | 15% |
| **Total Equity** | **665,166** | 639,152 | 26,014 | 4% | **27%** | 27% |
| **Total Liabilities and Equity** | **P2,459,365** | P2,391,825 | P67,540 | 3% | **100%** | 100% |

Consolidated total assets as at December 31, 2023 amounted to P2,459,365 million, P67,540 million higher than December 31, 2022. The increase was primarily due to the increase in property, plant and equipment, intangible assets, trade and other receivables and other noncurrent assets, offset by the decrease in cash and cash equivalents and inventories.

The decrease in cash and cash equivalents of P56,856 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, payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations, net proceeds from the availment of long-term debt and from the reissuance of treasury shares by SMC and Petron.

The increase in trade and other receivables - net by P24,337 million was mainly attributable to the: (a) higher trade receivables of the Energy business as a result of the Emergency Power Supply Agreement with Meralco which commenced in March and August 2023, (b) higher receivables recognized versus collections during the year by SPI, and (c) higher receivable of Petron from the Philippine Government due to increased excise tax refund claims.

The decrease in inventories by P28,207 million was attributable mainly to the: (a) lower materials and supplies inventory of the Food division as a result of the normalized level coming from the high level in December 2022 due to purposive buying of raw materials at that time in anticipation of price increases, depletion of hedged meat materials, and higher production volumes, (b) lower price of both crude oil and finished products and lower volume of crude oil, partly offset by higher volume of finished products of Petron.

The increase in prepaid expenses and other current assets by P7,733 million was primarily due to: (a) higher input taxes from the ongoing projects and power purchases of the Energy business, (b) increase in advances to suppliers mainly contributed by advances for LNG procurement of SPPC and (c) higher unused creditable withholding taxes of Petron. The increase was partly offset by the utilization of restricted cash fund for debt servicing requirements of the Energy business.

The increase in investments and advances - net by P4,566 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 BankCom and MNHPI in 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in property, plant and equipment - net by P45,280 million was mainly due to the costs of the ongoing projects of the Energy business, the Food and Beer and NAB divisions of the Food and Beverage business and Cement business.

The increase in investment property - net by P4,853 million was mainly due to the reclassification from property, plant and equipment to investment property of certain properties of the Energy business as a result of the change in usage, acquisition of parcels of land in Bulacan for the Airport Project and the consolidation of the investment property of IPIEC and Blue Eagle Star, Corp.

The increase in other intangible assets - net by P57,317 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization for the year.

The decrease in deferred tax assets by P2,921 million was primarily due to the recognition by SMC of deferred tax on unrealized gains on foreign exchange mainly from the revaluation of the foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P16,211 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project, (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses, and (c) restricted cash balance for debt servicing requirements of the Energy business.

The decrease in loans payable by P52,823 million was mainly due to the net payment made by SMC, Food division and the Energy business.

The increase in income and other taxes payable by P8,560 million was mainly due to the higher amount of Value-Added Tax (VAT) payable: (a) on the sales of the Energy business subject to VAT and (b) of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022.

The increase in dividends and distributions payable by P568 million was mainly due to the declaration of dividends by Petron and SMC to preferred shareholders in November 2023 payable in 2024.

The increase in total long-term debt, net of debt issue costs, of P102,388 million was primarily due to the net availments of foreign currency-denominated and Peso term loans by the Group, partly offset by the payment of Series B and G Bonds by San Miguel Global Power, Series E Bonds by SMC and Series B Bonds by Petron and translation adjustments for the year.

The decrease in total lease liabilities by P18,903 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 deferred tax liabilities by P3,206 million was mainly due to the temporary differences on lease-related expenses in relation to the IPPA lease agreement of SPI and San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.) and on qualifying assets and capital allowance of Petron Malaysia.

The increase in other noncurrent liabilities by P2,601 million was mainly due to the increase in: (a) retention payable for the ongoing projects of the Infrastructure business and (b) retirement liabilities of the Food and Beverage business resulting from the net remeasurement loss on plan assets net of contributions paid, partly offset by the application of retention payable to contractors' billings of the Energy business.

The decrease in equity reserves by P5,399 million was mainly due to the loss on exchange differences on the translation of foreign operations for the year, loss from the redemption of SPCS by Petron, and remeasurement loss on the retirement plan assets of SMFB.

The increase in appropriated retained earnings by P16,166 million was mainly due to the net appropriations made by: (a) the Infrastructure business for the capital expenditures of the various ongoing projects, (b) San Miguel Foods, Inc. for the Feeds Expansion Projects; (c) SMB for the payment of Series H Bonds and the P10,000 million term loans maturing on April 2, 2024 and December 20, 2027, respectively, and (d) SMC Shipping and Lighterage Corporation (SMCSLC) for the construction of shipyard and warehouse and purchase of vessels, partly offset by the reversal of appropriations for the Power Plant Project of Petron.

The decrease in unappropriated retained earnings by P26,088 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

The decrease in treasury stock by P47,000 million represents the re-issuance of 173,333,325 Series "2-M" Preferred Shares on August 29, 2023 and a total of 453,333,400 Series "2-L, 2-N and 2-O" Preferred Shares on December 1, 2023 of SMC at an issue price of P75.00 per share.

**2022 vs. 2021**

| | December | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Amount | % | **2022** | 2021 |
| | | | *(In Millions)* | | | |
| Cash and cash equivalents | **P318,214** | P300,030 | P18,184 | 6% | **13%** | 15% |
| Trade and other receivables - net | **238,782** | 161,808 | 76,974 | 48% | **10%** | 8% |
| Inventories | **190,193** | 141,209 | 48,984 | 35% | **8%** | 7% |
| Current portion of biological assets - net | **3,418** | 3,106 | 312 | 10% | **0%** | 0% |
| Prepaid expenses and other current assets | **133,691** | 108,689 | 25,002 | 23% | **6%** | 5% |
| **Total Current Assets** | **884,298** | 714,842 | 169,456 | 24% | **37%** | 35% |
| Investments and advances - net | **32,523** | 55,002 | (22,479) | (41%) | **1%** | 3% |
| Investments in equity and debt instruments | **18,921** | 41,966 | (23,045) | (55%) | **1%** | 2% |
| Property, plant and equipment - net | **708,192** | 567,609 | 140,583 | 25% | **30%** | 28% |
| Right-of-use assets - net | **112,067** | 163,364 | (51,297) | (31%) | **5%** | 8% |
| Investment property - net | **74,660** | 69,825 | 4,835 | 7% | **3%** | 3% |
| Biological assets - net of current portion | **2,671** | 2,244 | 427 | 19% | **0%** | 0% |
| Goodwill - net | **184,100** | 130,081 | 54,019 | 42% | **8%** | 6% |
| Other intangible assets - net | **249,321** | 190,979 | 58,342 | 31% | **10%** | 9% |
| Deferred tax assets | **22,554** | 17,141 | 5,413 | 32% | **1%** | 1% |
| Other noncurrent assets - net | **102,518** | 98,600 | 3,918 | 4% | **4%** | 5% |
| **Total Noncurrent Assets** | **1,507,527** | 1,336,811 | 170,716 | 13% | **63%** | 65% |
| **Total Assets** | **P2,391,825** | P2,051,653 | P340,172 | 17% | **100%** | 100% |
| Loans payable | **P267,704** | P190,779 | P76,925 | 40% | **11%** | 9% |
| Accounts payable and accrued expenses | **227,126** | 194,579 | 32,547 | 17% | **9%** | 10% |
| Lease liabilities - current portion | **21,020** | 23,423 | (2,403) | (10%) | **1%** | 1% |
| Income and other taxes payable | **37,694** | 23,102 | 14,592 | 63% | **2%** | 1% |
| Dividends and distributions payable | **4,037** | 4,296 | (259) | (6%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **170,032** | 88,857 | 81,175 | 91% | **7%** | 4% |
| **Total Current Liabilities** | **727,613** | 525,036 | 202,577 | 39% | **30%** | 25% |

*Forward*

| | December | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Amount | % | **2022** | 2021 |
| Long-term debt - net of current maturities and debt issue costs | **P918,164** | P725,108 | P193,056 | 27% | **39%** | 35% |
| Lease liabilities - net of current portion | **54,455** | 71,569 | (17,114) | (24%) | **2%** | 4% |
| Deferred tax liabilities | **26,297** | 28,742 | (2,445) | (9%) | **1%** | 1% |
| Other noncurrent liabilities | **26,144** | 19,959 | 6,185 | 31% | **1%** | 2% |
| **Total Noncurrent Liabilities** | **1,025,060** | 845,378 | 179,682 | 21% | **43%** | 42% |
| Capital stock - common | **16,443** | 16,443 | - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **7%** | 9% |
| Capital securities | **24,211** | 28,171 | (3,960) | (14%) | **1%** | 1% |
| Equity reserves | **12,753** | 14,136 | (1,383) | (10%) | **1%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **71,004** | 66,630 | 4,374 | 7% | **3%** | 3% |
| Unappropriated | **129,239** | 157,707 | (28,468) | (18%) | **6%** | 8% |
| Treasury stock | **(156,763)** | (144,363) | (12,400) | (9%) | **(7%)** | (7%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **284,793** | 326,630 | (41,837) | (13%) | **12%** | 16% |
| Non-controlling Interests | **354,359** | 354,609 | (250) | (0%) | **15%** | 17% |
| **Total Equity** | **639,152** | 681,239 | (42,087) | (6%) | **27%** | 33% |
| **Total Liabilities and Equity** | **P2,391,825** | P2,051,653 | P340,172 | 17% | **100%** | 100% |

Consolidated total assets as at December 31, 2022 amounted to P2,391,825 million, P340,172 million higher than December 31, 2021. The increase was primarily due to the higher balance of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P18,184 million was mainly due to net proceeds from the availments of short-term loans and long-term debt, redemption of investment in equity securities and collection of advances for investments. This was partly offset by the capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, acquisition of subsidiaries, payment of lease liabilities and dividends and distributions and repurchase and redemption of equity and capital securities.

The increase in trade and other receivables - net by P76,974 million was mainly attributable to higher trade customer balances from: (a) the Energy business on account of higher average realization prices driven by higher coal prices and overall spot market rates; and (b) Petron brought about by the increase in prices of fuel products.

The increase in inventories by P48,984 million was mainly due to the: (a) higher prices of both crude oil and finished products coupled with higher volume of finished products of Petron; (b) higher prices of imported raw materials and higher level of finished goods relative to increase in demand and prices of the Food division under the Food and Beverage business; 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 P739 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P25,002 million was primarily due to the: (a) higher input taxes of the Energy business from vatable purchases in 2022; (b) additional restricted cash funding by the Energy and Infrastructure businesses for the payment of long-term debt; and (c) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron.

The decrease in investments and advances - net by P22,479 million mainly represents the collection of advances for investment to Bryce Canyon Investments Limited in accordance with an investment agreement executed in 2016. In December 2022, the agreement was terminated as agreed by both parties.

The decrease in investments in equity and debt instruments by P23,045 million mainly represents the redemption of SMC's investments in preferred stocks of Top Frontier partly offset by the investment in debt securities under investment agreement with BankCom by SMB, GSMI and Petrogen Insurance Corporation.

The increase in property, plant and equipment - net by P140,583 million and the decrease in right-of-use assets - net by P51,297 million were mainly due to the reclassification by 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 directly attributable costs. The increase in property, plant and equipment - net was also due to the consolidation of the cement plant and properties of ECC, the costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions under the Food and Beverage business.

The increase in investment property - net by P4,835 million was mainly due to the acquisition of a property in Mandaluyong and reclassification of properties from property, plant and equipment due to change in use by SMPI and acquisition of various properties in Bulacan.

The increase in goodwill - net by P54,019 million mainly represents the goodwill recognized as a result of the consolidation of ECC.

The increase in other intangible assets - net by P58,342 million was mainly due to the: (a) additions to concession rights for the MIA Project and for the various ongoing Infrastructure projects; and (b) the mining rights recognized upon the consolidation of ECC. The increase was partly offset by the total amortization in 2022.

The increase in deferred tax assets by P5,413 million was mainly due to: (a) the recognition by SMC and San Miguel Global Power of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign currency-denominated long-term debt; and (b) the recognition by SMC of deferred tax on the remeasurement of its retirement plan assets.

The increase in loans payable by P76,925 million was mainly due to the net availments by Petron and Food Division for working capital requirements and San Miguel Global Power to partly finance the payment of Series H Bonds in April 2022 and for general corporate requirements.

The increase in accounts payable and accrued expenses by P32,547 million was mainly due to: (a) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects; (b) higher coal purchases of the Energy business on account of the surge in coal prices; and (c) consolidation of the balances of ECC.

The increase in income and other taxes payable by P14,592 million was mainly due to higher VAT and withholding tax payable of the Energy business and higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P259 million was mainly due to payment to preferred shareholders of Petron for dividends which were declared in 2021.

The increase in total long-term debt, net of debt issue costs, by P274,231 million was primarily due to the: (a) issuance of P90,000 million and P40,000 million fixed rate Peso-denominated bonds by SMC and San Miguel Global Power, respectively; (b) the availment by the Group of various foreign and Peso term loans; and (c) 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 P19,517 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized in 2022 by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,445 million was mainly attributable to the recognition of deferred tax benefit on NOLCO by the Energy business partly offset by the deferred tax liability recognized from the differences in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P6,185 million was mainly due to increase in retention payable for: (a) the Mariveles Power Plant and BESS Projects of the Energy business and (b) the land development works for the MIA Project and the increase in retirement liabilities of SMB and SMC as a result of the higher actuarial loss on defined benefit obligation and remeasurement loss on retirement plan assets, respectively.

The decrease in the balance of capital securities by P3,960 million represents the RPS of SMC issued to ECC in 2020 which was eliminated upon consolidation of ECC in 2022.

The decrease in equity reserves by P1,383 million was mainly due to the remeasurement loss on the retirement plan assets of SMC, SMB and Petron partly offset by the gain on exchange differences on the translation of foreign operations in 2022.

The increase in appropriated retained earnings by P4,374 million was due to the appropriations by: (a) Multi-Ventures Investment Holdings, Inc. for the expansion projects located in Cavite; and (b) SMCSLC for the acquisition of new bulk carriers and vessel. The increase was partly offset by the reversal of appropriation for the final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant in June 2022.

The decrease in unappropriated retained earnings by P28,468 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends declared and distributions and the net appropriations in 2022.

The increase in treasury stock by P12,400 million mainly represents the redemption by SMC of the Subseries "2-H" Preferred Shares.

## III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | | *(In Millions)* | |
| Net cash flows provided by (used in) operating activities | **P83,096** | (P12,393) | P50,138 |
| Net cash flows used in investing activities | **(155,457)** | (201,528) | (127,572) |
| Net cash flows provided by financing activities | **15,303** | 224,298 | 21,096 |

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

Net cash flows provided by (used in) investing activities are as follows:

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | | *(In Millions)* | |
| Additions to: | | | |
| Property, plant and equipment | **(P71,173)** | (P75,986) | (P74,421) |
| Intangible assets | **(64,677)** | (58,162) | (26,007) |
| Advances to contractors and suppliers | **(9,448)** | (11,449) | (16,067) |
| Investment property | **(5,450)** | (4,415) | (6,546) |
| Investments and advances | **(5,271)** | (2,432) | (5,223) |
| Investments in equity and debt instruments | **(616)** | (12,937) | (6,101) |
| Increase in other noncurrent assets and others | **(15,699)** | (6,330) | (7,053) |
| Interest received | **13,396** | 5,973 | 3,313 |
| Proceeds from: | | | |
| Sale of property and equipment and other intangible assets | **1,307** | 253 | 1,350 |
| Redemption and disposal of investments in equity and debt instruments | **606** | 35,454 | 6,509 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | **418** | 385 | - |
| Dividends received | **1,150** | 2,452 | 2,674 |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | **-** | (97,204) | - |
| Collection of advances for investment | **-** | 22,870 | - |

Net cash flows provided by (used in) financing activities are as follows:

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | | *(In Millions)* | |
| Net proceeds from (payments of) short-term borrowings | **(P52,100)** | P74,582 | P49,599 |
| Cash dividends and distributions paid | **(44,145)** | (42,123) | (39,310) |
| Repurchase and redemption of capital securities and preferred shares of subsidiaries | **(27,134)** | (4,703) | (17,459) |
| Payments of lease liabilities | **(20,995)** | (26,031) | (26,151) |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | **(3,014)** | (2,630) | (623) |
| Net proceeds from long-term borrowings | **102,057** | 237,503 | 27,358 |
| Net proceeds from reissuance of treasury shares | **46,749** | **-** | **-** |
| Net proceeds from issuance of capital securities, preferred shares and treasury shares of subsidiaries | **13,885** | **-** | 61,899 |
| Redemption of preferred shares | **-** | (12,300) | (34,217) |

The effect of exchange rate changes on cash and cash equivalents amounted to P202 million, P7,807 million and P9,159 million in 2023, 2022 and 2021, respectively.

## IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 million in 2023, 2022 and 2021, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

## 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 I "Financial Performance" and II "Financial Position" of the MD&A for the discussion of certain Key Performance Indicators.

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| Liquidity: | | |
| Current Ratio | **1.12** | 1.22 |
| Quick Ratio | **0.70** | 0.77 |
| Solvency: | | |
| Debt to Equity Ratio | **2.70** | 2.74 |
| Asset to Equity Ratio | **3.70** | 3.74 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **0.07%** | (4.24%) |
| Interest Rate Coverage Ratio | **1.80** | 1.66 |
| Return on Assets | **1.84%** | 1.20% |
| Operating Efficiency: | | |
| Volume Growth | **6%** | 20% |
| Revenue Growth (Decline) | **(4%)** | 60% |
| Operating Margin | **10%** | 7% |

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

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

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

## VI. OTHER MATTERS

- Commitments

  The outstanding purchase commitments of the Group amounted to P248,484 million as at December 31, 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.

- 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, Financial Performance and Cash Flows.

- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

- 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.

- 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.

- 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, 2023.

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

- 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.

- 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.

**ANNEX "B-1"**

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

(As of March 31, 2024)

SAN MIGUEL CORPORATION

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2024 (with comparative figures as at December 31, 2023 and for the period ended March 31, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2024, 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 have been omitted.

## I. 2024 SIGNIFICANT TRANSACTIONS

### INVESTING ACTIVITIES

- **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

  On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the "Consortium"), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

  On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, and Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan availment and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

  The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are on-going which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in San Miguel Global Power's gas-fired power plants, namely: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

  Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of preparing filings with the relevant regulatory agencies in relation to the joint investment by San Miguel Global Power and CGHI.

## AVAILMENT OF LONG-TERM DEBT

### PESO TERM LOANS

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

  On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) projects, and for payment of transaction costs.

- **Petron Corporation (Petron)**

  On March 6, 2024, Petron availed of a P7,000 million term loan with a term of five years. The loan is subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years. The proceeds of the loan will be used for payment of existing indebtedness.

- **Infrastructure**

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

    On January 15, 2024, SMC MRT 7 availed a total of P1,000 million term loans, subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

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

  On March 4, 2024, SMC NAIAX drew a total of P469 million term loans from the P5,656 million OLSA with various banks executed on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **SMC**

  On various dates in the first quarter of 2024, SMC drew a total of US$69 million term loans from the US$2,165 million loan facility executed on March 31, 2022. The loans are subject to 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.

**PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS BY SMC**

On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by SMC in 2017.

The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the first quarter of 2024, the Group paid a total of P7,108 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

The Infrastructure business, Petron, the Energy, Packaging, Food and Beverage businesses, SMC and Cement business paid a total of P2,877 million, P2,270 million, P1,375 million, P436 million, P85 million, P40 million and P25 million, respectively, of their maturing obligations.

**EVENTS AFTER THE REPORTING DATE**

**a. Approval of the Issuance of P20,000 Million Fixed Rate Peso-denominated Bonds by the Board of Directors (BOD) of SMC**

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000 million, consisting of a Base Offer of P15,000 million and an Oversubscription Option of P5,000 million, out of the remainder of the existing P50,000 million shelf-registered fixed rate bonds with the Securities and Exchange Commission.

**b. Payment of P13,200 Million Series C Fixed Rate Peso-denominated Bonds by Petron**

On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds issued in 2019.

## II. FINANCIAL PERFORMANCE

**2024 vs. 2023**

| | March | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **%** | **2024** | **2023** |
| | | ***(In Millions)*** | | | | |
| Sales | **P392,713** | P346,725 | P45,988 | 13% | **100%** | 100% |
| Cost of Sales | **(328,363)** | (290,182) | 38,181 | 13% | **(84%)** | (84%) |
| Gross Profit | **64,350** | 56,543 | 7,807 | 14% | **16%** | 16% |
| Selling and Administrative Expenses | **(23,886)** | (21,490) | 2,396 | 11% | **(6%)** | (6%) |
| Operating Income | **40,464** | 35,053 | 5,411 | 15% | **10%** | 10% |
| Interest Expense and Other Financing Charges | **(23,522)** | (21,803) | 1,719 | 8% | **(6%)** | (6%) |
| Interest Income | **3,634** | 3,453 | 181 | 5% | **1%** | 1% |
| Equity in Net Earnings of Associates and Joint Ventures | **416** | 652 | (236) | (36%) | **0%** | 0% |
| Gain (Loss) on Sale of Property and Equipment | **13** | (45) | 58 | 129% | **0%** | 0% |
| Other Income (Charges) - Net | **(6,847)** | 10,072 | (16,919) | (168%) | **(2%)** | 3% |
| Income Before Income Tax | **14,158** | 27,382 | (13,224) | (48%) | **3%** | 8% |
| Income Tax Expense | **(5,271)** | (9,643) | (4,372) | (45%) | **(1%)** | (3%) |
| **Net Income** | **P8,887** | P17,739 | (P8,852) | (50%) | **2%** | 5% |
| Net Income Attributable to Equity Holders of the Parent Company | **P509** | P8,832 | (P8,323) | (94%) | **0%** | 2% |
| Net Income Attributable to Non-controlling Interests | **8,378** | 8,907 | (529) | (6%) | **2%** | 3% |
| **Net Income** | **P8,887** | P17,739 | (P8,852) | (50%) | **2%** | 5% |

Consolidated sales of P392,713 million for the first quarter of 2024 increased by 13% compared to last year, mainly on account of higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), and the higher average selling prices of San Miguel Brewery Inc. (SMB) and GSMI.

The Group's cost of sales increased by P38,181 million or 13%, mainly due to: (a) higher volume sold reduced by the lower cost per liter of petroleum products of Petron; and (b) higher LNG and coal consumption resulting from the resumption of operations of the Ilijan Power Plant in June 2023 and commissioning activities of the Mariveles Power Plant starting April 2023 and higher volume of power purchases in 2024 due to the increased demand from bilateral customers and the spot market, partly offset by lower cost of coal due to the decline in NewCastle coal price indices of the Energy business.

The increase in selling and administrative expenses by P2,396 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, distribution costs, and advertising and promotion expenses primarily from the Food and Beverage business and higher real property taxes paid by the Energy business.

Consolidated operating income increased by P5,411 million or 15% from the same period last year, mainly driven by the: (a) growth in volume from effective volume strategy and efficiency measures implemented by Petron; (b) higher sales volume of the Food division and GSMI; (c) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services; (d) strong margins focusing on cost control initiatives implemented by the Cement business; and (e) sustained growth in traffic volumes backed by continued cost management initiatives of the Infrastructure business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and increased average level of loans of Petron and the Energy business.

The increase in interest income was primarily due to higher interest rates and average balance of short-term investments of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC and lower average interest rates on short-term investments of the Energy business.

The decrease in equity in net earnings of associates and joint ventures was mainly due to the share on the lower net income of Angat Hydropower Corporation (Angat Hydro), partly offset by the share in higher net income of Bank of Commerce (BankCom) for the first quarter in 2024 compared to the same period last year.

The gain on sale of property and equipment in 2024 pertains mainly to the sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P6,847 million was a turnaround from last year's other income - net of P10,072 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC and the Energy business resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSMI in 2023. In March 2024, the Philippine Peso depreciated by P0.870 against the US Dollar, while in 2023, the Philippine Peso appreciated by P1.395 against the US Dollar.

The decrease in income tax expense was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in 2024 compared to unrealized foreign exchange gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 50% to P8,887 million, from P17,739 million last year, mainly on account of the loss on foreign exchange in the first quarter of 2024, a turnaround from the gain recognized in 2023 resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents mainly of SMC and the Energy business, partly offset by the improved operations of most businesses mainly Petron, the Energy and Infrastructure businesses, the Food division and GSMI.

The net income attributable to equity holders of the Parent Company decreased mainly due to lower net income on account of the foreign exchange loss as compared to foreign exchange gain in the same period in 2023.

The decrease in the share of non-controlling interests (NCI) on the Group's net income was mainly due to the distribution on Senior Perpetual Capital Securities of Petron in 2023, partly offset by the higher net income of Petron in 2024.

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

## 1) FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) sustained its steady performance in the first quarter of 2024, posting a 2% growth in consolidated revenues from the same period last year at P95,432 million on the back of robust volume growth from GSMI and the Food division.

Consolidated income from operations amounted to P13,119 million, up 13% from last year, while net income reflected a 1% increase to P9,974 million from last year's level.

### a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB reported first quarter of 2024 consolidated sales volume at 58.9 million cases, 6% lower than the comparable period in 2023 due to last year's higher base and trade build-up from price adjustments. As a result, SMB's consolidated sales amounted to P37,367 million, slightly down 3% from the same period in 2023.

Similarly, consolidated operating income and net income ended slightly lower than last year at P8,131 million and P6,514 million, respectively.

**Domestic Operations**
SMB's domestic beer and NAB sales amounted to P33,055 million, down 3% compared to last year due to the aforementioned trade build-up for the March 2023 price adjustment slowing down the sales volume growth of beer by 7% to 51.3 million cases.

**International Operations**
SMB's international sales volume reported a slight decline of 1% in volumes due to market mix changes. However, global San Miguel brands continued to deliver strong volumes, growing 4% in first quarter of 2024.

### b) Spirits Division

GSMI continued its growth momentum in the first quarter of 2024, delivering a robust 17% growth in consolidated revenues to P15,117 million against the comparable period a year ago, primarily brought by the sustained volume growth of 8% to 12.5 million cases compared to the previous year.

GSMI's strong volume growth was secured by the strength of its core brands and its implemented initiatives to sustain strong brand equity, coupled with supply chain improvements developed over the years.

Income from operations, likewise, surged 40% to P2,278 million, on the back of operating efficiencies in imported alcohol purchase, second-hand bottle use and biogas generation at the distillery.

Meanwhile, consolidated net income stood at P1,907 million.

### c) Food Division

The Food division delivered P42,950 million in revenues, 2% higher than the previous year. This was mainly driven by higher volumes across most segments, resulting from aggressive marketing efforts to boost demand.

The Prepared and Packaged Food segment which consists of processed meats, dairy, spreads, and coffee businesses, led topline growth, with a 9% revenue increase, attributed to better selling prices and sustained volume growth.

The Protein segment, which includes the Poultry and Fresh Meats businesses, saw a 2% revenue improvement, fueled by strong chicken volume growth, which offset the impact of lower chicken prices caused by the proliferation of imported frozen chicken, and the lingering effects of African Swine Fever (ASF) on the hog industry.

The Animal Nutrition and Health segment experienced a 3% decline in revenue as it strategically aligned prices with lower raw material costs, maintaining a competitive edge amidst continuing challenges in the hog industry due to ASF.

The Flour segment revenue showed a slight 1% decrease due to strategic competitive pricing aimed at increasing volume.

Operating income recorded a 78% improvement to P2,730 million versus last year, buoyed by higher gross profits as key raw material prices eased and efficiencies from company-owned facilities were optimized.

Similarly, net income surged 139% to P1,771 million versus the relative period in the previous year.

**2) PACKAGING**

The Packaging business recorded consolidated revenues of P8,407 million in the first quarter of 2024. The 18% decline was on account of the record-high volume requirements mainly from the Beer division reported in the comparable period last year.

Consequently, consolidated operating income saw a 13% decrease to P696 million versus last year.

**3) ENERGY**

San Miguel Global Power reported a remarkable 7% rebound in first quarter of 2024 consolidated revenues amounting to P44,123 million from P41,124 million in first quarter of 2023. This was mainly attributable to the 71% increase in offtake volume brought by higher bilateral volumes from SPPC's emergency power supply agreements with Manila Electric Company and new retail supply customers of Limay Power Plant.

Moreover, ancillary services rendered by ten BESS facilities of San Miguel Global Power, with a combined capacity of 330 MW and commencing operations on various dates from August 2023 up to March 2024, contributed to the revenue growth.

In addition, the Energy business has successfully transitioned to fuel passthrough arrangements for most of its bilateral customers.

Net income ended lower at P1,547 million, dragged by the net loss on foreign exchange of P1,436 million, a turnaround from last year's gain of P3,695 million.

Operating income, however, reached P8,840 million a significant 17% increase from last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MW, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024.

The remaining BESS capacities of 630 MW are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of National Grid Corporation of the Philippines as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

On February 26, 2024, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) in favor of Mariveles Power Generation Corporation's (MPGC) Unit 1. Following the receipt of the PAO from the ERC, MPGC declared the commercial operations of its 150 MW Unit 1 with the IEMOP starting March 28, 2024.

**4) FUEL AND OIL**

Petron marked a robust performance for the first three months of the year, posting consolidated revenues of P227,637 million, 21% higher than last year's level primarily driven by its strong volume growth.

Petron's consolidated volumes reached 35.3 million barrels, up 23% versus the previous year backed by the recorded broad-based growth across all its business segments. This was also attributable to the higher production at Petron's refineries in Bataan and Port Dickson in Malaysia.

Consolidated operating income amounted to P10,171 million, up 21% from the same period last year on the back of its efficiency measures and volume strategies, as well as its resilience and response to macroeconomic volatility. Benchmark Dubai crude climbed 9% to US$84.15 per barrel by March this year compared to $77.33 per barrel in December 2023.

Moreover, consolidated net income jumped 16% versus last year to P3,933 million.

**5) INFRASTRUCTURE**

The Infrastructure business sustained its strong performance in the first quarter of 2024, posting consolidated revenues of P8,886 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 3% from last year's level to 1,022,521 vehicles complemented by the continued increase in travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted in a 6% increase in operating income to P4,768 million versus the same quarter last year.

Net income rose by 38% to P3,590 million driven by its higher interest income.

The Land Development Works of the MIA Project are ongoing and progressing well. Overall progress for the land development works is at 79.49% while airport development works is estimated to commence in 2025.

The Railway Component percentage accomplishment for the MRT 7 is at 72.82% while the Detailed Engineering Design and site development for the depot is still ongoing. In addition, 17 out of 36 trainsets were delivered on-site.

## 6) CEMENT

The Cement business which includes Eagle Cement Corporation (ECC), Northern Cement Corporation and Southern Concrete Industries, Inc., recorded consolidated revenues of P9,276 million, down 10% from last year. The Cement business was able to maintain its volume versus last year, however, revenue declined due to market constriction coupled with the influx of cheaper imports resulting in declining prices of local cement.

Operating income, despite a challenging market environment, leaped by 36% versus last year to P1,811 million due to lower cost of inputs on the back of the business' cost containment initiatives and operating efficiencies.

The Cement business nearly doubled its net income to P1,199 million from P631 million in the comparable quarter in 2023 supported by lower net financing charges.

**2023 vs. 2022**

| | March | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| | | ***(In Millions)*** | | | | |
| Sales | **P346,725** | P316,765 | P29,960 | 9% | **100%** | 100% |
| Cost of Sales | **(290,182)** | (264,531) | 25,651 | 10% | **(84%)** | (84%) |
| Gross Profit | **56,543** | 52,234 | 4,309 | 8% | **16%** | 16% |
| Selling and Administrative Expenses | **(21,490)** | (19,767) | 1,723 | 9% | **(6%)** | (6%) |
| Operating Income | **35,053** | 32,467 | 2,586 | 8% | **10%** | 10% |
| Interest Expense and Other Financing Charges | **(21,803)** | (12,365) | 9,438 | 76% | **(6%)** | (4%) |
| Interest Income | **3,453** | 1,037 | 2,416 | 233% | **1%** | 0% |
| Equity in Net Earnings of Associates and Joint Ventures | **652** | 448 | 204 | 46% | **0%** | 0% |
| Gain (Loss) on Sale of Property and Equipment | **(45)** | 2 | (47) | (2350%) | **(0%)** | 0% |
| Other Income (Charges) - Net | **10,072** | (1,465) | 11,537 | 788% | **3%** | (0%) |
| Income Before Income Tax | **27,382** | 20,124 | 7,258 | 36% | **8%** | 6% |
| Income Tax Expense | **(9,643)** | (6,181) | 3,462 | 56% | **(3%)** | (2%) |
| **Net Income** | **P17,739** | P13,943 | P3,796 | 27% | **5%** | 4% |
| Net Income Attributable to Equity Holders of the Parent Company | **P8,832** | P6,336 | P2,496 | 39% | **2%** | 2% |
| Net Income Attributable to Non-controlling Interests | **8,907** | 7,607 | 1,300 | 17% | **3%** | 2% |
| **Net Income** | **P17,739** | P13,943 | P3,796 | 27% | **5%** | 4% |

The Group recorded consolidated sales of P346,725 million for the first quarter of 2023, 9% higher than the same period in 2022 mainly on account of higher sales volume of Petron and SMB and the sales contribution of ECC which was consolidated effective December 2022. This was partly offset by the lower sales from the Energy business.

The Group's cost of sales increased by 10% mainly due to: (a) increase in sales volume partly offset by the lower cost per liter of fuel products of Petron; (b) higher sales volume of SMB; and (c) the cost of sales of ECC for the first quarter in 2023. This was partly offset by the lower overall power purchases of the Energy business relative to the decline in sales volume.

The increase in selling and administrative expenses of 9% is attributable mainly to higher distribution costs and amortization of deferred containers of SMB and the additional operating expenses of ECC.

Consolidated operating income rose 8% to P35,053 million driven by the sustained performance improvements of SMB and the Infrastructure business and the contribution of ECC in 2023. This was however softened by the effect of rising raw material prices which continues to challenge the businesses, particularly the Food division and the Energy business.

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

The increase in interest income was mainly due to higher interest rates and average balance of short-term placements of the Infrastructure business, SMC, SMB and Petron and the higher balance of investment in debt securities of SMB, GSMI, and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of BankCom and Angat Hydro in the first quarter of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net in 2023 mainly represents the net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt. Other charges - net in 2022 mainly represents the net loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In March 2023, the Philippine Peso appreciated by P1.395 against the US Dollar, while in 2022, the Philippine Peso depreciated by P0.741 against the US Dollar.

The higher income tax expense of the Group was primarily due to SMC's turnaround from income tax benefit in 2022 to income tax expense in 2023, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to unrealized loss in the same period in 2022 and the higher unrealized gain on derivatives.

Consolidated net income rose 27% to P17,739 million, from P13,943 million in 2022, mainly on account of the significant gain on foreign exchange recognized in the first quarter of 2023, as a result of the appreciation of the Philippine Peso against the US Dollar in March 2023, compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,496 million mainly due to higher net income on account of the gain on foreign exchange in 2023 as compared to the loss on foreign exchange in the same period in 2022.

The increase in share of NCI on the Group’s net income was mainly due to the higher net income of SMFB.

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

**1) FOOD AND BEVERAGE**

SMFB posted consolidated sales of P93,186 million during the first three months of 2023, 12% higher than the same period in 2022, brought about by the volume growth from the Beer division combined with higher selling prices across the Beer, Spirits and Food divisions.

However, while the Beer division posted strong operating income growth in the first quarter of 2023, the impact of rising cost of raw materials that affected the Food and Spirits divisions resulted in the decline in operating income of SMFB by 9% at P11,581 million.

SMFB’s consolidated net income was up 8% ending at P9,875 million, mainly due to SMB’s strong performance, including the gain recognized by GSMI from the assignment of product rights.

**a) Beer and NAB Division**

SMB's consolidated sales rose 29% to P38,335 million from P29,659 million in 2022, mainly due to volume growth and price adjustments implemented by both the domestic and international operations. Consolidated volumes reached 62.6 million cases, up 26% from 2022.

SMB's operating income grew 25% to P8,438 million from 2022 while consolidated net income reached P6,819 million, up 38% from P4,935 million in 2022.

**Domestic Operations**
SMB's domestic operations delivered beer volumes of 54.9 million cases for the first three months of 2023, 26% higher compared to the same period in 2022. The continued uptrend in volumes were mainly driven by the full return of business operations, on-premise recovery, and resumption of tourism activities complemented by new brand campaigns and offtake generating programs. Along with the impact of the price increase implementation, SMB domestic revenues grew 28% to P33,988 million from the same period in 2022.

NAB's volume sustained its growth momentum surpassing the 2022 level by 73%.

Combined with cost management and efficiency improvements, operating income and net income amounted to P7,309 million and P5,740 million, 17% and 29% growth, respectively.

To support its robust performance and further strengthen value proposition and consumption in key channels, SMB domestic launched new thematic brand campaigns namely: San Miguel Pale Pilsen's "*Samaritan*" advertisement and "*Sarap ng Beermen Predictions*" digital promotions; Red Horse' "*Magneto*" advertisement; and San Mig Light's ongoing "*Yass*" and "*Sweet Street*" thematic campaign. NAB also launched the new Magnolia Fruit Drink Mango in 250ml bottle last April 2023, affordably priced at P10.00 per bottle.

**International Operations**
SMB's international operations posted increase in volumes and sales of 29% and 27%, respectively, in the first three months of 2023. This was primarily driven by the strong performance from Hong Kong, Thailand, and exports.

**b) Spirits Division**

GSMI recorded sales volumes of 11.5 million cases, down by 5% from 2022, reflecting the effect of a temporary volume slowdown in February 2023 due to the price increase implementation on February 1, 2023, this was 15 days earlier compared to the 2022 price increase implementation. Nevertheless, the launching in March 2023 of the nationwide "*Ngiting Instanalo*" consumer promo drove the quick rebound in volumes posting a 10% growth in March 2023 compared to the same period in 2022. GSM Blue volumes, in particular, posted a year-to-date growth of 32% against 2022.

Sales reached P12,945 million, 3% higher from the P12,620 million reported in the same period in 2022. Operating income, however, was down 9% to P1,631 million mainly brought by lower volumes and higher input costs.

Net income amounted to P2,532 million, 81% higher than in 2022 mainly on account of the income from the assignment of product rights recognized in March 2023.

**c) Food Division**

The Food division posted consolidated sales of P41,908 million during the first quarter of 2023, 3% higher than the same period in 2022. The Food division had a rough start as persistent high inflation rates started to impact consumer spending and limited poultry capacity curbed sales of the Poultry business. However, price increases implemented since 2022 across products categories to cope with rising raw material costs helped sustain topline growth.

While commodity prices have generally trended lower during the first quarter of 2023, absolute price levels remained elevated compared to 2022. The price gap between the first quarter of 2023 and the same period in 2022 is also heightened as inventories during the early part of 2022 were priced lower.

The continued escalation of raw material costs and other inputs squeezed operating income to P1,531 million, 63% lower compared to 2022. Consequently, net income ended at P740 million, 76% lower than same period in 2022.

The Food division is committed to recover from this temporary setback, seeing second quarter of 2023 improvements with prices of raw materials starting to stabilize. Better growing efficiencies in poultry is also expected with the recovery of some contract growers and addition of new capacities that will come onstream for the balance of 2023.

Revenues from the Animal Nutrition and Health segment grew by 8%, on account of higher selling prices. Volumes were behind in 2022 as ASF and avian flu persisted, dampening demand for feeds. At least half of the towns within the country remain affected by the ASF which has cut total hog population by almost one-fourth since its onset in 2018. Meanwhile, around 2.2 million birds were lost due to avian flu.

The Protein segment, consisting of Poultry and Meats businesses, posted sales 8% lower than in 2022, which has been affected by the aggressive capacity grabbing by other industry players which constricted volumes. Fresh Meats' lower volumes, on the other hand, reflected the deliberate strategy to downsize the hog operations.

The Prepared and Packaged Food segment's consolidated sales was 14% higher than in 2022. Demand for Tender Juicy Hotdogs and Purefoods Chicken Nuggets held steady despite price increases while sales of butter, margarine, cheese, and coffee registered growth. Purefoods luncheon meat, in particular, has been emerging as a viable alternative for SPAM.

The Flour segment posted a 13% growth in consolidated sales on the back of better selling prices combined with volume growth after regaining market share.

**2) PACKAGING**

The Packaging business' consolidated sales for the first quarter of 2023 grew 27% to P10,195 million compared to the same period in 2022, sustaining its growth momentum since end of 2022. This was mainly driven by strong demand from glass, plastics, flexibles and beverage filling which continue to increase, together with the stable growth from Australia operations.

Operating income amounted to P803 million, 31% higher than same period in 2022.

## 3) ENERGY

San Miguel Global Power's offtake volumes for the first quarter in 2023 ended at 4,657 gigawatt hours, 33% lower than in 2022, mainly due to the absence of natural gas supply to the Ilijan Power Plant.

Consolidated sales amounted to P41,124 million, slightly lower than the P43,036 million registered in 2022. Volume decline was mitigated by the overall higher average tariff rate adjustments for pass-on fuel costs.

With better margins on its available net capacity, operating income reached P7,575 million, up 12% from P6,790 million in 2022.

Net income grew 177% to P5,345 million, which includes the impact of net foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

San Miguel Global Power recently accomplished several key milestones in its two landmark and game changing projects in the local power industry.

The 1,000 MW BESS project was inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

San Miguel Global Power also launched its foray into LNG power generation with the first ever shipment of LNG to the country which happened in the last week of April 2023. The LNG transfer was made to a Floating Storage Unit which eventually berthed on the first ever LNG terminal in the country strategically located between San Miguel Global Power's 1,200 MW Ilijan Power Plant and the new 1,313 MW Batangas Combined Cycled Power Plant. The LNG terminal is expected to provide LNG fuel to the Ilijan Power Plant in May 2023 and reintegrate its valuable baseload capacity to the Grid.

## 4) FUEL AND OIL

Petron sustained its recovery momentum in the first quarter of 2023, delivering significant growth across the business, registering consolidated sales of P188,753 million, 10% higher from P172,331 million in 2022. This was mainly boosted by growth in fuel demand from both Philippine and Malaysian operations registering 28.6 million barrels, up 11% from 25.7 million barrels in 2022.

Consolidated commercial sales grew 13% owing to higher demand from the aviation sector. Retail sales from both the Philippine and Malaysian markets similarly increased by 12% due to increased mobility. Polypropylene sales likewise expanded by 68%.

Despite the price movements of Dubai crude oil, which dipped by 16% to US$80.32 per barrel in the first quarter of 2023 from US$95.56 in 2022, operating income ended at P8,418 million, at par with 2022 while net income amounted to P3,399 million, slightly behind same period in 2022 of P3,598 million by 6%.

## 5) INFRASTRUCTURE

The Infrastructure business sustained its growth momentum since end of 2022 recording combined average daily traffic volumes of 996,805 for the first quarter in 2023, 23% higher compared to the same period in 2022. This was mainly driven by the resumption of onsite work and face to face classes along with the increase in tourism-related travel. Correspondingly, consolidated revenues reached P8,170 million, 31% higher than 2022 level.

Operating income soared by 82% to P4,484 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The construction of MRT 7, South Luzon Expressway - Toll Road 4 (SLEX-TR4) and Skyway Stage 4 are all on track. The awarding of the Independent Contractor contract is in progress for the Pasig River Expressway, Northern Access Link Expressway, Southern Access Link Expressway, and South Luzon Expressway - Toll Road 5 projects. As at March 2023, the overall completion of the Land Development Works for the MIA Project was at 55.33%. The MIA project team continues to work on the Airport Masterplan along with the critical components of the Airport.

## 6) CEMENT

The Cement business registered consolidated sales of P10,340 million for the first quarter of 2023 from P3,222 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P1,333 million from P293 million in 2022.

The current portfolio of the Cement business is expected to further solidify SMC’s strong position in the domestic cement industry, which greatly complements and enhances its nation-building-through-infrastructure development agenda across multiple industries.

## III. FINANCIAL POSITION

**2024 vs. 2023**

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In Millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Cash and cash equivalents | **P270,341** | P261,358 | P8,983 | 3% | **11%** | 11% |
| Trade and other receivables - net | **264,992** | 263,119 | 1,873 | 1% | **10%** | 11% |
| Inventories | **149,937** | 161,986 | (12,049) | (7%) | **6%** | 6% |
| Current portion of biological assets - net | **3,307** | 3,515 | (208) | (6%) | **0%** | 0% |
| Prepaid expenses and other current assets | **148,287** | 141,424 | 6,863 | 5% | **6%** | 6% |
| **Total Current Assets** | **836,864** | 831,402 | 5,462 | 1% | **33%** | 34% |
| Investments and advances - net | **43,321** | 37,089 | 6,232 | 17% | **2%** | 2% |
| Investments in equity and debt instruments | **19,426** | 19,417 | 9 | 0% | **1%** | 1% |
| Property, plant and equipment - net | **773,247** | 753,472 | 19,775 | 3% | **31%** | 31% |
| Right-of-use assets - net | **106,830** | 108,014 | (1,184) | (1%) | **4%** | 4% |
| Investment property - net | **81,436** | 79,513 | 1,923 | 2% | **3%** | 3% |
| Biological assets - net of current portion | **2,512** | 2,667 | (155) | (6%) | **0%** | 0% |
| Goodwill - net | **182,723** | 182,791 | (68) | (0%) | **7%** | 7% |
| Other intangible assets - net | **312,878** | 306,638 | 6,240 | 2% | **13%** | 12% |
| Deferred tax assets | **21,124** | 19,633 | 1,491 | 8% | **1%** | 1% |
| Other noncurrent assets - net | **127,167** | 118,729 | 8,438 | 7% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,670,664** | 1,627,963 | 42,701 | 3% | **67%** | 66% |
| **Total Assets** | **P2,507,528** | P2,459,365 | P48,163 | 2% | **100%** | 100% |
| Loans payable | **P231,538** | P214,881 | P16,657 | 8% | **9%** | 9% |
| Accounts payable and accrued expenses | **236,480** | 223,055 | 13,425 | 6% | **9%** | 9% |
| Lease liabilities - current portion | **15,491** | 19,631 | (4,140) | (21%) | **1%** | 1% |
| Income and other taxes payable | **49,335** | 46,254 | 3,081 | 7% | **2%** | 2% |
| Dividends and distributions payable | **5,607** | 4,605 | 1,002 | 22% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **266,626** | 236,798 | 29,828 | 13% | **11%** | 9% |
| **Total Current Liabilities** | **805,077** | 745,224 | 59,853 | 8% | **32%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **943,186** | 953,786 | (10,600) | (1%) | **38%** | 39% |
| Lease liabilities - net of current portion | **35,515** | 36,941 | (1,426) | (4%) | **1%** | 2% |
| Deferred tax liabilities | **30,219** | 29,503 | 716 | 2% | **1%** | 1% |
| Other noncurrent liabilities | **28,913** | 28,745 | 168 | 1% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,037,833** | 1,048,975 | (11,142) | (1%) | **41%** | 43% |

*Forward*

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In Millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,442** | 177,468 | (26) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **7,036** | 7,354 | (318) | (4%) | **0%** | 0% |
| Retained earnings: | | | | | | |
| Appropriated | **93,128** | 87,170 | 5,958 | 7% | **4%** | 4% |
| Unappropriated | **93,950** | 103,151 | (9,201) | (9%) | **4%** | 4% |
| Treasury stock | **(109,763)** | (109,763) | - | 0% | **(4%)** | (4%) |
| **Equity Attributable to** | | | | | | |
| Equity Holders of | | | | | | |
| the Parent Company | **312,634** | 316,221 | (3,587) | (1%) | **13%** | 13% |
| Non-controlling Interests | **351,984** | 348,945 | 3,039 | 1% | **14%** | 14% |
| **Total Equity** | **664,618** | 665,166 | (548) | (0%) | **27%** | 27% |
| **Total Liabilities and** | | | | | | |
| **Equity** | **P2,507,528** | P2,459,365 | P48,163 | 2% | **100%** | 100% |

Consolidated total assets as at March 31, 2024 amounted to P2,507,528 million, P48,163 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets and other noncurrent assets, offset by the decrease in inventories.

The decrease in inventories by P12,049 million was attributable mainly to: (a) Petron's lower volume of crude oil, partly offset by higher volume of finished products and higher prices of both crude oil and finished products; (b) utilization of spare parts for combustor and turbine inspection conducted during the quarter and decline in LNG stockpile of Ilijan Power Plant; and (c) decline in coal inventory of the Sual, Masinloc, Limay and Malita Power Plants as a result of higher consumption.

The decrease in total biological assets of P363 million was mainly due to lower feed costs and decrease in volume of flocks loaded as compared to December 31, 2023 balances.

The increase in prepaid expenses and other current assets by P6,863 million was primarily due to: (a) higher input taxes of Petron, SMC Shipping and Lighterage Corporation and the Energy business; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron. The increase was partly offset by the application of fixed fee reduction credits by Sual Power Inc.

The increase in investments and advances - net by P6,232 million was mainly due to the: (a) advances for future investment to certain companies by SMC and the Energy business; (b) investment in NNIC by SMHC; and (c) Group's share in the net income of BankCom and Manila North Harbour Port, Inc. (MNHPI) in first quarter of 2024. The increase was partly offset by the dividend received from MNHPI.

The increase in deferred tax assets by P1,491 million was primarily due to the recognition by SMC of deferred tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P8,438 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project; (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses; and (c) transaction costs incurred by SMC for the US$2,000 million term loan facility but not yet drawn as at March 31, 2024.

The increase in loans payable by P16,657 million was mainly due to the net availment made by SMC and the Food division, reduced by the net payment made by Petron.

The increase in accounts payable and accrued expenses by P13,425 million was mainly due to higher payables for capital expenditures of the Energy business and higher outstanding liabilities to the contractors and vendors of Petron, partly offset by the settlements made for fuel supplies, energy fees and power purchases of the Energy business.

The increase in income and other taxes payable by P3,081 million was mainly due to the higher: (a) income tax payable of SMB, GSMI and Petron; and (b) excise duties on the inventory of Petron.

The increase in dividends and distributions payable by P1,002 million was mainly due to the: (a) declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on January 19, 2024, which were paid on April 4, 2024; and (b) declaration by The Purefoods-Hormel Company, Inc. (PF-Hormel) of dividends to common shareholders in March 2024, payable in July and December 2024.

The increase in total long-term debt, net of debt issue costs of P19,228 million was primarily due to the availment of Peso term loans mainly by the Energy business and Petron and foreign currency-denominated term loan by SMC, and translation adjustments for the period. The increase was partly offset by the payment of Series B Bonds by SMC and other maturing obligations of the Group.

The decrease in total lease liabilities by P5,566 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 Independent Power Producer Administration (IPPA) Agreements.

The increase in appropriated retained earnings by P5,958 million was mainly due to the net appropriations made by: (a) SMC SLEX, Inc. (SMC SLEX) for the capital expenditures of SLEX-TR4 Project in 2024 and 2025; and (b) PF-Hormel for the expansion of the Battered, Breaded and Fried capacity, storage and distribution capability and Plant 3 line automation.

The decrease in unappropriated retained earnings by P9,201 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

**2023 vs. 2022**

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In millions)* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Cash and cash equivalents | **P243,616** | P318,214 | (P74,598) | (23%) | **10%** | 13% |
| Trade and other receivables - net | **225,762** | 238,782 | (13,020) | (5%) | **10%** | 10% |
| Inventories | **182,606** | 190,193 | (7,587) | (4%) | **8%** | 8% |
| Current portion of biological assets - net | **3,674** | 3,418 | 256 | 7% | **0%** | 0% |
| Prepaid expenses and other current assets | **130,272** | 133,691 | (3,419) | (3%) | **6%** | 6% |
| **Total Current Assets** | **785,930** | 884,298 | (98,368) | (11%) | **34%** | 37% |
| Investments and advances - net | **34,220** | 32,523 | 1,697 | 5% | **1%** | 1% |
| Investments in equity and debt instruments | **18,944** | 18,921 | 23 | 0% | **1%** | 1% |
| Property, plant and equipment - net | **720,186** | 708,192 | 11,994 | 2% | **31%** | 30% |
| Right-of-use assets - net | **110,873** | 112,067 | (1,194) | (1%) | **5%** | 5% |
| Investment property - net | **74,119** | 74,660 | (541) | (1%) | **3%** | 3% |
| Biological assets - net of current portion | **2,821** | 2,671 | 150 | 6% | **0%** | 0% |
| Goodwill - net | **183,788** | 184,100 | (312) | (0%) | **8%** | 8% |
| Other intangible assets - net | **259,354** | 249,321 | 10,033 | 4% | **11%** | 10% |
| Deferred tax assets | **19,861** | 22,554 | (2,693) | (12%) | **1%** | 1% |
| Other noncurrent assets - net | **106,981** | 102,518 | 4,463 | 4% | **5%** | 4% |
| **Total Noncurrent Assets** | **1,531,147** | 1,507,527 | 23,620 | 2% | **66%** | 63% |
| **Total Assets** | **P2,317,077** | P2,391,825 | (P74,748) | (3%) | **100%** | 100% |
| Loans payable | **P216,482** | P267,704 | (P51,222) | (19%) | **9%** | 11% |
| Accounts payable and accrued expenses | **219,145** | 227,126 | (7,981) | (4%) | **9%** | 9% |
| Lease liabilities - current portion | **21,102** | 21,020 | 82 | 0% | **1%** | 1% |
| Income and other taxes payable | **46,692** | 37,694 | 8,998 | 24% | **2%** | 2% |
| Dividends and distributions payable | **4,247** | 4,037 | 210 | 5% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **106,083** | 170,032 | (63,949) | (38%) | **5%** | 7% |
| **Total Current Liabilities** | **613,751** | 727,613 | (113,862) | (16%) | **26%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **956,030** | 918,164 | 37,866 | 4% | **42%** | 39% |
| Lease liabilities - net of current portion | **48,526** | 54,455 | (5,929) | (11%) | **2%** | 2% |
| Deferred tax liabilities | **27,395** | 26,297 | 1,098 | 4% | **1%** | 1% |
| Other noncurrent liabilities | **25,718** | 26,144 | (426) | (2%) | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,057,669** | 1,025,060 | 32,609 | 3% | **46%** | 43% |

*Forward*

| | March | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(In millions)* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **8%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **11,872** | 12,753 | (881) | (7%) | **1%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **80,427** | 71,004 | 9,423 | 13% | **4%** | 3% |
| Unappropriated | **125,676** | 129,239 | (3,563) | (3%) | **5%** | 6% |
| Treasury stock | **(156,763)** | (156,763) | - | 0% | **(7%)** | (7%) |
| **Equity Attributable to** | | | | | | |
| Equity Holders of | | | | | | |
| the Parent Company | **289,772** | 284,793 | 4,979 | 2% | **13%** | 12% |
| Non-controlling Interests | **355,885** | 354,359 | 1,526 | 0% | **15%** | 15% |
| **Total Equity** | **645,657** | 639,152 | 6,505 | 1% | **28%** | 27% |
| **Total Liabilities and** | | | | | | |
| **Equity** | **P2,317,077** | P2,391,825 | (P74,748) | (3%) | **100%** | 100% |

Consolidated total assets as at March 31, 2023 amounted to P2,317,077 million, P74,748 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents.

The decrease in cash and cash equivalents of P74,598 million was mainly due to the net payment of long-term debt and short-term loans, capital expenditures for the ongoing projects of Petron, the Infrastructure, Energy, Food and Beverage and Cement businesses and payment of interest and dividends and distributions. This was partly offset by cash generated from operations.

The decrease in trade and other receivables - net by P13,020 million was mainly attributable to the: (a) lower trade customer balances of Petron on account of the lower prices of petroleum products; (b) lower receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia; and (c) collection of receivables from peak season sales by the Food division. The decrease was partly offset by the increase in excise tax refund claims of Petron.

The increase in total biological assets by P406 million was due to higher volume of chicken loaded in the farm, higher growing costs due to higher feeds and chick costs and additional hog farms with the increase in production of breeding stocks.

The increase in investments and advances - net by P1,697 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of MNHPI, BankCom and Angat Hydro in 2023.

The decrease in deferred tax assets by P2,693 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of foreign currency-denominated long-term debt and derivatives.

The decrease in loans payable by P51,222 million was mainly due to the net payment made by SMC and Petron.

The increase in income and other taxes payable by P8,998 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022 and higher income tax payable from the improved performance of SMB and GSMI; and (b) higher excise tax liability of Petron Philippines.

The increase in dividends and distributions payable by P210 million was mainly due to the dividend declaration on March 16, 2023 by SMC Skyway Corporation, net of payment to a non-controlling shareholder.

The decrease in total long-term debt, net of debt issue costs by P26,083 million was primarily due to the: (a) payment of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC and other maturing obligations by the Group; and (b) translation adjustments for the period. The decrease was partly offset by the availment of foreign currency-denominated and Peso term loans by the Group.

The decrease in total lease liabilities by P5,847 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by P881 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings was attributable to: (a) appropriation of SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (b) net appropriations of SMC SLEX for capital expenditures in 2023.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In Millions)* | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Net cash flows provided by operating activities | **P47,177** | P45,535 |
| Net cash flows used in investing activities | **(51,646)** | (36,519) |
| Net cash flows provided by (used in) financing activities | **12,668** | (79,338) |

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)* | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Additions to: | | |
| Property, plant and equipment | **(P27,866)** | (P16,113) |
| Intangible assets | **(8,282)** | (11,850) |
| Investments and advances | **(6,216)** | (998) |
| Advances to contractors and suppliers | **(3,778)** | (2,290) |
| Investment property | **(2,490)** | (934) |
| Investments in debt instruments | **(174)** | (130) |
| Increase in other noncurrent assets and others | **(7,150)** | (7,201) |
| Interest received | **3,713** | 2,776 |
| Dividends received | **350** | 14 |
| Proceeds from: | | |
| Disposal of investments in debt instruments | **179** | 125 |
| Sale of property and equipment | **68** | 82 |

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

| *(In Millions)* | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Proceeds from (payment of) short-term loans - net | **P16,748** | (P50,721) |
| Proceeds from (payment of) long-term debt - net | **9,779** | (13,689) |
| Payment of lease liabilities | **(5,923)** | (5,356) |
| Cash dividends and distributions paid to non-controlling shareholders | **(4,843)** | (5,273) |
| Cash dividends and distributions paid | **(3,035)** | (2,892) |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | **(32)** | (265) |
| Share issuance costs from re-issuance of treasury shares | **(26)** | - |
| Repurchase of capital securities of a subsidiary | **-** | (1,142) |

The effect of exchange rate changes on cash and cash equivalents amounted to P784 million and (P4,276) million in March 31, 2024 and 2023, 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.

| | **March 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.04** | 1.12 |
| Quick Ratio | **0.66** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.77** | 2.70 |
| Asset to Equity Ratio | **3.77** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(2.58%)** | 0.07% |
| Interest Rate Coverage Ratio | **1.60** | 1.80 |
| Return on Assets | **1.44%** | 1.84% |

| | **Period Ended March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Operating Efficiency: | | |
| Volume Growth | **21%** | 7% |
| Revenue Growth | **13%** | 9% |
| Operating Margin | **10%** | 10% |

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 P248,851 million as at March 31, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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, 2023.

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.

**ANNEX "B-2"**

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

(As of June 30, 2024)

SAN MIGUEL CORPORATION

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended June 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended June 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at June 30, 2024, and for all 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 have been omitted.

## I. 2024 SIGNIFICANT TRANSACTIONS

### INVESTING ACTIVITIES

- **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

  On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the "Consortium"), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

  On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan availment and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

  The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are ongoing which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in entities through which San Miguel Global Power owns and/or operates the following: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) the land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI.

  Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of securing the necessary clearance from the Philippine Competition Commission in relation to the joint investment by San Miguel Global Power and CGHI.

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

  On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) Projects, and for payment of transaction costs.

- **Infrastructure**

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

    On January 15 and April 15, 2024, SMC MRT 7 drew a total of P12,500 million term loans from the P100,000 million OLSA executed with various local banks on May 18, 2023. The loans are subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

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

    On March 4 and June 18, 2024, SMC NAIAX drew a total of P761 million term loans from the P5,656 million OLSA executed with various banks on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **SMC**

  a. On various dates in the first semester of 2024, SMC drew a total of US$233 million term loans from the US$2,165 million loan facility executed on March 31, 2022. The loans are 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.

  b. On May 17, 2024, SMC availed of a US$150 million term loan, subject to a fixed interest rate and with a term of five years. The proceeds of the loan were used for general corporate purposes.

**PAYMENT OF LONG-TERM DEBT**

**FIXED RATE PESO-DENOMINATED BONDS**

- **SMC**

  On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued in 2017.

  The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

- **PETRON CORPORATION (PETRON)**

  On April 19, 2024, Petron paid its Series C fixed rate Peso-denominated Bonds amounting to P13,200 million. The Series C Bonds which formed part of the P20,000 million retail bonds were issued in October 2018.

  The payment was funded by the: (a) P7,000 million term loan availed on March 6, 2024 subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years; (b) P5,000 million term loan availed on April 18, 2024, subject to a floating interest rate and with a term of five years; and (c) cash generated from operations.

- **SAN MIGUEL GLOBAL POWER**

  On April 24, 2024, San Miguel Global Power paid the P9,232 million Series I fixed rate Peso-denominated Bonds, from the proceeds of short-term loan facilities and from cash generated from operations.

  The Series I Bonds which formed part of the P30,000 million Series H, Series I and Series J fixed rate Peso-denominated Bonds were issued in April 2019.

**PESO TERM LOAN**

- **SAN MIGUEL GLOBAL POWER**

  On April 26, 2024, San Miguel Global Power fully paid the P14,100 million balance of its P15,000 million fixed rate seven-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

  The payment was funded by the proceeds of short-term loan facilities and from cash generated from operations.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the first semester of 2024, the Group paid a total of P17,462 million of its scheduled amortizations and maturing obligations funded by the proceeds of short-term loan facilities and cash generated from operations.

The Infrastructure business, Petron, the Energy, Food and Beverage, Packaging and Cement businesses and SMC paid a total of P5,752 million, P3,994 million, P3,674 million, P2,710 million, P875 million, P325 million and P132 million, respectively, of their maturing obligations.

**ISSUANCE AND REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

On April 19, 2024, San Miguel Global Power issued US$800 million Redeemable Perpetual Securities at an issue price of 100%, with a prescribed initial distribution rate per annum, payable pursuant to the terms of the agreement.

The net proceeds were used in part for the redemption of the US$783 million Senior Perpetual Capital Securities (SPCS) on April 25, 2024, pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$783 million SPCS is the remaining securities out of the US$800 million SPCS issued in April and July 2019.

The difference between the price paid and the net carrying amount of the SPCS repurchased amounting to P4,854 million was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at June 30, 2024.

**EVENT AFTER THE REPORTING DATE**

**Issuance of Series O and P Fixed Rate Peso-denominated Bonds by the Parent Company**

On July 3, 2024, the Parent Company issued and listed with the Philippine Dealing & Exchange Corp. the Series O and P fixed rate Peso-denominated Bonds amounting to P20,000 million, out of the remainder of the existing P50,000 million bonds shelf-registered with the Securities and Exchange Commission.

The net proceeds were used to partially pay P11,240 million out of the P30,000 million Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by some of the holders of the Series I Bonds. Further, the remaining balance of the Series I fixed rate Peso-denominated Bonds were repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until its maturity on July 8, 2027.

## II. FINANCIAL PERFORMANCE

**2024 vs. 2023**

| | June | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **%** | **2024** | **2023** |
| | | ***(In Millions)*** | | | | |
| Sales | **P789,021** | P685,229 | P103,792 | 15% | **100%** | 100% |
| Cost of sales | **(655,195)** | (571,215) | 83,980 | 15% | **(83%)** | (83%) |
| Gross profit | **133,826** | 114,014 | 19,812 | 17% | **17%** | 17% |
| Selling and administrative expenses | **(48,737)** | (44,093) | 4,644 | 11% | **(6%)** | (7%) |
| Operating income | **85,089** | 69,921 | 15,168 | 22% | **11%** | 10% |
| Interest expense and other financing charges | **(47,645)** | (44,847) | 2,798 | 6% | **(6%)** | (6%) |
| Interest income | **7,324** | 6,531 | 793 | 12% | **1%** | 1% |
| Equity in net earnings of associates and joint ventures | **1,237** | 1,098 | 139 | 13% | **0%** | 0% |
| Gain (loss) on sale of investments and property and equipment | **58** | (40) | 98 | 245% | **0%** | (0%) |
| Other income (charges) - net | **(24,387)** | 6,220 | (30,607) | (492%) | **(3%)** | 1% |
| Income before income tax | **21,676** | 38,883 | (17,207) | (44%) | **3%** | 6% |
| Income tax expense | **(8,098)** | (15,558) | (7,460) | (48%) | **(1%)** | (3%) |
| **Net Income** | **P13,578** | P23,325 | (P9,747) | (42%) | **2%** | 3% |
| Net income (loss) attributable to: | | | | | | |
| Equity holders of the Parent Company | **(P8,703)** | P757 | (P9,460) | (1250%) | **(1%)** | 0% |
| Non-controlling interests | **22,281** | 22,568 | (287) | (1%) | **3%** | 3% |
| **Net Income** | **P13,578** | P23,325 | (P9,747) | (42%) | **2%** | 3% |

The Group's consolidated sales of P789,021 million for the first semester of 2024 increased by 15% compared to last year, mainly on account of the higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), combined with the higher average selling price of Petron, GSMI and San Miguel Brewery Inc. (SMB).

The Group's cost of sales increased by P83,980 million or 15%, mainly due to: (a) higher volume sold and increase in average cost per liter of petroleum products of Petron; (b) the resumption of Ilijan Power Plant's operations from June 2023 onwards; (c) costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning; and (d) incremental depreciation expense from the ten BESS facilities that are now in full commercial operations. This was partially mitigated by lower fuel costs incurred by the coal-fired power plants as global coal prices went down in the first semester of 2024 compared to the same period in 2023, in terms of Globalcoal Newcastle indexed prices.

The increase in selling and administrative expenses by P4,644 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, and higher distribution costs, amortization of deferred containers in line with sales volume growth and expenses related to newly-built warehousing facilities of the Food and Beverage business.

Consolidated operating income increased by 22% to P85,089 million from last year, mainly driven by the: (a) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services, (b) growth in volume from effective marketing programs implemented by Petron, and (c) higher sales volume of the Food division and GSMI.

The increase in interest expense and other financing charges by P2,798 million was mainly due to higher interest rates and increased average level of long-term debt of the Energy business and Petron and short-term loans of Petron.

The increase in interest income by P793 million was primarily due to both higher interest rates and average balance of short-term placements of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC.

The increase in equity in net earnings of associates and joint ventures by P139 million was mainly due to the share on the higher net income of Angat Hydropower Corporation for the first semester in 2024 compared to the same period last year.

The gain on sale of investments and property and equipment in 2024 pertains mainly to the sale by San Miguel Properties, Inc. of its investment in shares of stock of Elite Montagne Realty Corp., sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P24,387 million was a turnaround from last year's other income - net of P6,220 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC, the Energy business and Petron resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSMI in 2023. In June 2024, the Philippine Peso significantly depreciated by P3.240 against the United States (US) Dollar, while in 2023, the Philippine Peso appreciated by P0.555 against the US Dollar.

The decrease in income tax expense by P7,460 million was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in June 2024 compared to unrealized foreign exchange gains in June 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 42% to P13,578 million, from P23,325 million last year, mainly on account of the loss on foreign exchange in the first semester of 2024, a turnaround from the gain recognized in 2023, partly offset by the improved operations of most businesses mainly the Food division, Petron, GSMI, the Energy, Cement and Infrastructure businesses.

The net loss attributable to equity holders of the Parent Company in 2024 was a turnaround from the net income attributable to equity holders of the Parent Company in 2023 mainly on account of the loss on foreign exchange in the first semester of 2024 as compared to the gain recognized in the same period in 2023 by 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) continued to deliver strong results in the first semester of 2024, driven by the consistent growth across its businesses. SMFB consolidated sales increased by 4% to P192,882 million compared to the same period last year.

Consolidated income from operations grew by 16% to P26,641 million, primarily driven by higher sales volumes of the Food division and GSMI. Net income rose 6% to P19,977 million.

### a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB posted consolidated sales of P75,073 million, up 1% from the same period last year. The increase was primarily due to the full impact of the price increase implemented in March 2023.

Consolidated operating income declined by 3% to P15,887 million. Similarly, net income recorded a decline of 7% to P12,563 million.

**Domestic Operations**
Sales from domestic operations amounted to P66,992 million, 1% higher than in the same period in 2023, mainly due to the price increase.

**International Operations**
Revenue from international operations was slightly lower than in the same period in 2023 due to a 1% drop in volumes.

### b) Spirits Division

GSMI sustained its growth momentum into the first semester of 2024, with revenues recording an 18% growth to P29,992 million. The strong performance was driven by double-digit volume growth, increased selling prices, reduced costs of imported alcohol, and improved biogas generation in distilleries.

Operating income grew by 31% to P4,411 million on the back of strong topline growth. Meanwhile, net income declined by 10% to P3,676 million due to the one-time gain from the assignment of product rights in 2023. Excluding this, net income would have been higher by 26%.

### c) Food Division

The Food division delivered a strong performance in the first half of the year. While sales grew modestly, profit growth soared as raw material prices eased considerably. Consolidated revenue increased by 3% to P87,819 million with most segments registering an uptrend in volumes.

The Food division ended the first half with operating income at P6,384 million, nearly double that of last year. Higher gross profit margins combined with optimized production efficiencies offset rising operating expenses which included mandated wage hikes and marketing expenses to spur volumes. This translated to a net income of P4,174 million, two and a half times higher than the same period last year.

The Prepared and Packaged Food segment, comprised of processed meats, dairy and coffee, continued to outperform prior year with an 11% rise in revenue despite the inflationary environment. A wide range of consumer promotions and in-store activities boosted sales across all channels, while new facilities generated improved efficiencies, resulting in a double-digit growth in operating income.

The Protein segment experienced a turnaround as poultry prices recovered and increased growing capacity supported strong demand from both foodservice and retail markets. This led to a 6% revenue growth for the segment.

The Animal Nutrition and Health segment saw a 6% decline in revenue. With lower raw material prices, the business opted for price rollbacks to stimulate demand which remained sluggish amid continued challenges in broiler and hog feeds.

The Flour segment recorded revenue at par with last year. Volumes expanded in response to price reductions implemented to maintain market share in an intensely competitive market.

## 2. PACKAGING

The Packaging business recorded consolidated revenues of P17,974 million, down 4% against the comparable period last year.

Consolidated operating income, however, recorded a 14% increase to P1,362 million on account of better production efficiencies, coupled with the cost measures implemented.

## 3. ENERGY

San Miguel Global Power consolidated revenues for the first semester of 2024 amounted to P98,944 million, higher by 17% from P84,770 million recognized in the same period last year. The increase was mainly driven by higher offtake volume from the following sources: (i) several power supply agreements (PSA) from Manila Electric Company (Meralco) and other distribution utilities secured by the Group that allowed the contracting of its available capacities mainly from the 1,200 MW Ilijan Power Plant of SPPC and the incremental generation from the 600 MW Mariveles Greenfield Power Plant, with most of its units currently undergoing testing and commissioning; and (ii) ancillary services rendered for National Grid Corporation of the Philippines (NGCP) using a total of ten BESS facilities of SMGP BESS, with a combined installed capacity of 330 megawatt hours (MWh) during the period.

Consolidated income from operations of P22,988 million for the first semester of 2024 was up by 56% from the same period last year owing to improved margins as the Energy business worked out a successful transition to fuel passthrough arrangements for most of its bilateral customers including the 1,200 MW PSA of SPPC with Meralco that was in effect for most part of the first semester of 2024, as well as the additional margins contributed by BESS through ancillary services.

Net income for the first semester of 2024 increased to P7,438 million or by 26%, from P5,909 million reported for the same period last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MWh, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024. The remaining BESS capacities of 630 MWh are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of NGCP as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

For the first semester of 2024, all four units of the 600 MW Mariveles Greenfield Power Plant of Mariveles Power Generation Corporation were undergoing testing and commissioning with one unit declared operational with the IEMOP starting March 28, 2024.

## 4. FUEL AND OIL

Petron delivered a 21% growth in consolidated revenues for the first half of 2024 to P444,490 million from last year's P367,037 million, sustaining its positive momentum this 2024.

Petron continued to register strong volumes in the Philippines and Malaysia which reached 69.1 million barrels in the first six months, up 20% from the 57.6 million barrels sold in the same period last year. The solid outcome is fueled by the sustained performance of key segments, particularly retail and exports.

Petron's sales volumes in the Philippines rose 27% to 44.4 million barrels, while volumes from its Malaysian operations grew by 9% to 24.7 million barrels.

Petron's retail segment, which posted a 10% increase, remained a key driver of the stellar volume performance through effective marketing programs in the combined service station network of about 2,600 outlets in the Philippines and Malaysia. Sales to industrial accounts likewise jumped 9% mainly on higher jet fuel and liquefied petroleum gas (LPG) demand.

Global oil prices remained volatile because of the ongoing tensions in the Middle East. The price per barrel of Dubai crude oil averaged US$83 in the first six months, 5% higher than in the same period in 2023 as producers continued to manage supply.

With Petron's solid volume growth, overall margins improved despite the softening of refining cracks, falling by 17% from last year's level. Consolidated operating income rose by 8% to P17,313 million. Net income ended at P6,023 million, slightly lower than last year.

## 5. INFRASTRUCTURE

The Infrastructure business sustained its strong performance in the first semester of 2024, posting consolidated revenues of P18,075 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 4% from last year's level to 1,034,081 vehicles complemented by the continued increase in economic and travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted to an 8% increase in operating income to P9,650 million versus the same period last year. Net income increased by 40% to P7,721 million due to sustained growth in traffic volumes backed by continued cost management initiatives.

The land development and ground improvement works of the MIA Project are progressing well with overall progress at 84.61%. Per approved DOTr timeline, Airport Development will be completed by the end of 2028.

Currently, a study is ongoing on the realignment of the highway component of the MRT 7 Project. This component includes the new locations of the final two stations, which are currently pending for approval. In the second quarter of 2024, five additional trainsets were delivered, bringing the total trainsets delivered on-site to 22 out of the 36 trainsets ordered.

## 6. CEMENT

The Cement business consolidated revenues in 2024 declined slightly by 6% to P18,962 million compared to the same period last year. Considering a 5% volume growth versus last year, the business experienced a revenue drop due to an influx of cheaper imported traded cement, leading to a decline in local cement prices. Despite the lower selling prices, the business managed to grow its operating income by 31% to P3,952 million compared to the same period last year on the back of cost reductions and operating efficiencies.

**2023 vs. 2022**

| | June | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| | | ***(In Millions)*** | | | | |
| Sales | **P685,229** | P711,416 | (P26,187) | (4%) | **100%** | 100% |
| Cost of sales | **(571,215)** | (606,558) | (35,343) | (6%) | **(83%)** | (85%) |
| Gross profit | **114,014** | 104,858 | 9,156 | 9% | **17%** | 15% |
| Selling and administrative expenses | **(44,093)** | (38,131) | 5,962 | 16% | **(7%)** | (5%) |
| Operating income | **69,921** | 66,727 | 3,194 | 5% | **10%** | 10% |
| Interest expense and other financing charges | **(44,847)** | (25,633) | 19,214 | 75% | **(6%)** | (4%) |
| Interest income | **6,531** | 2,313 | 4,218 | 182% | **1%** | 0% |
| Equity in net earnings of associates and joint ventures | **1,098** | 725 | 373 | 51% | **0%** | 0% |
| Gain (loss) on sale of property and equipment | **(40)** | 2 | (42) | (2100%) | **(0%)** | 0% |
| Other income (charges) - net | **6,220** | (13,255) | 19,475 | 147% | **1%** | (2%) |
| Income before income tax | **38,883** | 30,879 | 8,004 | 26% | **6%** | 4% |
| Income tax expense | **(15,558)** | (11,074) | 4,484 | 40% | **(3%)** | (1%) |
| **Net Income** | **P23,325** | P19,805 | P3,520 | 18% | **3%** | 3% |
| Net income (loss) attributable to: | | | | | | |
| Equity holders of the Parent Company | **P757** | (P1,341) | P2,098 | 156% | **0%** | (0%) |
| Non-controlling interests | **22,568** | 21,146 | 1,422 | 7% | **3%** | 3% |
| **Net Income** | **P23,325** | P19,805 | P3,520 | 18% | **3%** | 3% |

The Group's consolidated sales for the first semester of 2023 ended 4% lower at P685,229 million from the same period in 2022 mainly on account of lower revenues from Petron due to declining crude oil prices and lower volumes from San Miguel Global Power, offsetting the higher revenues from the other businesses and the contribution from Eagle Cement Corporation (ECC) which was consolidated on December 14, 2022.

The Group's cost of sales decreased by P35,343 million or 6% mainly due to: (a) lower cost per liter of petroleum products, partly offset by the higher volumes of Petron; and (b) lower overall power purchases of the Energy business relative to the decline in sales volume. 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 production, partly offset by the lower volumes of the Food division; and (b) the cost of sales of ECC for the first semester in 2023.

The increase in selling and administrative expenses by P5,962 million or 16% is attributable mainly to higher salaries and employee benefits of the Group, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income for the first half of 2023 sustained its growth which reached P69,921 million, up by 5% from the comparative period in 2022. Sustained performance improvements of SMB and GSMI, the Infrastructure and Packaging businesses and the addition of ECC, mitigated the impact of rising raw material costs which continue to affect some of the businesses.

The increase in interest expense and other financing charges by P19,214 million or 75% was mainly due to both higher interest rates and average loan balance primarily of SMC and Petron.

The increase in interest income by P4,218 million was mainly due to higher interest rates and average balance of short-term placements of SMC, the Infrastructure and Food and Beverage businesses, as well as the higher balance of investment in debt securities of SMB, GSMI and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures by P373 million or 51% was mainly due to the share on the higher net income of Bank of Commerce (BankCom) in the first semester of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net of P6,220 million in 2023 mainly represents the: (a) net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents, partly offset by the realized loss from settlements of foreign currency-denominated long-term debt; and (b) income recognized by GSMI from the assignment of product rights. Other charges - net of P13,255 million in 2022 mainly represents the loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In June 2023, the Philippine Peso appreciated by P0.555 against the US Dollar, while in 2022, the Philippine Peso significantly depreciated by P3.976 against the US Dollar.

The higher amount of income tax expense by P4,484 million or 40% was primarily due to the recognition by SMC of income tax expense in 2023 a turn-around from income tax benefit in 2022, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to a loss in the same period in 2022.

Consolidated net income rose 18% to P23,325 million, from P19,805 million in 2022 on account of operating income growth and the gain on foreign exchange as compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,098 million mainly on account of the gain on foreign exchange in 2023 as compared to loss on foreign exchange in the same period in 2022.

The increase in the net income attributable to non-controlling interests was mainly due to the higher net income of SMB.

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

## 1. FOOD AND BEVERAGE

SMFB posted consolidated sales of P184,587 million during the first six months in 2023, 7% higher than the same period in 2022, primarily brought about by higher selling prices across its Beer and NAB, Spirits and Food divisions combined with continuous volume growth from the Beer and NAB and Spirits divisions.

Consolidated operating income however, ended lower by 13% at P22,987 million mainly due to the impact of rising cost of raw materials that continues to affect the Food division.

With SMB and GSMI's sustained performance, SMFB's consolidated net income ended at par with 2022 at P18,809 million.

### a) Beer and NAB Division

SMB continued its strong performance with consolidated sales and volumes reaching P74,119 million and 121.4 million cases for the first semester of 2023, up by 14% and 10% than the same period of 2022, respectively.

SMB's operating income grew by 12% to P16,429 million attributable to higher volume and selling prices in both domestic and international operations despite the effect of excise tax increase effective January 1, 2023. Consolidated net income ended at P13,469 million, up 26% from P10,656 million in 2022.

**Domestic Operations**
SMB's domestic operations delivered 9% growth in beer volumes for the first half of 2023 compared to the same period in 2022. SMB's domestic sales reached P66,035 million, up 13% from 2022. Operating income and net income amounted to P14,545 million and P11,710 million, higher by 7% and 20%, respectively.

The continued volume growth was driven by the relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives as well as intensified offtake generation and defense programs, coupled with the favorable external business environment. SMB's brand affinity was further strengthened by the new brand campaigns and volume-generating programs namely: San Miguel Pale Pilsen's new *"Wanted"* thematic campaign with *"Batang San Miguel"* tagline and *"Pacquiao Blow-by-Blow"* television sponsorships; Red Horse' *"Levitating"* Core and *"Magneto"* Entry Point Drinkers advertisements; and San Mig Light's ongoing *"Yass"* thematic campaign, the new *"Speakeasy"* podcast episode and *"2023 SML Limited Edition Can"*. To further boost its strength, SMB continues to focus on expanding its distribution, marketing and promotional activities and improve its cost-competitiveness and operational efficiencies.

**International Operations**
SMB's international operations also continued to perform well, delivering 16% higher volumes at 14.3 million cases as a result of robust and growing consumption in Thailand, South China and Exports markets. Correspondingly, operating income grew by 66% as higher volumes was supported by better margin and lower costs.

**b) Spirits Division**

GSMI continues to deliver solid performance in the first semester of 2023. Sales grew 10% to P25,406 million brought mainly by the gains from higher selling prices and the quick rebound in volumes, recovering the 5% decline in the first quarter. Combined with the support of relevant thematic campaigns, nationwide consumer promo which recorded the highest number of redemptions, and resumption of on-ground activations, consolidated volumes, reached 22.2 million cases, up 1% from 2022.

Operating income amounted to P3,376 million, 3% higher than in 2022 level while net income reached P4,077 million, 64% higher than in 2022, which include the one-time income from the assignment of product rights recognized in 2023.

**c) Food Division**

The Food division's consolidated sales for the first half of 2023 amounted to P85,065 million, slightly ahead of 2022, mainly driven by higher selling prices implemented since the second half of 2022. Volumes were however down due to the effect of high inflation which dampened consumer purchasing power, resurgence of the African Swine Fever (ASF) and poultry capacity supply constraints.

The sustained rise of raw material prices throughout the first half of 2023 outpaced growth of revenue, squeezing income from operations, ending lower by 63% to P3,216 million.

Consequently, net income amounted to P1,691 million.

The expected easing of raw material prices, coupled with a stronger Peso, as well as the stabilization of poultry capacity, will improve prospects for the second half of 2023.

Revenues from the Animal Nutrition and Health segment grew by 9% mainly on account of higher selling prices. Volumes remained adversely affected by the sluggish performance of the poultry and hog sectors due to the continuing challenge of Avian Flu and ASF. While cases of Avian Flu have been subsiding, the ASF is reported to be spreading in the Visayas and has resurged in some areas of Luzon and Mindanao, discouraging hog farmers from repopulating their farms.

The Protein segment, consisting of Poultry and Meats businesses, posted a 9% decline in revenues. While poultry capacity has improved, a surge in frozen chicken imports caused chicken prices to fall during the second quarter in 2023, offsetting volume gains. Fresh Meats revenues were expectedly lower on account of the deliberate decision to downsize hog operations at a minimum to manage the impact of ASF.

The Prepared and Packaged Food segment delivered consolidated revenues 8% higher than in 2022 brought by higher selling prices. Despite the difficult market environment, growth was noted in a number of canned meat, bread spread and coffee categories, which sustained double-digit growth in volumes.

The Flour segment sustained its strong growth momentum recording a 14% growth in revenue from 2022 on the back of better volumes and favorable selling prices combined with the easing cost of wheat.

## 2. PACKAGING

The Packaging business recorded consolidated revenues of P18,730 million for the first six months of 2023, 16% higher than the same period in 2022, brought about by the higher sales delivered from the glass, plastics and beverage filling businesses together with the stable growth from Australia operations.

Operating income amounted to P1,200 million, 25% higher than in 2022.

## 3. ENERGY

San Miguel Global Power's offtake volumes for the first semester of 2023 ended at 10,685 gigawatt hours, 25% lower than in 2022, mainly due to lower bilateral sales volumes of the Ilijan Power Plant following the Temporary Restraining Order issued on December 7, 2022 on its obligation to supply the 670 MW contract capacity to Meralco and which was eventually allowed to be terminated by the Court of Appeals. The decline was countered by the emergency power supply agreements with Meralco which took effect on March 26, 2023.

Consolidated sales ended at P84,770 million, down 17% from P102,581 million in 2022. Higher average realization prices partly mitigated the lower offtake volumes brought by the increase in pass-on fuel rates coupled with higher average spot prices.

With better margins on its available net capacity, operating income increased by 8% from 2022, reaching P14,751 million.

Consequently, net income grew 414% to P5,909 million, resulting from better margins and foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

The BESS Project has successfully secured ancillary services contracts with the NGCP that will render power quality solutions for the grid. The remaining pipeline of battery projects are gearing up to meet incoming requirements for the grid's ancillary services and provide instant peak supply to help ensure energy security in the coming years.

## 4. FUEL AND OIL

Petron reinforced its strong volumes for the first half of 2023, redelivering consolidated sales volumes of 57.6 million barrels, 12% higher than the 51.4 million barrels in 2022, mainly brought about by the country's strong demand recovery. In particular, volumes from Philippine operations jumped 16% to 34.9 million barrels. Combined Philippines and Malaysia volumes from commercial and retail businesses recorded a 13% and 8% year-on-year increase, respectively.

Despite the strong increase in sales volume, Petron continues to be affected by the volatile global oil prices. The price correction in the oil market which began in the second semester of 2022 following the record high price surge in the second quarter of 2022 brought upon by the Russia-Ukraine war, resulted to lower average selling prices of Petron's petroleum products. Benchmark Dubai crude oil hovered around the US$80 per barrel mark during the first semester of 2023, declining by 22% from the same period in 2022. As a result, consolidated revenues declined by 8% to P367,037 million from P398,517 million in 2022.

Despite the softening of refining margins, Petron sustained its consolidated operating income at P16,011 million for the first semester of 2023, at par with the same period in 2022, lifted by the encouraging volume growth and continued operational and marketing efforts.

Net income settled at P6,142 million, down 20% from P7,706 million in 2022, the effect of rising financing costs brought by the successive hikes in interest rates.

## 5. INFRASTRUCTURE

The Infrastructure business delivered consolidated revenues of P16,572 million, 23% higher than in 2022, sustaining its growth momentum from the operating toll roads. Combined average daily traffic volumes recorded for the first semester of 2023 reached 998,303 vehicles, up 13% from 2022.

Operating income grew 49% to P8,960 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The railway component of MRT 7 is about 65% completed, while the Detailed Engineering Design and site development are still ongoing. The South Luzon Expressway (SLEX) - Toll Road 4 and Skyway Stage 4 Projects are all on track. The awarding of the Independent Consultant contract is in progress for the Pasig River Expressway, Southern Access Link Expressway and SLEX - Toll Road 5 Projects. The Toll Regulatory Board has approved the Independent Consultant for the Northern Access Link Expressway. As at June 2023, the overall completion of the Land Development Works for the MIA Project was about 69%, with site clearance at almost 99% complete.

## 6. CEMENT

The Cement business registered consolidated sales of P20,164 million, tripling from P6,908 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P3,023 million from P398 million in 2022.

In June 2023, Northern Cement Corporation started the commercial operations of its third integrated line with a capacity of 50 million bags per annum.

Southern Concrete Industries, Inc. has declared its full commercial operations on May 31, 2023, establishing its presence in Mindanao.

## III. FINANCIAL POSITION

**2024 vs. 2023**

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Cash and cash equivalents | **P253,890** | P261,358 | (P7,468) | (3%) | **10%** | 11% |
| Trade and other receivables - net | **263,809** | 263,119 | 690 | 0% | **10%** | 11% |
| Inventories | **175,618** | 161,986 | 13,632 | 8% | **7%** | 6% |
| Current portion of biological assets - net | **3,331** | 3,515 | (184) | (5%) | **0%** | 0% |
| Prepaid expenses and other current assets | **152,059** | 141,424 | 10,635 | 8% | **6%** | 6% |
| **Total Current Assets** | **848,707** | 831,402 | 17,305 | 2% | **33%** | 34% |
| Investments and advances - net | **44,436** | 37,089 | 7,347 | 20% | **2%** | 2% |
| Investments in equity and debt instruments | **19,622** | 19,417 | 205 | 1% | **1%** | 1% |
| Property, plant and equipment - net | **787,574** | 753,472 | 34,102 | 5% | **31%** | 31% |
| Right-of-use assets - net | **105,795** | 108,014 | (2,219) | (2%) | **4%** | 4% |
| Investment property - net | **82,636** | 79,513 | 3,123 | 4% | **3%** | 3% |
| Biological assets - net of current portion | **2,518** | 2,667 | (149) | (6%) | **0%** | 0% |
| Goodwill - net | **183,250** | 182,791 | 459 | 0% | **7%** | 7% |
| Other intangible assets - net | **325,909** | 306,638 | 19,271 | 6% | **13%** | 12% |
| Deferred tax assets | **25,635** | 19,633 | 6,002 | 31% | **1%** | 1% |
| Other noncurrent assets - net | **129,362** | 118,729 | 10,633 | 9% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,706,737** | 1,627,963 | 78,774 | 5% | **67%** | 66% |
| **Total Assets** | **P2,555,444** | P2,459,365 | P96,079 | 4% | **100%** | 100% |
| Loans payable | **P262,279** | P214,881 | P47,398 | 22% | **10%** | 9% |
| Accounts payable and accrued expenses | **254,654** | 223,055 | 31,599 | 14% | **10%** | 9% |
| Lease liabilities - current portion | **11,498** | 19,631 | (8,133) | (41%) | **0%** | 1% |
| Income and other taxes payable | **46,396** | 46,254 | 142 | 0% | **2%** | 2% |
| Dividends and distributions payable | **5,444** | 4,605 | 839 | 18% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **271,382** | 236,798 | 34,584 | 15% | **11%** | 9% |
| **Total Current Liabilities** | **851,653** | 745,224 | 106,429 | 14% | **33%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **951,032** | 953,786 | (2,754) | (0%) | **37%** | 39% |
| Lease liabilities - net of current portion | **35,190** | 36,941 | (1,751) | (5%) | **2%** | 2% |
| Deferred tax liabilities | **31,531** | 29,503 | 2,028 | 7% | **1%** | 1% |
| Other noncurrent liabilities | **30,759** | 28,745 | 2,014 | 7% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,048,512** | 1,048,975 | (463) | (0%) | **41%** | 43% |

*Forward*

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,442** | 177,468 | (26) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **2,667** | 7,354 | (4,687) | (64%) | **0%** | 0% |
| Retained earnings: | | | | | | |
| Appropriated | **88,468** | 87,170 | 1,298 | 1% | **4%** | 4% |
| Unappropriated | **86,423** | 103,151 | (16,728) | (16%) | **3%** | 4% |
| Treasury stock | **(109,763)** | (109,763) | - | 0% | **(4%)** | (4%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **296,078** | 316,221 | (20,143) | (6%) | **12%** | 13% |
| Non-controlling interests | **359,201** | 348,945 | 10,256 | 3% | **14%** | 14% |
| **Total Equity** | **655,279** | 665,166 | (9,887) | (1%) | **26%** | 27% |
| **Total Liabilities and Equity** | **P2,555,444** | P2,459,365 | P96,079 | 4% | **100%** | 100% |

Consolidated total assets as at June 30, 2024 amounted to P2,555,444 million, P96,079 million higher than December 31, 2023. The increase was primarily due to the increase in inventories, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets, deferred tax assets and other noncurrent assets, partially offset by the decrease in cash and cash equivalents.

The increase in inventories by P13,632 million was attributable mainly to: (a) Petron's higher volume and prices of both crude oil and finished products; and (b) higher materials and supplies of the Food division mainly due to higher volume of wheat purchased during the period. The increase was partially offset by the Energy business': (a) higher consumption of LNG supply inventory coupled with the decline in average LNG cost during the period; and (b) utilization of spare parts during the combustor and turbine inspection conducted for the Ilijan Power Plant.

The decrease in total biological assets by P333 million was mainly attributable to lower production costs in 2024 as compared to December 2023.

The increase in prepaid expenses and other current assets by P10,635 million was primarily due to: (a) higher input taxes of Petron and SMC Shipping and Lighterage Corporation; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron.

The increase in investments and advances - net by P7,347 million was mainly due to the: (a) advances for future investments to certain companies by SMC and the Energy business; and (b) investment in NNIC by SMHC.

The increase in property, plant and equipment - net by P34,102 million was mainly due to the costs of the ongoing projects of the Energy business, and the feedmill expansion of the Food division.

The increase in other intangible assets - net by P19,271 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the amortization during the period.

The increase in deferred tax assets by P6,002 million was primarily due to the recognition by SMC of deferred income tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P10,633 million was mainly due to the amount of contract assets for the MRT 7 Project recognized during the period.

The increase in loans payable by P47,398 million was mainly due to the net availment made by SMC and the Energy business.

The increase in accounts payable and accrued expenses by P31,599 million was mainly due to additional payables to contractors relating to the ongoing construction projects of the Energy business, higher outstanding liabilities to vendors and suppliers of Petron, higher purchases of raw materials by the Food division and power purchases by Masinloc Power Co. Ltd.

The increase in dividends and distributions payable by P839 million was mainly due to the declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on May 14, 2024, which were paid on July 4, 2024. The Series 2-L, 2-N and 2-O were issued on December 1, 2023.

The increase in total long-term debt, net of debt issue costs by P31,830 million was primarily due to the translation adjustments on foreign currency-denominated loans, partially reduced by the net payments made by the Group.

The decrease in total lease liabilities by P9,884 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 Independent Power Producer Administration (IPPA) Agreements.

The increase in deferred tax liabilities by P2,028 million was mainly due to the deferred income tax expense recognized by SPPC for the application of its available Net Operating Loss Carry Over carryforward benefits to its income tax expense, and the difference in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P2,014 million was mainly due to the higher amount of retention payable for the ongoing projects of the Infrastructure business.

The decrease in equity reserves by P4,687 million was mainly due to the foreign exchange difference recognized on the redemption of the US$783 million SPCS of San Miguel Global Power in April 2024.

The decrease in unappropriated retained earnings by P16,728 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends and distributions declared and the net appropriations during the period.

**2023 vs. 2022**

| *(Amounts in millions)* | **June 2023** | December 2022 | **Horizontal Analysis Increase (Decrease)** Amount | % | **Vertical Analysis** **2023** | 2022 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **P262,198** | P318,214 | (P56,016) | (18%) | **11%** | 13% |
| Trade and other receivables - net | **233,673** | 238,782 | (5,109) | (2%) | **10%** | 10% |
| Inventories | **166,076** | 190,193 | (24,117) | (13%) | **7%** | 8% |
| Current portion of biological assets - net | **3,686** | 3,418 | 268 | 8% | **0%** | 0% |
| Prepaid expenses and other current assets | **134,978** | 133,691 | 1,287 | 1% | **6%** | 6% |
| **Total Current Assets** | **800,611** | 884,298 | (83,687) | (9%) | **34%** | 37% |
| Investments and advances - net | **34,700** | 32,523 | 2,177 | 7% | **1%** | 1% |
| Investments in equity and debt instruments | **19,103** | 18,921 | 182 | 1% | **1%** | 1% |
| Property, plant and equipment - net | **728,164** | 708,192 | 19,972 | 3% | **31%** | 30% |
| Right-of-use assets - net | **109,746** | 112,067 | (2,321) | (2%) | **4%** | 5% |
| Investment property - net | **74,988** | 74,660 | 328 | 0% | **3%** | 3% |
| Biological assets - net of current portion | **2,912** | 2,671 | 241 | 9% | **0%** | 0% |
| Goodwill - net | **184,474** | 184,100 | 374 | 0% | **8%** | 8% |
| Other intangible assets - net | **279,285** | 249,321 | 29,964 | 12% | **12%** | 10% |
| Deferred tax assets | **20,209** | 22,554 | (2,345) | (10%) | **1%** | 1% |
| Other noncurrent assets - net | **113,210** | 102,518 | 10,692 | 10% | **5%** | 4% |
| **Total Noncurrent Assets** | **1,566,791** | 1,507,527 | 59,264 | 4% | **66%** | 63% |
| **Total Assets** | **P2,367,402** | P2,391,825 | (P24,423) | (1%) | **100%** | 100% |
| Loans payable | **P234,158** | P267,704 | (P33,546) | (13%) | **10%** | 11% |
| Accounts payable and accrued expenses | **225,584** | 227,126 | (1,542) | (1%) | **10%** | 9% |
| Lease liabilities - current portion | **21,615** | 21,020 | 595 | 3% | **1%** | 1% |
| Income and other taxes payable | **46,430** | 37,694 | 8,736 | 23% | **2%** | 2% |
| Dividends and distributions payable | **3,834** | 4,037 | (203) | (5%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **129,614** | 170,032 | (40,418) | (24%) | **5%** | 7% |
| **Total Current Liabilities** | **661,235** | 727,613 | (66,378) | (9%) | **28%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **973,917** | 918,164 | 55,753 | 6% | **41%** | 39% |
| Lease liabilities - net of current portion | **43,454** | 54,455 | (11,001) | (20%) | **2%** | 2% |
| Deferred tax liabilities | **28,757** | 26,297 | 2,460 | 9% | **1%** | 1% |
| Other noncurrent liabilities | **26,577** | 26,144 | 433 | 2% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,072,705** | 1,025,060 | 47,645 | 5% | **45%** | 43% |

*Forward*

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **8%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **10,572** | 12,753 | (2,181) | (17%) | **0%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **84,280** | 71,004 | 13,276 | 19% | **4%** | 3% |
| Unappropriated | **111,558** | 129,239 | (17,681) | (14%) | **5%** | 6% |
| Treasury stock | **(156,763)** | (156,763) | - | 0% | **(7%)** | (7%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **278,207** | 284,793 | (6,586) | (2%) | **12%** | 12% |
| Non-controlling Interests | **355,255** | 354,359 | 896 | 0% | **15%** | 15% |
| **Total Equity** | **633,462** | 639,152 | (5,690) | (1%) | **27%** | 27% |
| **Total Liabilities and Equity** | **P2,367,402** | P2,391,825 | (P24,423) | (1%) | **100%** | 100% |

Consolidated total assets as at June 30, 2023 ended at P2,367,402 million, P24,423 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents and inventories, partly offset by the increase in other intangible assets and property, plant and equipment.

The decrease in cash and cash equivalents by P56,016 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 availment of long-term debt.

The decrease in inventories by P24,117 million was attributable mainly to the cost of major raw materials consumed during the period by the Food division from bulk purchases at end of 2022 and lower prices of both crude oil and finished products of Petron.

The increase in total biological assets by P509 million was due to higher growing costs driven by higher feeds and chick, broiler and hog costs.

The increase in investments and advances - net by P2,177 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of BankCom and Manila North Harbour Port, Inc. (MNHPI) in the first semester of 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in other intangible assets - net by P29,964 million was mainly due to additions to concession rights for the MIA Project, reclamation costs of Navotas Coastal Bay Project and the costs of various ongoing projects of the Infrastructure business, partly offset by the total amortization in 2023.

The decrease in deferred tax assets by P2,345 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of the foreign currency-denominated long-term debt.

The increase in other noncurrent assets - net by P10,692 million was mainly due to additional advances paid to contractors and suppliers for ongoing projects and increase in restricted cash fund balance for the payment of long-term debt of the Energy business.

The decrease in loans payable by P33,546 million was mainly due to the net payments made by Petron, SMC, the Food division, and the Energy business. The decrease was partly offset by the availment of loan by San Miguel Equity Investments Inc. for payment of bridge financing for the acquisition of ECC.

The increase in income and other taxes payable by P8,736 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage and Energy businesses as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022; (b) higher income tax payable from the improved performance of SMB and GSMI; and (c) higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P203 million was mainly due to payment of cash dividends by Petron in March and June 2023 to preferred stockholders which were declared in 2022 and by SMC in January 2023 to Subseries “2-H” preferred stockholders which was declared in November 2022. The decrease was partly offset by the dividends payable recognized in relation to the declaration of cash dividends by The Purefoods-Hormel Company, Inc. to its non-controlling shareholder in March 2023.

The increase in total long-term debt, net of debt issue costs by P15,335 million was primarily due to the availment of foreign and Peso term loans by the Group, partly offset by the: (a) payments of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC, and other maturing obligations by the Group; and (b) translation adjustments.

The increase in deferred tax liabilities by P2,460 million was mainly due to the higher deferred tax liability recognized by the Energy business arising from the differences in actual PSALM payments over finance lease liability-related expenses.

The decrease in total lease liabilities by P10,406 million was primarily due to the payments made to PSALM by the Energy business’ entities under the IPPA Agreements.

The decrease in equity reserves by P2,181 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P13,276 million was due to the appropriations by: (a) San Miguel Foods, Inc. for the Feeds Expansion Projects; (b) SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (c) SMC SLEX Inc. for capital expenditures in 2023, net of reversals for projects that were already completed. The increase was partly offset by the reversal of appropriations for the power plant project of Petron.

The decrease in unappropriated retained earnings by P17,681 million was mainly due to the net appropriations and cash dividends and distributions declared for the first semester of 2023.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In Millions)* | **June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Net cash flows provided by operating activities | **P74,608** | P75,612 |
| Net cash flows used in investing activities | **(93,889)** | (80,333) |
| Net cash flows provided by (used in) financing activities | **8,597** | (50,366) |

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)* | **June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Additions to: | | |
| Property, plant and equipment | **(P48,178)** | (P29,444) |
| Intangible assets | **(23,476)** | (34,107) |
| Investments and advances | **(7,007)** | (2,306) |
| Investment property | **(4,212)** | (2,507) |
| Advances to contractors and suppliers | **(2,349)** | (9,463) |
| Investments in debt instruments | **(532)** | (445) |
| Increase in other noncurrent assets and others | **(16,012)** | (9,916) |
| Interest received | **6,505** | 6,094 |
| Proceeds from: | | |
| Disposal of investments in debt instruments | **519** | 439 |
| Sale of property and equipment | **482** | 264 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | **8** | 418 |
| Dividends received | **363** | 640 |

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

| *(In Millions)* | **June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Proceeds from (payment of) short-term loans - net | **P46,813** | (P32,691) |
| Net proceeds from issuance of capital securities of a subsidiary | **43,481** | - |
| Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others | **31** | (2,759) |
| Redemption of capital securities of subsidiaries | **(45,040)** | (1,151) |
| Cash dividends and distributions paid to non-controlling shareholders | **(17,063)** | (17,221) |
| Payments of lease liabilities | **(11,500)** | (10,498) |
| Cash dividends and distributions paid | **(5,717)** | (4,635) |
| Proceeds from (payment of) long-term debt - net | **(2,382)** | 18,589 |
| Share issuance costs from re-issuance of treasury shares | **(26)** | - |

The effect of exchange rate changes on cash and cash equivalents amounted to P3,216 million and (P929) million in June 30, 2024 and 2023, 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.

| | **June 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.00** | 1.12 |
| Quick Ratio | **0.61** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.90** | 2.70 |
| Asset to Equity Ratio | **3.90** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(3.03%)** | 0.07% |
| Interest Rate Coverage Ratio | **1.45** | 1.80 |
| Return on Assets | **1.39%** | 1.84% |

| | **Period Ended June 30** | |
|---|---|---|
| | **2024** | 2023 |
| Operating Efficiency: | | |
| Volume Growth | **19%** | 3% |
| Revenue Growth (Decline) | **15%** | (4%) |
| Operating Margin | **11%** | 10% |

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 P267,588 million as at June 30, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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, 2023.

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.

**ANNEX "B-3"**

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

(As of September 30, 2024)

SAN MIGUEL CORPORATION

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended September 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended September 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2024, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

## I. 2024 SIGNIFICANT TRANSACTIONS

The following are the major developments in 2024:

### INVESTING ACTIVITIES

- **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

  On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the "Consortium"), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

  On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, Manila International Airport Authority (MIAA) and the concession company, NNIC. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the 8th year.

  The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 to 48 peak hourly rate.

  On September 13, 2024, NNIC remitted to MIAA the upfront fee required under the CA, including value-added tax (VAT), and annuity payment which was funded by loan availment and equity infusion.

  On September 14, 2024, NNIC officially took over operations at NAIA following the completion of all required deliverables for turnover as outlined in the CA.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in entities through which San Miguel Global Power owns and/or operates the following: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) the land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI.

  Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of securing the necessary clearance from the Philippine Competition Commission in relation to the joint investment by San Miguel Global Power and CGHI.

In 2024, the Group has undertaken various financing activities. The significant transactions are as follows:

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **Energy**

  - **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

    On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) Projects, and for payment of transaction costs.

  - **San Miguel Global Power**

    On July 19, 2024, San Miguel Global Power availed of a P10,000 million term loan, subject to a fixed interest rate of 7.375% per annum and with a term of five years. The proceeds from the loan were used to refinance a short-term loan.

- **Infrastructure**

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

    On various dates in 2024, SMC MRT 7 drew a total of P15,400 million term loans from the P100,000 million OLSA executed with various local banks on May 18, 2023. The loans are subject to a floating interest rate and with a term of 14 years and six months. The proceeds from the loans were used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

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

    On March 4 and June 18, 2024, SMC NAIAX drew a total of P761 million term loans from the P5,656 million OLSA executed with various banks on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds from the loans were used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

- **SMC**

  a. On various dates in 2024, SMC drew a total of US$289 million term loans from the US$2,165 million loan facility executed on March 31, 2022. The loans are subject to a floating interest rate and with a term of 13 years. The proceeds from the loans were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.

  b. On May 17, 2024, SMC availed of a US$150 million term loan, subject to a fixed interest rate and with a term of five years. The proceeds from the loan were used for general corporate purposes.

  c. On August 2, 2024, SMC availed of a US$50 million term loan, subject to a floating interest rate and with a term of five years. The proceeds from the loan were used for general corporate purposes.

  d. On September 27, 2024, SMC availed of a US$2,000 million term loan, subject to a floating interest rate and with a term of five years. The proceeds from the loan were used to refinance the matured loans drawn by SMC amounting to US$50 million and US$1,950 million on December 27, 2019 and March 19, 2020, respectively.

- **Petron Corporation (Petron)**

  On various dates in July and September 2024, Petron drew a total of US$359 million from the US$500 million term loan facility executed on July 11, 2024. The loans are subject to a floating interest rate and have a final maturity in July 2029. The proceeds from the loans were partially used to repay outstanding indebtedness and settle liabilities for crude oil importations.

- **San Miguel Yamamura Australasia Pty. Ltd. (SMYA)**

  On July 29, 2024, SMYA drew a AU$45 million term loan from the syndicated facility agreement entered into on July 22, 2024. The loan is subject to a floating interest rate and will mature in July 2027. The proceeds from the loan were used to refinance existing indebtedness.

- **San Miguel Global Power**

  On September 9, 2024, San Miguel Global Power drew a US$200 million term loan from the US$200 million loan facility, with option to increase up to US$300 million, executed with a foreign bank on August 30, 2024. The loan is subject to a floating interest rate and will mature in August 2027. The proceeds from the loan were used to refinance the US$200 million matured term loan drawn on January 21, 2022.

**ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **Issuance of Series O and Series P Fixed Rate Peso-denominated Bonds by SMC**

  On July 3, 2024, SMC issued and listed on the Philippine Dealing & Exchange Corp. P13,000 million Series O and P7,000 million Series P fixed rate Peso-denominated Bonds from the P50,000 million Shelf Registered fixed rate Bonds approved by the Securities and Exchange Commission in 2021. The Series O Bonds have a term of five years and six months from the issue date with a fixed interest rate of 7.2584% per annum. The Series P Bonds have a term of ten years from the issue date with a fixed interest rate of 7.7197% per annum.

  The proceeds from the issuance of the bonds were used for the partial payment of Series I fixed rate Peso-denominated Bonds and the remaining balance will be used for the repayment of Series F Bonds on March 19, 2025 and investments in the MIA Project and other airport-related projects in Bulacan.

- **Payment of Series B Fixed Rate Peso-denominated Bonds by SMC**

  On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million Shelf Registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued in 2017.

  The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

- **Partial Payment of Series I Fixed Rate Peso-denominated Bonds by SMC**

  On July 8, 2024, SMC partially paid the P11,240 million of the P30,000 million Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by the bondholders. The Series I Bonds, which formed part of the first tranche of the P50,000 million Shelf Registered fixed rate Bonds were issued in 2021. The remaining balance of the Series I fixed rate Peso-denominated Bonds was repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until maturity on July 8, 2027.

  The payment was funded partly from the proceeds of Series O and Series P fixed rate Peso-denominated Bonds.

- **Payment of Series C Fixed Rate Peso-denominated Bonds by Petron**

  On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds, which matured on the same date. The Series C Bonds which formed part of the P20,000 million Retail Bonds were issued in October 2018.

  The payment was funded by the: (a) P7,000 million term loan availed on March 6, 2024 subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years; (b) P5,000 million term loan availed on April 18, 2024, subject to a floating interest rate and with a term of five years; and (c) cash generated from operations.

- **Payment of Series I Fixed Rate Peso-denominated Bonds by San Miguel Global Power**

  On April 24, 2024, San Miguel Global Power paid the P9,232 million Series I fixed rate Peso-denominated Bonds, from the proceeds of short-term loan facilities and from cash generated from operations.

  The Series I Bonds which formed part of the P30,000 million Series H, Series I and Series J fixed rate Peso-denominated Bonds were issued in April 2019.

**PAYMENT OF PESO TERM LOAN BY SAN MIGUEL GLOBAL POWER**

On April 26, 2024, San Miguel Global Power fully paid the P14,100 million balance of its P15,000 million fixed rate seven-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

The payment was funded by the proceeds of short-term loan facilities and from cash generated from operations.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the nine-month period ended September 30, 2024, the Group paid a total of P24,274 million of its scheduled amortizations and maturing obligations funded by the proceeds of short-term loan facilities and cash generated from operations.

**ISSUANCE AND REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

a. On April 19, 2024, San Miguel Global Power issued US$800 million Redeemable Perpetual Securities at an issue price of 100%, with a prescribed initial distribution rate per annum, payable pursuant to the terms of the agreement.

   The net proceeds were used in part for the redemption of the US$783 million Senior Perpetual Capital Securities (SPCS) on April 25, 2024, pursuant to the terms and conditions of the securities. The US$783 million SPCS is the remaining securities out of the US$800 million SPCS issued in April and July 2019.The redemption price included the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

   The difference between the price paid and the net carrying amount of the SPCS repurchased amounting to P4,854 million was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at September 30, 2024.

b. On September 12, 2024, San Miguel Global Power issued US$800 million SPCS ("Securities") at an issue price of 100%, with a distribution rate of 8.75% per annum, payable pursuant to the terms of the agreement. The Securities were used in part for the exchange of certain existing SPCS amounting to US$532 million and the repurchase of certain existing SPCS amounting to US$157 million on September 12, 2024.

The remaining proceeds of US$111 million were used for the payment of: (i) costs and expenses related to the issuance of the Securities; (ii) accrued distribution in respect of the securities that was accepted for exchange and repurchase; and (iii) pre-development costs of solar energy projects.

The difference between the price paid and the net carrying amount of the SPCS exchanged and repurchased amounting to P5,259 million was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at September 30, 2024.

On September 30, 2024, San Miguel Global Power issued an additional US$100 million SPCS ("Additional Securities") at an issue price of 100% plus an amount corresponding to accrued distribution from and including September 12, 2024 to, but excluding, September 30, 2024. The Additional Securities are consolidated into and form a single series with the Securities issued on September 12, 2024, bringing the total securities to US$900 million and are identical in all respects, except for the date of issuance and issue price.

The net proceeds of the Additional Securities are intended for the pre-development costs of solar energy projects and capital expenditures related to the BESS projects.

The Securities and Additional Securities were listed on the Singapore Exchange Securities Trading Limited on September 13, 2024 and October 1, 2024, respectively.

**ISSUANCE OF PREFERRED SHARES BY PETRON**

On September 23, 2024, Petron issued and listed at the Philippine Stock Exchange 8,500,000 Series 4-D and 8,330,000 Series 4-E Preferred 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 P16,830 million. The shares are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable, Philippine Peso-denominated perpetual Preferred Shares with a par value of P1.00 per share.

The preferred shares are perpetual and have no fixed final maturity date. Dividend rates are 6.8364% and 7.1032% per annum for Series 4-D and Series 4-E, respectively.

The net proceeds will be used to redeem the Series 3-A Preferred Shares in December 2024, refinance maturing obligations, and fund general corporate purposes, including the purchase of crude oil inventory.

## EVENTS AFTER THE REPORTING DATE

**a) Payment of Series H Fixed Rate Peso-denominated Bonds by SMC**

On October 4, 2024, SMC paid the P10,000 million Series H Fixed Rate Peso-denominated Bonds which were issued in 2019.

**b) Acquisition of 90% Ownership Interest in Bulakan Water Company, Inc. (BWCI) and 90% Ownership Interest in Obando Water Company, Inc. (OWCI) by SMC Bulacan Water Services Corporation (SMC Bulacan)**

On May 16, 2024, SMC Bulacan entered into a Share Purchase Agreement with Filipinas Water Holdings Corporation (FWHC), a subsidiary of Manila Water Company, Inc., for the sale of 90% ownership interest in both BWCI and OWCI for a total consideration of P1,025 million, subject to closing conditions which have been complied with on October 22, 2024.

Amendments to the respective Joint Venture Agreements between FWHC, BWCI and OWCI were also executed on October 22, 2024, whereby SMC Bulacan replaced FWHC as the joint venture partner of the water districts.

BWCI is a joint venture corporation with the Bulakan Water District operating the water and sanitation concession in the Municipality of Bulakan while OWCI is a joint venture corporation with the Obando Water District operating the concession in Obando, also in Bulacan.

**c) Acquisition of Sual Coal-fired Thermal Power Plant (Sual Power Plant) in Pangasinan**

On October 25, 2024, the 1,294 MW Sual Power Plant, located in Pangasinan, was turned over to Sual Power Inc. (SPI) by TeaM Energy Corp. (TPEC), through the Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Power Corporation, in accordance with the Independent Power Producer Administration (IPPA) Agreement effective November 6, 2009 and the Deed of Absolute Sale executed between PSALM and SPI dated October 24, 2024, after the contract between TPEC and the government expired.

Sual Power Plant, the largest coal-fired power plant in the Philippines in terms of installed capacity, has been providing power to the Luzon grid since 1999 under a 25-year build-operate-transfer scheme.

## II. FINANCIAL PERFORMANCE

**2024 vs. 2023**

| | September | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **%** | **2024** | **2023** |
| | | ***(In Millions)*** | | | | |
| Sales | **P1,179,521** | P1,061,088 | P118,433 | 11% | **100%** | 100% |
| Cost of sales | **(983,803)** | (884,199) | 99,604 | 11% | **(84%)** | (83%) |
| Gross profit | **195,718** | 176,889 | 18,829 | 11% | **16%** | 17% |
| Selling and administrative expenses | **(73,864)** | (66,703) | 7,161 | 11% | **(6%)** | (6%) |
| Operating income | **121,854** | 110,186 | 11,668 | 11% | **10%** | 11% |
| Interest expense and other financing charges | **(72,693)** | (66,086) | 6,607 | 10% | **(6%)** | (6%) |
| Interest income | **11,063** | 10,372 | 691 | 7% | **1%** | 1% |
| Equity in net earnings of associates and joint ventures | **1,612** | 1,392 | 220 | 16% | **0%** | 0% |
| Gain on sale of investments and property and equipment | **142** | 136 | 6 | 4% | **0%** | 0% |
| Other charges - net | **(2,336)** | (6,439) | (4,103) | (64%) | **(0%)** | (1%) |
| Income before income tax | **59,642** | 49,561 | 10,081 | 20% | **5%** | 5% |
| Income tax expense | **(22,548)** | (18,374) | 4,174 | 23% | **(2%)** | (2%) |
| **Net Income** | **P37,094** | P31,187 | P5,907 | 19% | **3%** | 3% |
| Net income attributable to: | | | | | | |
| Equity holders of the Parent Company | **P4,978** | P146 | P4,832 | 3310% | **0%** | 0% |
| Non-controlling interests | **32,116** | 31,041 | 1,075 | 3% | **3%** | 3% |
| **Net Income** | **P37,094** | P31,187 | P5,907 | 19% | **3%** | 3% |

The Group's consolidated sales of P1,179,521 million for the nine-month period of 2024 increased by 11% compared to the same period last year, mainly on account of the sales volume growth of Petron, the Energy and Food and Beverage businesses, combined with the higher average selling prices of Ginebra San Miguel Inc. (GSMI) and San Miguel Brewery Inc. (SMB).

The Group's cost of sales increased by P99,604 million or 11%, mainly due to: (a) the increase in volume sold and increase in average cost per liter of petroleum products of Petron; and (b) the higher LNG consumption during the period of the Ilijan Power Plant as a result of the resumption of operations on May 31, 2023, costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning, and higher volume of power purchases due to the increased demand from bilateral customers from the spot market during the period of the Energy business. This was partly offset by the lower cost of coal due primarily to the decline in NewCastle coal price indices for the period.

The increase in selling and administrative expenses by P7,161 million or 11% was mainly due to higher distribution and handling costs and other contracted services mainly from the Food and Beverage business, and salaries and employee benefits of the Group.

The consolidated operating income increased by P11,668 million or 11% from the same period last year mainly driven by the: (a) improved margins on contracted volumes of the Energy business as it worked out a transition to fuel passthrough arrangements for most of its bilateral customers and the margin contributed by SMGP BESS through ancillary services; (b) higher sales volume of the Food and Beverage business; and (c) continued cost management initiatives and improvement works of the Infrastructure business. The increase was tempered by the decline in operating income of Petron due to correction in refining margins partly offset by the impact of higher volume.

The increase in interest expense and other financing charges by P6,607 million was mainly due to higher interest rates and increased average level of borrowings of the Energy business, SMC and Petron.

The increase in interest income by P691 million was primarily due to higher interest rates and average balance of short-term placements of the Food and Beverage and Infrastructure businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC.

The increase in equity in net earnings of associates and joint ventures by P220 million was mainly due to the share on higher net income of Angat Hydropower Corporation (Angat Hydro), reduced by the share on the net loss of NNIC.

The lower amount of other charges - net by P4,103 million was mainly due to the: (a) lower amount of loss on the revaluation of foreign currency-denominated long-term debt primarily of SMC and Petron as a result of the lower depreciation of the Philippine Peso against the US Dollar from P0.82 in 2023 to P0.66 in 2024; and (b) foreign exchange gain realized by Petron in 2024 due to payment in July to September of foreign currency-denominated crude oil liabilities when the Philippine Peso and Malaysian Ringgit drastically appreciated against the US Dollar, a turnaround from foreign exchange loss in 2023.

The increase in income tax expense by P4,174 million was mainly due to the reversal of deferred income tax benefit by: (a) SPPC as a result of the utilization of net operating loss carry over (NOLCO) in 2024 and (b) SMC on realized foreign exchange loss as a result of the payment of foreign currency-denominated long-term debt in 2024 and 2023.

Consolidated net income increased by 19% to P37,094 million from P31,187 million in the same period last year, mainly on account of the improved operations of most businesses mainly the Food division, the Energy, Infrastructure and Cement businesses, and the lower amount of loss on the revaluation of foreign currency-denominated long-term debt primarily of SMC and Petron as a result of the lower depreciation of the Philippine Peso against the US Dollar.

The significant increase in net income attributable to equity holders of the Parent Company by P4,832 million was mainly due to the higher net income, partly reduced by the increase in share of non-controlling interests (NCI) on the Group’s net income.

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

## 1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) delivered strong financial results for the first nine months of 2024 with significant growth registered across all division. Consolidated sales reached P291,108 million, a 5% increase compared to the same period last year.

Operating income rose 15%, reaching P39,914 million, primarily driven by higher sales volume across all divisions. Net income also saw robust growth, rising by 11% to P30,410 million compared to the same period last year.

### a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB reported consolidated sales of P111,220 million, an increase of 3% from the same period last year, driven by higher sales volume and the implementation of a price increase in the domestic market effective September 1, 2024.

Consolidated operating income declined by 3% to P23,433 million, reflecting the effects of the excise tax increase. Net income fell by 5% to P18,533 million.

**Domestic Operations**
Domestic operations experienced a 4% growth in the third quarter, reversing the slight decline seen in the first semester of the year. This resulted in total volumes of 152.7 million cases for the nine-month period, representing a 1% increase from the same period last year.

**International Operations**
International operations volumes also grew by 2% in the third quarter, up from the flat growth in the first half. This led to the year-to-date September volume of 20.8 million cases.

### b) Spirits Division

GSMI continued its upward volume trend in the third quarter, closing the nine-month period with a 10% year-on-year increase to 37.0 million cases. This double-digit growth was driven by the consistent robust performance of its flagship Ginebra San Miguel and recovery of Vino Kulafu. The combination of strong volumes and a price increase implemented in February led to significant revenue growth, resulting in a 17% rise to P45,562 million.

Operating income grew by 26% to P6,336 million, benefiting from lower costs of packaging materials. Net income held steady at P5,441 million, aligned with prior year's level. Without the effects of the one-time gain from the assignment of product rights in March of last year, net income would have risen by 25%.

### c) Food Division

The Food division sustained its positive performance, posting a 4% year-on-year revenue growth for the nine-month period to P134,329 million, as most business segments continued to show strong volume growth.

Operating income nearly doubled to P9,805 million, supported by an expansion in gross margin from 17% to 22%, driven by a decline in raw material costs.

Net income surged to P6,701 million, more than doubling last year's figure of P2,899 million.

The Protein segment revenues increased by 7%, fueled by a 9% rise in volume and continued favorable selling prices in the third quarter.

The Animal Nutrition and Health segment revenues declined by 6%, as volumes remained muted in the third quarter.

The Prepared and Packaged Food segment maintained its growth trajectory, posting an 11% revenue increase on account of favorable selling prices and a 9% rise in volume.

## 2. PACKAGING

The Packaging business for the nine-month period, generated consolidated revenues of P28,480 million, up 3% against the comparable period last year and a significant recovery from the previous quarter.

Consolidated operating income posted a robust 31% year-on-year increase to P2,098 million on account of improved production efficiencies, coupled with cost measures implemented across the group.

## 3. ENERGY

San Miguel Global Power sustained its exceptional performance, reporting a 57% increase in offtake volumes for the nine-month period of 2024, reaching 27,043 gigawatt hours (GWh). This growth was driven by: (a) Power Supply Agreements (PSAs) secured from Manila Electric Company (Meralco) and other distribution utilities; (b) new retail electricity supply customers for Limay Power Plant; (c) ancillary services provided to the National Grid Corporation of the Philippines and offered to the reserve market through BESS; and (d) the commencement of commercial operations of Mariveles Greenfield Power Plant’s Units 1 and 2 on March 28 and September 26, 2024, respectively. Consequently, consolidated revenues rose by 23% to P153,592 million, compared to P125,213 million in the same period in 2023.

Operating income saw significant growth of 43% driven by improved margins as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and additional margin contributions of BESS ancillary services.

Net income surged by 48% to P13,465 million.

## 4. FUEL AND OIL

Petron continued to report strong revenues in the first nine months of the year despite challenges in the international oil market. Consolidated revenues grew by 12% to P657,933 million from P587,283 million in the same period last year. This was driven by the sustained volume growth of 12% to 104.4 million barrels from 93.6 million barrels in 2023.

Petron's sales volume from its Philippine operations and Singapore trading arm posted a combined 16% increase to 67.8 million barrels, while sales volume from Malaysian operations rose by 4% to 36.6 million barrels.

Petron managed an operating income of P22,254 million in the first nine months from P27,008 million in the same period last year, as the strong performance of the marketing segment weighed down by the correction in refining margins by as much as 30% year-on-year. This resulted in a net income for the nine-month period of P7,109 million from P9,508 million in 2023.

## 5. INFRASTRUCTURE

The Infrastructure business continues to deliver steady growth, posting consolidated revenues of P26,992 million in the nine-month period of 2024, an 8% increase compared to the same period last year. The revenue growth was buoyed by the 2% increase in total average daily traffic from all operating toll roads, reaching 1,024,881 vehicles. The Infrastructure business recorded an 8% increase in operating income to P14,613 million.

The land development and ground improvement works of the MIA Project are ongoing with overall progress at 84.61%. Per the approved DOTr timeline, Airport Development is expected to be completed by the end of 2028.

SMC-led consortium, NNIC, officially took over operations at NAIA on September 14, 2024, following the completion of all required deliverables for turnover as outlined in the CA.

The depot, detailed engineering and design, site development, and construction of other facilities of the MRT 7 Project are still ongoing. There is also an ongoing study of the realignment of the Highway Component. In addition, the new location of Station 14 has been agreed by the San Jose del Monte Local Government Unit with DOTr. In the third quarter of 2024, four additional trainsets were delivered on-site, bringing the total to 26 trainsets out of 36 trainsets ordered.

## 6. CEMENT

The Cement business consolidated revenues in the nine-month period of 2024 declined by 6% to P27,041 million compared to the same period last year, while sales volume increased by 3%. The decline in revenue was driven by lower selling prices, influenced by the influx of cheaper imported traded cement. Despite the decline in topline, operating income grew by 16%, supported by lower costs and increased operating efficiencies.

**2023 vs. 2022**

| | September | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| | | ***(In Millions)*** | | | | |
| Sales | **P1,061,088** | P1,112,522 | (P51,434) | (5%) | **100%** | 100% |
| Cost of sales | **(884,199)** | (970,245) | (86,046) | (9%) | **(83%)** | (87%) |
| Gross profit | **176,889** | 142,277 | 34,612 | 24% | **17%** | 13% |
| Selling and administrative expenses | **(66,703)** | (56,780) | 9,923 | 17% | **(6%)** | (5%) |
| Operating income | **110,186** | 85,497 | 24,689 | 29% | **11%** | 8% |
| Interest expense and other financing charges | **(66,086)** | (41,175) | 24,911 | 61% | **(6%)** | (4%) |
| Interest income | **10,372** | 4,125 | 6,247 | 151% | **1%** | 1% |
| Equity in net earnings of associates and joint ventures | **1,392** | 876 | 516 | 59% | **0%** | 0% |
| Gain on sale of investments and property and equipment | **136** | 584 | (448) | (77%) | **0%** | 0% |
| Other charges - net | **(6,439)** | (30,867) | (24,428) | (79%) | **(1%)** | (3%) |
| Income before income tax | **49,561** | 19,040 | 30,521 | 160% | **5%** | 2% |
| Income tax expense | **(18,374)** | (6,095) | 12,279 | 201% | **(2%)** | (1%) |
| **Net Income** | **P31,187** | P12,945 | P18,242 | 141% | **3%** | 1% |
| Net income (loss) attributable to: | | | | | | |
| Equity holders of the Parent Company | **P146** | (P15,115) | P15,261 | 101% | **0%** | (2%) |
| Non-controlling interests | **31,041** | 28,060 | 2,981 | 11% | **3%** | 3% |
| **Net Income** | **P31,187** | P12,945 | P18,242 | 141% | **3%** | 1% |

The Group's consolidated sales for the nine-month period of 2023 ended at P1,061,088 million, 5% lower than the same period in 2022. The lower average selling prices of Petron and the Energy business and decrease in volumes of the Energy business and the Food division have offset the higher sales volume of Petron, SMB and GSMI and the Infrastructure business, along with the higher average selling prices of the Food and Beverage business and the sales contribution of Eagle Cement Corporation (ECC), which was consolidated effective December 14, 2022.

The Group's cost of sales decreased by P86,046 million or 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 of 2023.

The increase in selling and administrative expenses by P9,923 million or 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 P110,186 million compared to the same period in 2022 mainly driven by the sustained performance improvements of Petron, the Infrastructure business, SMB and GSMI, plus the operating income contribution of ECC for the nine-month period of 2023.

The increase in interest expense and other financing charges by P24,911 million was mainly due to higher average loan balance of SMC and Petron coupled with higher interest rates.

The increase in interest income by P6,247 million 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 by P516 million was mainly due to the share on the higher net income of Bank of Commerce (BankCom) and the share in the lower net loss of Angat Hydro for the nine-month period of 2023 compared to the same period in 2022.

The decrease in gain on sale of investments and property and equipment by P448 million was mainly due to the gain recognized in 2022 by San Miguel Global Power from the sale of its investments in shares of stock of Strategic Energy Development, Inc.

The lower amount of other charges - net in 2023 by P24,428 million primarily pertains to the decrease in the loss on foreign exchange from 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 by P12,279 million was mainly due to the turnaround 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 NOLCO in 2023 by SPI.

Consolidated net income in 2023 significantly increased by 141% to P31,187 million, from P12,945 million in 2022, 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 in 2022; (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 2023; and (d) income recognized from the assignment of product rights by GSMI in 2023. The increase was partly offset by the higher net financing costs due to higher average loan balance primarily of SMC and Petron and increased interest rates.

Net income attributable to equity holders of the Parent Company in 2023 amounting to P146 million was a turnaround from the net loss of P15,115 million attributable to equity holders of the Parent Company in 2022. This was primarily due to the higher net income, partly reduced by the increase in share of NCI in the Group’s net income.

The increase in the net income attributable to NCI by P2,981 million was mainly due to the higher net income of SMB and higher amount of dividend and distribution on preferred shares and SPCS of Petron.

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

## 1. FOOD AND BEVERAGE

SMFB sustained consolidated revenue growth for the nine-month period of 2023, 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 in 2023, 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 of 2023, with consolidated revenues reaching P108,333 million, 9% higher from the P98,992 million in 2022 while consolidated sales volumes increased by 5% to 177 million cases.

Correspondingly, operating income in 2023 grew to P24,114 million, exceeding the same period in 2022 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 the same period in 2022.

**Domestic Operations**
SMB's domestic beer and NAB volumes rose by 4% and 24%, respectively, for the nine-month period of 2023 compared to the same period in 2022. This was attributed to the relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives as well as intensified offtake generation and defense programs alongside 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 the same period in 2022. 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 2022. 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 2023, 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 2023 year-to-date volume growth recovery was maintained, reaching 34 million cases, 3% better than the comparable period in 2022. Supporting this 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 by 10% over the 2022 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 than in 2022, which included the one-time gain 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 2022. 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 the volumes of poultry and feeds during the nine-month period of 2023.

Income from operations dipped by 50% to P5,217 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 P2,899 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 remainder of 2023.

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.

The Protein segment which consists of the poultry and meats businesses, registered revenue 7% lower than in 2022 as improvement due to additional capacity in the third quarter could not yet offset capacity limitations in the first half of 2023. Revenue of the fresh meats business likewise declined from 2022 following downsized hog operations amidst the resurgence of the ASF in some provinces.

The Prepared and Packaged Food segment, comprising 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 2022 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 P27,665 million for the nine-month period of 2023, a 10% increase from the same period in 2022, driven by the high demand from glass and plastics businesses together with the sustained growth from its Australian operations.

Operating income increased by 20% to P1,596 million against the comparable period in 2022 on account of improved efficiencies and implementation of cost containment programs.

## 3. ENERGY

San Miguel Global Power posted 17,237 GWh offtake volume, 19% lower than the nine-month period of 2023 compared to 2022, 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 the substantial completion of the adjacent full-scale LNG terminal that has a long-term tolling agreement to receive, store and re-gasify LNG fuel.

Consolidated revenues amounted to P125,213 million, down 25% from 2022, 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 passthrough 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 in 2022, resulting from lower foreign exchange loss recorded in 2023 compared to 2022.

## 4. FUEL AND OIL

Petron sustained its volume growth in the first nine months of 2023, recording consolidated sales volume of 93.6 million barrels, up 16% from the 80.4 million barrels sold in the same period in 2022. 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 in 2022, 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-month period of 2023, lower than the P631,138 million recorded in 2022, which reflected the price correction from the extraordinarily elevated levels in the oil market which began in the second semester of 2022 brought upon by the Russia-Ukraine conflict. While international prices started to rise again in the third quarter, the average benchmark Dubai crude oil as of September 2023 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 P16,498 million in 2022, driven largely by the robust volume growth.

Subsequently, net income grew 16% to P9,508 million compared to P8,179 million in 2022.

## 5. INFRASTRUCTURE

The Infrastructure business continued its consistent growth momentum from the operating toll roads for the nine-month period of 2023, posting consolidated revenues of P25,081 million a 20% increase from 2022. Combined average daily traffic volumes reached more than 1,002,362 vehicles, up 11% from the 2022 level brought by the continuous increase in travel activities.

Operating income increased by 35% to P13,567 million, driven primarily by the sustained growth in traffic volumes, coupled with continued cost management initiatives.

## 6. CEMENT

The Cement business registered consolidated revenues of P28,887 million, tripling from P8,126 million in 2022. Operating income amounted to P4,593 million from an operating loss of P19 million in 2022.

Despite 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.

## III. FINANCIAL POSITION

**2024 vs. 2023**

| *(Amounts in millions)* | September 2024 | December 2023 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2024 | 2023 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **P281,162** | P261,358 | P19,804 | 8% | **11%** | 11% |
| Trade and other receivables - net | **242,304** | 263,119 | (20,815) | (8%) | **9%** | 11% |
| Inventories | **175,658** | 161,986 | 13,672 | 8% | **7%** | 6% |
| Current portion of biological assets - net | **3,215** | 3,515 | (300) | (9%) | **0%** | 0% |
| Prepaid expenses and other current assets | **165,829** | 141,424 | 24,405 | 17% | **6%** | 6% |
| **Total Current Assets** | **868,168** | 831,402 | 36,766 | 4% | **33%** | 34% |
| Investments and advances - net | **43,926** | 37,089 | 6,837 | 18% | **2%** | 2% |
| Investments in equity and debt instruments | **21,070** | 19,417 | 1,653 | 9% | **1%** | 1% |
| Property, plant and equipment - net | **811,698** | 753,472 | 58,226 | 8% | **31%** | 31% |
| Right-of-use assets - net | **105,147** | 108,014 | (2,867) | (3%) | **4%** | 4% |
| Investment property - net | **86,586** | 79,513 | 7,073 | 9% | **3%** | 3% |
| Biological assets - net of current portion | **2,460** | 2,667 | (207) | (8%) | **0%** | 0% |
| Goodwill - net | **187,199** | 182,791 | 4,408 | 2% | **7%** | 7% |
| Other intangible assets - net | **330,831** | 306,638 | 24,193 | 8% | **13%** | 12% |
| Deferred tax assets | **18,746** | 19,633 | (887) | (5%) | **1%** | 1% |
| Other noncurrent assets - net | **123,590** | 118,729 | 4,861 | 4% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,731,253** | 1,627,963 | 103,290 | 6% | **67%** | 66% |
| **Total Assets** | **P2,599,421** | P2,459,365 | P140,056 | 6% | **100%** | 100% |
| Loans payable | **P251,136** | P214,881 | P36,255 | 17% | **10%** | 9% |
| Accounts payable and accrued expenses | **265,153** | 223,055 | 42,098 | 19% | **10%** | 9% |
| Lease liabilities - current portion | **6,792** | 19,631 | (12,839) | (65%) | **0%** | 1% |
| Income and other taxes payable | **46,332** | 46,254 | 78 | 0% | **2%** | 2% |
| Dividends and distributions payable | **3,685** | 4,605 | (920) | (20%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **131,998** | 236,798 | (104,800) | (44%) | **5%** | 9% |
| **Total Current Liabilities** | **705,096** | 745,224 | (40,128) | (5%) | **27%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **1,094,134** | 953,786 | 140,348 | 15% | **42%** | 39% |
| Lease liabilities - net of current portion | **34,735** | 36,941 | (2,206) | (6%) | **1%** | 2% |
| Deferred tax liabilities | **33,174** | 29,503 | 3,671 | 12% | **1%** | 1% |
| Other noncurrent liabilities | **32,123** | 28,745 | 3,378 | 12% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,194,166** | 1,048,975 | 145,191 | 14% | **46%** | 43% |

*Forward*

| | September | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2024** | **2023** | **Amount** | **%** | **2024** | **2023** |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,442** | 177,468 | (26) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **68** | 7,354 | (7,286) | (99%) | **0%** | 0% |
| Retained earnings: | | | | | | |
| Appropriated | **89,799** | 87,170 | 2,629 | 3% | **3%** | 4% |
| Unappropriated | **95,811** | 103,151 | (7,340) | (7%) | **4%** | 4% |
| Treasury stock | **(109,763)** | (109,763) | - | 0% | **(4%)** | (4%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **304,198** | 316,221 | (12,023) | (4%) | **12%** | 13% |
| Non-controlling interests | **395,961** | 348,945 | 47,016 | 13% | **15%** | 14% |
| **Total Equity** | **700,159** | 665,166 | (34,993) | 5% | **27%** | 27% |
| **Total Liabilities and Equity** | **P2,599,421** | P2,459,365 | P140,056 | 6% | **100%** | 100% |

Consolidated total assets as at September 30, 2024 amounted to P2,599,421 million, P140,056 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, inventories, prepaid expenses and other current assets, property, plant and equipment and other intangible assets, partly offset by the decrease in trade and other receivables.

The increase in cash and cash equivalents by P19,804 million was mainly due to the cash generated from operations and net proceeds from borrowings and issuance of capital securities. This was partly offset by capital expenditures for the ongoing projects of the Infrastructure and Energy businesses and Food division, payment of interests, dividends and distributions, income taxes and lease liabilities and redemption of capital securities.

The decrease in trade and other receivables - net by P20,815 million was mainly attributable to Petron's lower receivable balance from trade customers and from the Malaysian and Philippine Government due to subsidy payment received and excise tax refund claims granted, respectively.

The increase in inventories by P13,672 million was attributable mainly to: (a) higher volume of both crude oil and finished products of Petron; (b) higher materials and supplies, mostly wheat, and increase in finished goods of the Food division; and (c) reclassification of properties due to change in use from investment property to inventory by San Miguel Properties, Inc. The increase was reduced by the lower prices of both crude oil and finished products of Petron and the utilization of spare parts during the combustor and turbine inspection conducted for the Ilijan Power Plant of the Energy business.

The decrease in total biological assets by P507 million was mainly attributable to lower production costs in 2024 compared to December 2023.

The increase in prepaid expenses and other current assets by P24,405 million was primarily due to: (a) higher excise tax claims, input VAT and unused creditable withholding taxes of Petron; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) increase in restricted cash balance for debt servicing requirements of the Energy and Infrastructure businesses.

The increase in investments and advances - net by P6,837 million was mainly due to the advances for future investments to certain companies by the Energy business and SMC and investment in NNIC by SMHC.

The increase in investments in equity and debt instruments by P1,653 million was mainly due to the investment of SMC in non-voting preferred shares of stock of a company.

The increase in property, plant and equipment - net by P58,226 million was mainly due to the costs of the ongoing projects of the Energy business and the Food division.

The increase in investment property - net by P7,073 million was mainly due to the acquisition of land for the MIA Project and for future projects of the Energy business and the effect of foreign currency translation adjustment on the investment property of Petron Malaysia.

The increase in other intangible assets - net by P24,193 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the amortization during the period.

The decrease in deferred tax assets by P887 million was primarily due to the reversal by SMC of deferred tax asset on realized foreign currency losses resulting from the payment of foreign currency-denominated long-term loan in 2024, net of the recognition of deferred tax asset on unrealized foreign currency losses on derivatives, cash flow hedges and foreign currency-denominated long-term debt.

The increase in loans payable by P36,255 million was mainly due to the net availment made by SMC and the Energy business.

The increase in accounts payable and accrued expenses by P42,098 million was mainly due to: (a) higher payables for capital expenditures and higher trade-related payables mainly for power purchases, coal and fuel supply of the Energy business; and (b) higher payables for the purchase of raw materials and acquisition of fixed assets for the various expansion projects of the Food division.

The decrease in dividends and distributions payable by P920 million was mainly due to the payment of dividends by: (a) Petron to Series 3A and Series 3B preferred shareholders on March 1, 2024, which were declared on November 7, 2023; and (b) SMC Skyway Corporation (SMC Skyway) to common shareholders in February 2024 which were declared in December 2023.

The increase in total long-term debt, net of debt issue costs by P35,548 million was primarily due to the net availment made by the Group.

The decrease in total lease liabilities by P15,045 million was primarily due to the payments made to PSALM, partly offset by the interest expense and foreign exchange loss recognized in 2024 by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P3,671 million was mainly due to the difference in actual PSALM payments over finance lease liability-related expenses and the deferred income tax expense recognized by SPPC for the application of its available NOLCO carryforward benefits to its income tax liability.

The increase in other noncurrent liabilities by P3,378 million was mainly due to the higher amount of retention payable for the ongoing projects of the Infrastructure business, and higher derivative liabilities on currency options of SMC.

The decrease in equity reserves by P7,286 million was mainly due to the loss on foreign exchange recognized on the redemption, exchange and repurchase of foreign currency-denominated SPCS of San Miguel Global Power. The decrease was reduced by the gain on exchange differences on the translation of foreign operations for the period with the depreciation of the Philippine Peso against the US Dollar.

The decrease in unappropriated retained earnings by P7,340 million was mainly due to the dividends and distributions declared and net appropriations of retained earnings during the period. This was partly offset by the net income attributable to equity holders of the Parent Company.

The increase in equity attributable to NCI by P47,016 million was mainly due to the net issuance of capital securities by San Miguel Global Power, issuance of Series 4-D and Series 4-E Preferred Shares by Petron and the share of NCI in the net income and other comprehensive income of the Group, net of dividends and distributions declared to NCI.

**2023 vs. 2022**

| *(Amounts in millions)* | September 2023 | December 2022 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2023 | 2022 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **P265,293** | P318,214 | (P52,921) | (17%) | **11%** | 13% |
| Trade and other receivables - net | **262,221** | 238,782 | 23,439 | 10% | **11%** | 10% |
| Inventories | **169,608** | 190,193 | (20,585) | (11%) | **7%** | 8% |
| Current portion of biological assets - net | **3,709** | 3,418 | 291 | 9% | **0%** | 0% |
| Prepaid expenses and other current assets | **137,439** | 133,691 | 3,748 | 3% | **5%** | 6% |
| **Total Current Assets** | **838,270** | 884,298 | (46,028) | (5%) | **34%** | 37% |
| Investments and advances - net | **36,073** | 32,523 | 3,550 | 11% | **1%** | 1% |
| Investments in equity and debt instruments | **19,484** | 18,921 | 563 | 3% | **1%** | 1% |
| Property, plant and equipment - net | **738,031** | 708,192 | 29,839 | 4% | **30%** | 30% |
| Right-of-use assets - net | **109,189** | 112,067 | (2,878) | (3%) | **5%** | 5% |
| Investment property - net | **76,377** | 74,660 | 1,717 | 2% | **3%** | 3% |
| Biological assets - net of current portion | **2,738** | 2,671 | 67 | 3% | **0%** | 0% |
| Goodwill - net | **184,519** | 184,100 | 419 | 0% | **8%** | 8% |
| Other intangible assets - net | **295,921** | 249,321 | 46,600 | 19% | **12%** | 10% |
| Deferred tax assets | **22,153** | 22,554 | (401) | (2%) | **1%** | 1% |
| Other noncurrent assets - net | **114,031** | 102,518 | 11,513 | 11% | **5%** | 4% |
| **Total Noncurrent Assets** | **1,598,516** | 1,507,527 | 90,989 | 6% | **66%** | 63% |
| **Total Assets** | **P2,436,786** | P2,391,825 | P44,961 | 2% | **100%** | 100% |
| Loans payable | **P222,549** | P267,704 | (P45,155) | (17%) | **9%** | 11% |
| Accounts payable and accrued expenses | **230,032** | 227,126 | 2,906 | 1% | **10%** | 9% |
| Lease liabilities - current portion | **22,256** | 21,020 | 1,236 | 6% | **1%** | 1% |
| Income and other taxes payable | **46,313** | 37,694 | 8,619 | 23% | **2%** | 2% |
| Dividends and distributions payable | **3,734** | 4,037 | (303) | (8%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **227,648** | 170,032 | 57,616 | 34% | **9%** | 7% |
| **Total Current Liabilities** | **752,532** | 727,613 | 24,919 | 3% | **31%** | 30% |
| Long-term debt - net of current maturities and debt issue costs | **955,668** | 918,164 | 37,504 | 4% | **39%** | 39% |
| Lease liabilities - net of current portion | **38,966** | 54,455 | (15,489) | (28%) | **2%** | 2% |
| Deferred tax liabilities | **27,687** | 26,297 | 1,390 | 5% | **1%** | 1% |
| Other noncurrent liabilities | **27,181** | 26,144 | 1,037 | 4% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **1,049,502** | 1,025,060 | 24,442 | 2% | **43%** | 43% |

*Forward*

| | September | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *(Amounts in millions)* | **2023** | **2022** | **Amount** | **%** | **2023** | **2022** |
| Capital stock - common | **P16,443** | P16,443 | P - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **1%** | 0% |
| Additional paid-in capital | **177,699** | 177,719 | (20) | (0%) | **7%** | 7% |
| Capital securities | **24,211** | 24,211 | - | 0% | **1%** | 1% |
| Equity reserves | **9,047** | 12,753 | (3,706) | (29%) | **0%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **83,225** | 71,004 | 12,221 | 17% | **3%** | 3% |
| Unappropriated | **109,142** | 129,239 | (20,097) | (16%) | **5%** | 6% |
| Treasury stock | **(143,763)** | (156,763) | (13,000) | (8%) | **(6%)** | (7%) |
| **Equity Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **286,191** | 284,793 | 1,398 | 0% | **12%** | 12% |
| Non-controlling interests | **348,561** | 354,359 | (5,798) | (2%) | **14%** | 15% |
| **Total Equity** | **634,752** | 639,152 | (4,400) | (1%) | **26%** | 27% |
| **Total Liabilities and Equity** | **P2,436,786** | P2,391,825 | P44,961 | 2% | **100%** | 100% |

Consolidated total assets as at September 30, 2023 amounted to P2,436,786 million, P44,961 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 by P52,921 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 availment of long-term debt.

The increase in trade and other receivables - net by P23,439 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 P20,585 million was attributable mainly to the lower purchases of major raw materials during the nine-month period of 2023 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 by P358 million was mainly due to higher growing expenses, which include feed costs and broiler/hog costs.

The increase in investments and advances - net by P3,550 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 BankCom and Manila North Harbour Port, Inc. (MNHPI) in third quarter of 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in other intangible assets - net by P46,600 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization in 2023.

The increase in other noncurrent assets - net by P11,513 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 P45,155 million was mainly due to the net payments made by Petron, the Food division, the Energy business and SMC.

The increase in income and other taxes payable by P8,619 million was mainly due to the higher amount of: a) VAT payable resulting from 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 P303 million was mainly due to payment of cash dividends to the non-controlling stockholders of SMC Skyway in 2023 which were declared in December 2022.

The increase in total long-term debt, net of debt issue costs by 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 reduced by the payment of foreign currency-denominated term loans by SMC, San Miguel Global Power and Masinloc Power Co. Ltd. (formerly, Masinloc Power Partners Co. Ltd.), 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.

The decrease in total lease liabilities by P14,253 million was primarily due to the payments made to PSALM by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P1,390 million was mainly due to the higher deferred tax liability recognized by the Energy business arising from the differences in actual PSALM payments over finance lease liability-related expenses and the utilization by Petron Malaysia of deferred tax on carryforward capital allowance.

The decrease in equity reserves by P3,706 million was mainly due to the loss on exchange differences from the redemption of US$500 million SPCS of Petron and translation of foreign operations of Petron Malaysia as a result of the strengthening of the Philippine Peso against the Malaysian Ringgit in 2023.

The increase in appropriated retained earnings by P12,221 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 matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (c) SMC SLEX Inc. for capital expenditures in 2023, net of reversals for projects that were already completed. The increase was partly offset by the reversal of appropriations for the power plant project of Petron.

The decrease in unappropriated retained earnings by P20,097 million was mainly due to the net appropriations of retained earnings and dividends and distributions declared.

The decrease in treasury stock by P13,000 million represents the re-issuance on August 29, 2023, of 173,333,325 Series "2-M" Preferred Shares of SMC at an issue price of P75.00 per share.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In Millions)* | **September 30** | |
|---|---|---|
| | **2024** | 2023 |
| Net cash flows provided by operating activities | **P94,177** | P75,536 |
| Net cash flows used in investing activities | **(110,160)** | (119,195) |
| Net cash flows provided by (used in) financing activities | **36,086** | (9,868) |

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** | |
|---|---|---|
| | **2024** | 2023 |
| Additions to: | | |
| Property, plant and equipment | **(P54,968)** | (P45,200) |
| Intangible assets | **(30,132)** | (52,331) |
| Investments and advances | **(8,182)** | (3,459) |
| Investment property | **(6,930)** | (4,053) |
| Advances to contractors and suppliers | **(3,205)** | (9,983) |
| Investments in equity and debt instruments | **(1,962)** | (536) |
| Increase in other noncurrent assets and others | **(18,215)** | (15,105) |
| Interest received | **10,869** | 8,932 |
| Dividends received | **1,210** | 650 |
| Proceeds from: | | |
| Sale of property and equipment and other intangible assets | **828** | 943 |
| Disposal of investments in debt instruments | **519** | 529 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | **8** | 418 |

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

| *(In Millions)* | **September 30** | |
|---|---|---|
| | **2024** | 2023 |
| Net proceeds from issuance of preferred shares and capital securities of subsidiaries | **P71,384** | P - |
| Proceeds from (payment of) short-term loans - net | **35,137** | (44,463) |
| Proceeds from long-term debt - net | **27,315** | 84,009 |
| Redemption of capital securities of subsidiaries | **(45,040)** | (27,134) |
| Cash dividends and distributions paid to non-controlling shareholders | **(25,780)** | (23,095) |
| Payments of lease liabilities | **(17,172)** | (15,727) |
| Cash dividends and distributions paid | **(9,726)** | (7,349) |
| Share issuance costs from re-issuance of treasury shares | **(26)** | - |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | **(6)** | (2,977) |
| Net proceeds from reissuance of treasury shares of a subsidiary | **-** | 13,888 |
| Net proceeds from reissuance of treasury shares | **-** | 12,980 |

The effect of exchange rate changes on cash and cash equivalents amounted to (P299 million) and P606 million in September 2024 and 2023, 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 2024** | December 2023 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.23** | 1.12 |
| Quick Ratio | **0.74** | 0.70 |
| Solvency: | | |
| Debt to Equity Ratio | **2.71** | 2.70 |
| Asset to Equity Ratio | **3.71** | 3.70 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **1.62%** | 0.07% |
| Interest Rate Coverage Ratio | **1.82** | 1.80 |
| Return on Assets | **2.00%** | 1.84% |

| | **Period Ended September 30** | |
|---|---|---|
| | **2024** | 2023 |
| Operating Efficiency: | | |
| Volume Growth | **14%** | 7% |
| Revenue Growth (Decline) | **11%** | (5%) |
| Operating Margin | **10%** | 10% |

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 P265,619 million as at September 30, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects 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, 2023.

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.

**ANNEX "C"**

# SAN MIGUEL CORPORATION
## Top 20 Stockholders
### (As of September 30, 2024)

| RANK | STOCKHOLDER NAME | Common | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | TOP FRONTIER INVESTMENT HOLDINGS, INC. | 1,424,111,661 | 1,424,111,661 | 59.738819 % |
| 2 | PRIVADO HOLDINGS, CORP. | 368,140,516 | 368,140,516 | 15.442806 % |
| 3 | PCD NOMINEE CORPORATION (FILIPINO) | 304,161,576 | 304,161,576 | 12.759009 % |
| 4 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 106,095,316 | 106,095,316 | 4.450500 % |
| 5 | REPUBLIC OF THE PHILIPPINES | 27,636,339 | 27,636,339 | 1.159293 % |
| 6 | PETRON CORPORATION EMPLOYEES' RETIREMENT PLAN | 14,250,900 | 14,250,900 | 0.597799 % |
| 7 | MILLENNIUM ENERGY, INC. | 10,807,380 | 10,807,380 | 0.453349 % |
| 8 | SYSMART CORPORATION | 5,100,607 | 5,100,607 | 0.213961 % |
| 9 | SOLEDAD O. COJUANGCO | 2,297,222 | 2,297,222 | 0.096364 % |
| 10 | MARINE SHORE INVESTMENT HOLDINGS, INC. | 2,089,660 | 2,089,660 | 0.087657 % |
| 11 | EVERETT STEAMSHIP CORPORATION | 1,903,330 | 1,903,330 | 0.079841 % |
| 12 | SGOC HOLDINGS CORPORATION | 1,512,895 | 1,512,895 | 0.063463 % |
| 13 | RAMON S. ANG | 1,345,429 | 1,345,429 | 0.056438 % |
| 14 | MACRINA LEYSON | 1,144,752 | 1,144,752 | 0.048020 % |
| 15 | CARMEL OF THE DIVINE INFANT JESUS OF PRAGUE INC. A/C NO 2 | 957,516 | 957,516 | 0.040166 % |
| 16 | PAC RIM REALTY & DEVELOPMENT CORP. | 912,050 | 912,050 | 0.038259 % |
| 17 | REAL MONASTERIO DE LA PURISIMA CONCEPCION DE NUESTRA MADRE SANTA CLARA DE MANILA | 810,282 | 810,282 | 0.033990 % |
| 18 | CHENG SIOK TUAN | 689,113 | 689,113 | 0.028907 % |
| 19 | JAIME DEE | 624,544 | 624,544 | 0.026198 % |
| 20 | A M T DEVELOPMENT CORPORATION | 603,991 | 603,991 | 0.025336 % |
| | | 2,275,195,079 | 2,275,195,079 | 95.440175 % |

TOTAL NO. OF SHARES : 2,383,896,588
TOTAL NO. OF DISTINCT STOCKHOLDERS : 33,194
TOTAL NO. OF ACCOUNTS : 33,209

| RANK | STOCKHOLDER NAME | Preferred 2-F | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 194,650,560 | 194,650,560 | 87.156902 % |
| 2 | SAN MIGUEL BREWERY INC. RETIREMENT PLAN | 8,000,000 | 8,000,000 | 3.582087 % |
| 3 | SOCIAL SECURITY SYSTEM | 7,328,500 | 7,328,500 | 3.281415 % |
| 4 | SAN MIGUEL CORP. RETIREMENT PLAN FIP | 5,333,400 | 5,333,400 | 2.388088 % |
| 5 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 1,308,800 | 1,308,800 | 0.586029 % |
| 6 | DIVERSIFIED AGROCHEMICALS TRADING CORPORATION | 1,000,000 | 1,000,000 | 0.447761 % |
| 7 | T. D. MAKAO INC. | 707,000 | 707,000 | 0.316567 % |
| 8 | GATELUCK CORPORATION | 667,000 | 667,000 | 0.298656 % |
| 9 | FIRST LIFE FINANCIAL CO., INC. | 533,500 | 533,500 | 0.238880 % |
| 10 | BEN TIUK SY OR JUDY YU SY | 335,000 | 335,000 | 0.150000 % |
| 11 | AUGUSTO MANUEL A. AGUSTIN &/OR DORIS NUBLA AGUSTIN | 320,000 | 320,000 | 0.143283 % |
| 12 | MICHAEL A. CASTRO OR TRICIA C. ODEJAR | 280,000 | 280,000 | 0.125373 % |
| 13 | BAGUIO GAS CORPORATION | 200,000 | 200,000 | 0.089552 % |
| 14 | NCC RETIREMENT PLAN | 153,030 | 153,030 | 0.068521 % |
| 15 | SAN MIGUEL MILLS, INC. RETIREMENT PLAN | 144,000 | 144,000 | 0.064478 % |
| 16 | ANTONIO G. TINSAY &/OR IRENE C. TINSAY &/OR JOIE C. TINSAY | 118,000 | 118,000 | 0.052836 % |
| 17 | JOSELITO PULMANO OBAR OR MA. ZORAIDA CUACHON OBAR | 112,000 | 112,000 | 0.050149 % |
| 18 | CHEMSON Y. LEE OR DIANA O. LEE | 106,700 | 106,700 | 0.047776 % |
| 19 | CATHRINE DIANNE D. BRIONES OR DENNIES CARLO D. BRIONES OR MARION KEMUEL V. BRIONES | 100,000 | 100,000 | 0.044776 % |
| 20 | DEWEY T. TAN | 100,000 | 100,000 | 0.044776 % |
| | | 221,497,490 | 221,497,490 | 99.177907 % |

TOTAL NO. OF SHARES : 223,333,500
TOTAL NO. OF DISTINCT STOCKHOLDERS : 130
TOTAL NO. OF ACCOUNTS : 130

| RANK | STOCKHOLDER NAME | Preferred 2-I | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 150,236,340 | 150,236,340 | 88.722213 % |
| 2 | SAN MIGUEL BREWERY INC. RETIREMENT PLAN | 6,153,600 | 6,153,600 | 3.634014 % |
| 3 | SAN MIGUEL CORP. RETIREMENT PLAN FIP | 2,900,000 | 2,900,000 | 1.712598 % |
| 4 | SGOC HOLDINGS CORPORATION | 2,700,000 | 2,700,000 | 1.594488 % |
| 5 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 1,360,340 | 1,360,340 | 0.803350 % |
| 6 | SAN MIGUEL CORPORATION RETIREMENT PLAN - STP | 900,000 | 900,000 | 0.531496 % |
| 7 | JUAN BRUNO HOLDINGS OPC | 450,000 | 450,000 | 0.265748 % |
| 8 | FIRST LIFE FINANCIAL CO., INC. | 400,000 | 400,000 | 0.236220 % |
| 9 | GREATER REUNION HOLDINGS INC. | 382,500 | 382,500 | 0.225886 % |
| 10 | CHIONG PING G. CHING AND/OR MARIA GRACIA J. TAN | 238,700 | 238,700 | 0.140965 % |
| 11 | CHING HUAY LO SY OR JAMIE BERNADETTE ANG SY OR JUSTIN AARON ANG SY | 216,800 | 216,800 | 0.128031 % |
| 12 | ANTONIO G. TINSAY &/OR JOIE C. TINSAY &/OR IRENE C. TINSAY | 200,000 | 200,000 | 0.118110 % |
| 13 | JOHNSON CHEONG GO OR JOVENTINO CHEONG GO | 133,500 | 133,500 | 0.078839 % |
| 14 | JOHNSON CHEONG GO OR MARY ONG GO | 133,500 | 133,500 | 0.078839 % |
| 15 | KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS., INC. | 133,200 | 133,200 | 0.078661 % |
| 16 | DAVID GO CHIONG OR MARIA VILMA YU CHIONG OR DELWYN VINCE YU CHIONG | 126,700 | 126,700 | 0.074823 % |
| 17 | EDSEL U. LIM OR RUTH KATHERINE K. LIM | 120,100 | 120,100 | 0.070925 % |
| 18 | KAY MITOY HOLDINGS INCORPORATED | 112,500 | 112,500 | 0.066437 % |
| 19 | LLIS HOLDINGS INC. | 112,500 | 112,500 | 0.066437 % |
| 20 | MAKHIA HOLDINGS INC. | 112,500 | 112,500 | 0.066437 % |
| | | 167,122,780 | 167,122,780 | 98.694516 % |

TOTAL NO. OF SHARES : 169,333,400
TOTAL NO. OF DISTINCT STOCKHOLDERS : 102
TOTAL NO. OF ACCOUNTS : 102

| RANK | STOCKHOLDER NAME | Preferred 2-J | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 129,000,387 | 129,000,387 | 48.375145 % |
| 2 | CCJ HOLDINGS CORPORATION | 16,098,000 | 16,098,000 | 6.036750 % |
| 3 | LOCC HOLDINGS CORPORATION | 16,098,000 | 16,098,000 | 6.036750 % |
| 4 | SAINT BRUNO HOLDINGS CORPORATION | 16,098,000 | 16,098,000 | 6.036750 % |
| 5 | SGOC HOLDINGS CORPORATION | 16,098,000 | 16,098,000 | 6.036750 % |
| 6 | TINCOBAR HOLDINGS CORPORATION | 16,098,000 | 16,098,000 | 6.036750 % |
| 7 | JUAN BRUNO HOLDINGS OPC | 13,415,000 | 13,415,000 | 5.030625 % |
| 8 | GREATER REUNION HOLDINGS INC. | 11,402,750 | 11,402,750 | 4.276031 % |
| 9 | KAY MITOY HOLDINGS INCORPORATED | 3,353,750 | 3,353,750 | 1.257656 % |
| 10 | LLIS HOLDINGS INC. | 3,353,750 | 3,353,750 | 1.257656 % |
| 11 | MAKHIA HOLDINGS INC. | 3,353,750 | 3,353,750 | 1.257656 % |
| 12 | SANTA LAKAN HOLDINGS INC. | 3,353,750 | 3,353,750 | 1.257656 % |
| 13 | BELLBRIE HOLDINGS, INC. | 2,683,000 | 2,683,000 | 1.006125 % |
| 14 | HAVACHLO HOLDINGS INC. | 2,683,000 | 2,683,000 | 1.006125 % |
| 15 | JONIMER HOLDINGS CORP. | 2,683,000 | 2,683,000 | 1.006125 % |
| 16 | SAMIED HOLDINGS CORPORATION | 2,683,000 | 2,683,000 | 1.006125 % |
| 17 | SOMALET HOLDINGS CORP. | 2,683,000 | 2,683,000 | 1.006125 % |
| 18 | FORT BASSETT HOLDINGS INC. | 2,012,250 | 2,012,250 | 0.754594 % |
| 19 | VIDA Y AMORE HOLDINGS CORPORATION | 867,000 | 867,000 | 0.325125 % |
| 20 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 698,810 | 698,810 | 0.262054 % |
| | | 264,716,197 | 264,716,197 | 99.268574 % |

TOTAL NO. OF SHARES : 266,666,667
TOTAL NO. OF DISTINCT STOCKHOLDERS : 50
TOTAL NO. OF ACCOUNTS : 50

| RANK | STOCKHOLDER NAME | Preferred 2-K | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 180,807,675 | 180,807,675 | 98.315855 % |
| 2 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 2,146,575 | 2,146,575 | 1.167220 % |
| 3 | KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS., INC. | 445,800 | 445,800 | 0.242408 % |
| 4 | SAN MIGUEL MILLS, INC. RETIREMENT PLAN | 147,000 | 147,000 | 0.079933 % |
| 5 | MARY OH TAN OR JAYSON TAN DY | 100,000 | 100,000 | 0.054376 % |
| 6 | VIDA Y AMORE HOLDINGS CORPORATION | 83,000 | 83,000 | 0.045132 % |
| 7 | G.D. TAN & CO., INC. | 60,000 | 60,000 | 0.032626 % |
| 8 | ANCHOR INSURANCE BROKERAGE CORPORATION RETIREMENT PLAN | 40,000 | 40,000 | 0.021750 % |
| 9 | ANTONIO T. CHUA | 30,000 | 30,000 | 0.016313 % |
| 10 | SMHC MULTI-EMPLOYER RETIREMENT PLAN | 13,950 | 13,950 | 0.007585 % |
| 11 | KNIGHTS OF COLUMBUS FR. GEORGE J. WILLMANN CHARITIES INC. | 7,600 | 7,600 | 0.004133 % |
| 12 | MA. LOURDES L. JAVELLANA | 7,000 | 7,000 | 0.003806 % |
| 13 | LUIS MA. GIL L. GANA OR GWENDOLYN PETRECIA LL PIMENTEL-GANA | 4,000 | 4,000 | 0.002175 % |
| 14 | KC PHILIPPINES FOUNDATION, INC. | 3,400 | 3,400 | 0.001849 % |
| 15 | JOSE M. JAVELLANA JR. | 2,600 | 2,600 | 0.001414 % |
| 16 | SANDRA MARIE L. JAVELLANA | 1,600 | 1,600 | 0.000870 % |
| 17 | DOMINIQUE MARIE AKIO THERESE P. GANA OR JONATHAN A. PABILLORE | 1,400 | 1,400 | 0.000761 % |
| 18 | EDUARDO B. GUTIERREZ | 1,000 | 1,000 | 0.000544 % |
| 19 | JUSTIN MARIO L. JAVELLANA | 800 | 800 | 0.000435 % |
| 20 | MICHELLE DENISE J. LESACA | 800 | 800 | 0.000435 % |
| | | 183,904,200 | 183,904,200 | 99.999619 % |

TOTAL NO. OF SHARES : 183,904,900
TOTAL NO. OF DISTINCT STOCKHOLDERS : 21
TOTAL NO. OF ACCOUNTS : 21

| RANK | STOCKHOLDER NAME | Preferred 2-L | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 161,194,060 | 161,194,060 | 97.481510 % |
| 2 | SAN MIGUEL BREWERY INC. RETIREMENT PLAN | 1,333,400 | 1,333,400 | 0.806369 % |
| 3 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 1,181,940 | 1,181,940 | 0.714774 % |
| 4 | SAN MIGUEL FOODS INC. RETIREMENT PLAN | 333,400 | 333,400 | 0.201622 % |
| 5 | SAN MIGUEL YAMAMURA PACKAGING CORP. RETIREMENT PLAN | 333,400 | 333,400 | 0.201622 % |
| 6 | DEWEY T. TAN OR ZENAIDA U. TAN | 150,000 | 150,000 | 0.090712 % |
| 7 | GINEBRA SAN MIGUEL INC. RETIREMENT PLAN | 133,400 | 133,400 | 0.080673 % |
| 8 | THE PUREFOODS HORMEL CO., INC. EMPLOYEES RETIREMENT PLAN | 133,400 | 133,400 | 0.080673 % |
| 9 | SMHC MULTI-EMPLOYER RETIREMENT PLAN | 80,000 | 80,000 | 0.048380 % |
| 10 | MAGNOLIA INC. RETIREMENT PLAN | 66,700 | 66,700 | 0.040337 % |
| 11 | SAN MIGUEL MILLS, INC. RETIREMENT PLAN | 66,700 | 66,700 | 0.040337 % |
| 12 | SMITS, INC. RETIREMENT PLAN | 66,700 | 66,700 | 0.040337 % |
| 13 | JOHN BALDWIN TAN | 60,000 | 60,000 | 0.036285 % |
| 14 | ANTONIO T. CHUA | 40,000 | 40,000 | 0.024190 % |
| 15 | G.D. TAN & CO., INC. | 38,000 | 38,000 | 0.022980 % |
| 16 | SAN MIGUEL EQUITY INVESTMENTS INC. RETIREMENT PLAN | 33,400 | 33,400 | 0.020199 % |
| 17 | DISTILERIA BAGO, INC. RETIREMENT PLAN | 26,700 | 26,700 | 0.016147 % |
| 18 | ARCHEN TECHNOLOGIES, INC. RETIREMENT PLAN | 20,000 | 20,000 | 0.012095 % |
| 19 | SMCGP MULTI-EMPLOYER RETIREMENT PLAN | 20,000 | 20,000 | 0.012095 % |
| 20 | PROCESS SYNERGY INC. RETIREMENT PLAN | 13,400 | 13,400 | 0.008104 % |
| | | 165,324,600 | 165,324,600 | 99.979439 % |

TOTAL NO. OF SHARES : 165,358,600
TOTAL NO. OF DISTINCT STOCKHOLDERS : 27
TOTAL NO. OF ACCOUNTS : 27

| RANK | STOCKHOLDER NAME | Preferred 2-M | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | GOVERNMENT SERVICE INSURANCE SYSTEM | 133,333,330 | 133,333,330 | 76.923079 % |
| 2 | SOCIAL SECURITY SYSTEM | 17,333,333 | 17,333,333 | 10.000000 % |
| 3 | THE INSULAR LIFE ASSURANCE COMPANY LTD. | 13,333,330 | 13,333,330 | 7.692306 % |
| 4 | SOCIAL SECURITY SYSTEM ASSIGNED TO MANDATORY PROVIDENT FUND | 7,999,999 | 7,999,999 | 4.615384 % |
| 5 | SOCIAL SECURITY SYSTEM ASSIGNED TO EMPLOYEES' COMPENSATION COMMISSION FUND | 1,333,333 | 1,333,333 | 0.769231 % |
| | | 173,333,325 | 173,333,325 | 100.000000 % |

TOTAL NO. OF SHARES : 173,333,325
TOTAL NO. OF DISTINCT STOCKHOLDERS : 5
TOTAL NO. OF ACCOUNTS : 5

| RANK | STOCKHOLDER NAME | Preferred 2-N | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 90,668,390 | 90,668,390 | 90.564151 % |
| 2 | SAN MIGUEL BREWERY INC. RETIREMENT PLAN | 2,666,700 | 2,666,700 | 2.663634 % |
| 3 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 1,698,410 | 1,698,410 | 1.696457 % |
| 4 | SAN MIGUEL FOODS INC. RETIREMENT PLAN | 1,333,400 | 1,333,400 | 1.331867 % |
| 5 | SAN MIGUEL YAMAMURA PACKAGING CORP. RETIREMENT PLAN | 1,333,400 | 1,333,400 | 1.331867 % |
| 6 | GINEBRA SAN MIGUEL INC. RETIREMENT PLAN | 600,000 | 600,000 | 0.599310 % |
| 7 | THE PUREFOODS HORMEL CO., INC. EMPLOYEES RETIREMENT PLAN | 266,700 | 266,700 | 0.266393 % |
| 8 | MAGNOLIA INC. RETIREMENT PLAN | 200,000 | 200,000 | 0.199770 % |
| 9 | SMITS, INC. RETIREMENT PLAN | 200,000 | 200,000 | 0.199770 % |
| 10 | SMHC MULTI-EMPLOYER RETIREMENT PLAN | 186,700 | 186,700 | 0.186485 % |
| 11 | SAN MIGUEL MILLS, INC. RETIREMENT PLAN | 160,000 | 160,000 | 0.159816 % |
| 12 | DISTILERIA BAGO, INC. RETIREMENT PLAN | 80,000 | 80,000 | 0.079908 % |
| 13 | NCC RETIREMENT PLAN | 66,700 | 66,700 | 0.066623 % |
| 14 | JIMMY SANTOS ONG | 57,000 | 57,000 | 0.056934 % |
| 15 | ENRIQUE LL. YUSINGCO | 55,000 | 55,000 | 0.054937 % |
| 16 | SAN MIGUEL PROPERTIES, INC. RETIREMENT PLAN | 53,400 | 53,400 | 0.053339 % |
| 17 | SMC SHIPPING AND LIGHTERAGE CORPORATION RETIREMENT PLAN | 53,400 | 53,400 | 0.053339 % |
| 18 | G.D. TAN & CO., INC. | 53,000 | 53,000 | 0.052939 % |
| 19 | RUBEN S. ONG OR RICHARD AUSTIN ONG | 47,500 | 47,500 | 0.047445 % |
| 20 | ANCHOR INSURANCE BROKERAGE CORPORATION RETIREMENT PLAN | 40,000 | 40,000 | 0.039954 % |
| | | 99,819,700 | 99,819,700 | 99.704940 % |

TOTAL NO. OF SHARES : 100,115,100
TOTAL NO. OF DISTINCT STOCKHOLDERS : 40
TOTAL NO. OF ACCOUNTS : 40

| RANK | STOCKHOLDER NAME | Preferred 2-O | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 142,546,050 | 142,546,050 | 75.878994 % |
| 2 | SOCIAL SECURITY SYSTEM | 27,800,000 | 27,800,000 | 14.798278 % |
| 3 | SOCIAL SECURITY SYSTEM ASSIGNED TO MANDATORY PROVIDENT FUND | 10,000,000 | 10,000,000 | 5.323121 % |
| 4 | SAN MIGUEL BREWERY INC. RETIREMENT PLAN | 2,000,000 | 2,000,000 | 1.064624 % |
| 5 | SOCIAL SECURITY SYSTEM ASSIGNED TO EMPLOYEES' COMPENSATION COMMISSION FUND | 2,000,000 | 2,000,000 | 1.064624 % |
| 6 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 663,300 | 663,300 | 0.353083 % |
| 7 | SAN MIGUEL FOODS INC. RETIREMENT PLAN | 333,400 | 333,400 | 0.177473 % |
| 8 | SAN MIGUEL YAMAMURA PACKAGING CORP. RETIREMENT PLAN | 333,400 | 333,400 | 0.177473 % |
| 9 | GENTEEL HOLDINGS, INC. | 270,000 | 270,000 | 0.143724 % |
| 10 | GINEBRA SAN MIGUEL INC. RETIREMENT PLAN | 266,700 | 266,700 | 0.141968 % |
| 11 | SOCIAL SECURITY SYSTEM ASSIGNED TO NEW VOLUNTARY PROVIDENT FUND | 200,000 | 200,000 | 0.106462 % |
| 12 | THE PUREFOODS HORMEL CO., INC. EMPLOYEES RETIREMENT PLAN | 200,000 | 200,000 | 0.106462 % |
| 13 | MAPRAZ HOLDINGS, INC. | 135,000 | 135,000 | 0.071862 % |
| 14 | SPAGNOLO HOLDINGS, INC. | 135,000 | 135,000 | 0.071862 % |
| 15 | MAGNOLIA INC. RETIREMENT PLAN | 133,400 | 133,400 | 0.071010 % |
| 16 | SMHC MULTI-EMPLOYER RETIREMENT PLAN | 133,400 | 133,400 | 0.071010 % |
| 17 | SMITS, INC. RETIREMENT PLAN | 133,400 | 133,400 | 0.071010 % |
| 18 | SAN MIGUEL MILLS, INC. RETIREMENT PLAN | 106,700 | 106,700 | 0.056798 % |
| 19 | CAROUSEL HOLDINGS, INC. | 100,000 | 100,000 | 0.053231 % |
| 20 | MONACO HOLDINGS, INC. | 100,000 | 100,000 | 0.053231 % |
| | | 187,589,750 | 187,589,750 | 99.856302 % |

TOTAL NO. OF SHARES : 187,859,700
TOTAL NO. OF DISTINCT STOCKHOLDERS : 39
TOTAL NO. OF ACCOUNTS : 39