SAN MIGUEL
FOOD AND BEVERAGE, INC.

August 17, 2026

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.

Gentlemen:

Please be informed that the disclosure sent herewith was submitted by San Miguel Food and Beverage, Inc. to the Philippine Stock Exchange, Inc. on August 14, 2026.

Very truly yours,

ALEXANDRA VICTORIA B. TRILLANA
Corporate Secretary and Compliance Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
40 San Miguel Avenue, Mandaluyong City
Metro Manila, Philippines
Tel. No.: (632) 5 317-5000
Website: www.smfb.com.ph

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
   Jun 30, 2026
2. SEC Identification Number
   11840
3. BIR Tax Identification No.
   000-100-341-000
4. Exact name of issuer as specified in its charter
   SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   40 San Miguel Avenue, Mandaluyong City, Metro Manila
   Postal Code
   1555
8. Issuer's telephone number, including area code
   (632) 5317-5000
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES (FB)	5,909,220,090
SERIES B BONDS DUE MARCH 2027 (IN PESO)	7,000,000,000.00
TOTAL DEBT AS OF 31MAR26 (IN MIL PESO-CONSO)	186,515

11. Are any or all of registrant's securities listed on a Stock Exchange?
   (●) Yes ( ) No
   If yes, state the name of such stock exchange and the classes of securities listed therein:
   PHILIPPINE STOCK EXCHANGE, INC. – COMMON SHARES PHILIPPINE DEALING& EXCHANGE CORP. – SERIES B BONDS DUE 2027

12. Indicate by check mark whether the registrant:

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

◉ Yes ○ No

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

◉ Yes ○ No

SAN MIGUEL
FOOD AND BEVERAGE, INC.

San Miguel Food and Beverage, Inc.
FB

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

For the period ended	Jun 30, 2026
Currency (indicate units, if applicable)	PHP (In Millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2026	Dec 31, 2025
Current Assets	147,054	146,262
Total Assets	389,947	389,307
Current Liabilities	112,842	120,269
Total Liabilities	184,604	192,564
Retained Earnings/(Deficit)	123,702	115,001
Stockholders' Equity	205,343	196,743
Stockholders' Equity - Parent	137,553	128,483

Book Value per Share	23.28	21.74

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	102,152	102,322	205,254	201,200
Gross Expense	89,070	87,485	176,443	171,159
Non-Operating Income	1,305	1,183	2,150	2,413
Non-Operating Expense	1,032	1,238	2,317	2,612
Income/(Loss) Before Tax	13,355	14,782	28,644	29,842
Income Tax Expense	3,086	3,400	6,592	6,878
Net Income/(Loss) After Tax	10,269	11,382	22,052	22,964
Net Income Attributable to Parent Equity Holder	6,771	7,439	14,610	14,948
Earnings/(Loss) Per Share (Basic)	1.14	1.26	2.47	2.53
Earnings/(Loss) Per Share (Diluted)	1.14	1.26	2.47	2.53

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	5.04	4.79
Earnings/(Loss) Per Share (Diluted)	5.04	4.79

Other Relevant Information

Please see attached SEC Form 17-Q (Quarterly Report) of the Company for the quarter ended June 30, 2026 submitted to the Securities and Exchange Commission via SEC eFAST on August 14, 2026.

Filed on behalf by:

Name	Alexandra Victoria Trillana
Designation	Corporate Secretary and Compliance Officer

COVER SHEET

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S. E. C. Registration Number

	S	A	N		M	I	G	U	E	L		F	O	O	D		A	N	D
	B	E	V	E	R	A	G	E	,		I	N	C	.					

(Company's Full Name)

	4	0		S	A	N		M	I	G	U	E	L						
	A	V	E	N	U	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		

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

ALEXANDRA VICTORIA B. TRILLANA — Contact Person

(632) 5317-5450 — Company Telephone Number

SEC Form

Month	Day	FORM TYPE	Month	Day
		17-Q		

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

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SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2026**

2. SEC Identification Number **11840**

3. BIR Tax Identification No. **000-100-341-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL FOOD AND BEVERAGE, INC.**

5. **Philippines**
   Province, Country or other jurisdiction
   Of incorporation or organization

6. ______ SEC Use Only
   Industry Classification Code

7. **40 San Miguel Avenue, Mandaluyong City** **1555**
   Address of issuer's principal office Postal code

8. **(02) 5317-5000**
   Issuer's telephone number, including area code

9. **100 E. Rodriguez Jr. Avenue (C5 Road),** **1604**
   Barangay Ugong, Pasig City Postal code
   Former name, former address, and former fiscal year, if changed since last report

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

	Number of Shares Issued and Outstanding and Total Liabilities (As of June 30, 2026)
Common Shares - P1.00 par value	**5,909,220,090**
Series B Bonds Due March 2027	**P7,000,000,000**
Total Liabilities (in '000,000)	**P184,604**

11. Are any or all these securities listed on the Philippine Stock Exchange?

    Yes (√) No ( )

12. Indicate by check mark whether the registrant:

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

    Yes (√) No ( )

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

    Yes (√) No ( )

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or the "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended June 30, 2026 (with comparative figures as of December 31, 2025 and for the period ended June 30, 2025) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

PART II - OTHER INFORMATION

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

NONE

SIGNATURES

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

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

Signature and Title **MONICA L. ANG-MERCADO**
Treasurer and Chief Finance Officer

Date August 14, 2026

Annex “A”

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2026 and December 31, 2025 and
For the Periods Ended June 30, 2026 and 2025

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2026 AND DECEMBER 31, 2025
(In Millions)

	Note	**2026 Unaudited**	2025 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P 63,316**	P64,506
Trade and other receivables - net	*6, 8, 9*	**24,175**	29,891
Inventories		**51,656**	43,659
Current portion of biological assets - net		**3,141**	3,074
Prepaid expenses and other current assets	*6, 8, 9*	**4,580**	4,946
Assets held for sale		**186**	186
Total Current Assets		**147,054**	146,262
Noncurrent Assets			
Investments - net	*6, 8, 9*	**18,936**	18,672
Property, plant and equipment - net	*4*	**136,289**	136,768
Right-of-use assets - net		**4,441**	4,814
Investment property - net		**5,495**	4,304
Biological assets - net of current portion		**2,694**	2,661
Goodwill - net		**996**	996
Other intangible assets - net		**39,890**	39,816
Deferred tax assets		**3,492**	3,377
Other noncurrent assets - net	*6, 8, 9*	**30,660**	31,637
Total Noncurrent Assets		**242,893**	243,045
		P 389,947	P389,307
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*6, 8, 9*	**P 12,324**	P14,346
Trade payables and other current liabilities	*6, 8, 9*	**71,177**	74,542
Lease liabilities - current portion	*6, 8, 9*	**573**	727
Income and other taxes payable		**8,761**	11,369
Dividends payable	*5*	**727**	111
Current maturities of long-term debt – net of debt issue costs	*8, 9*	**19,280**	19,174
Total Current Liabilities		**112,842**	120,269
Noncurrent Liabilities			
Long-term debt – net of current maturities and debt issue costs	*8, 9*	**61,367**	61,626
Deferred tax liabilities		**31**	31
Lease liabilities – net of current portion	*6, 8, 9*	**4,713**	4,865
Other noncurrent liabilities	*6, 8, 9*	**5,651**	5,773
Total Noncurrent Liabilities		**71,762**	72,295

Forward

CERTIFIED CORRECT:

Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

	2026 Unaudited	2025 Audited
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**P6,251**	P6,251
Additional paid-in capital	**366,620**	366,620
Equity adjustments from common control transactions	**(327,793)**	(327,793)
Equity reserves	**(1,045)**	(1,414)
Retained earnings:		
Appropriated	**48,047**	46,807
Unappropriated	**75,655**	68,194
Treasury stock	**(30,182)**	(30,182)
	137,553	128,483
Non-controlling Interests	**67,790**	68,260
Total Equity	**205,343**	196,743
	P389,947	P389,307

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

CERTIFIED CORRECT:

Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED JUNE 30, 2026 AND 2025
(In Millions, Except Per Share Data)

				For the Quarter Ended	
	Note	2026 Unaudited	2025 Unaudited	2026 Unaudited	2025 Unaudited
SALES	3	**P205,254**	P201,200	**P 102,152**	P102,322
COST OF SALES		**146,863**	143,084	**73,646**	72,767
GROSS PROFIT		**58,391**	58,116	**28,506**	29,555
SELLING AND ADMINISTRATIVE EXPENSES		**(29,580)**	(28,075)	**(15,424)**	(14,718)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		**(2,242)**	(2,612)	**(1,032)**	(1,238)
INTEREST INCOME		**1,703**	1,868	**817**	894
EQUITY IN NET GAIN OF ASSOCIATE		**4**	-	**3**	-
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		**443**	2	**443**	1
OTHER INCOME (CHARGES) - Net	8, 9	**(75)**	543	**42**	288
INCOME BEFORE INCOME TAX		**28,644**	29,842	**13,355**	14,782
INCOME TAX EXPENSE		**6,592**	6,878	**3,086**	3,400
NET INCOME		**P22,052**	P22,964	**P 10,269**	P11,382
Attributable to:					
Equity holders of the Parent Company		**P14,610**	P14,948	**P 6,771**	P7,439
Non-controlling interests		**7,442**	8,016	**3,498**	3,943
		P22,052	P22,964	**P 10,269**	P11,382
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	**P2.47**	P2.53	**P1.14**	P1.26

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

CERTIFIED CORRECT:

Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2026 AND 2025
(In Millions)

			For the Quarter Ended	
	2026 Unaudited	2025 Unaudited	**2026 Unaudited**	2025 Unaudited
NET INCOME	**P22,052**	P22,964	**P10,269**	P11,382
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified to profit or loss				
Net loss on financial assets at fair value through other comprehensive income	-	(1)	**(1)**	(2)
	-	(1)	**(1)**	(2)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations	**419**	(646)	**(204)**	(298)
	419	(646)	**(204)**	(298)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	**419**	(647)	**(205)**	(300)
TOTAL COMPREHENSIVE INCOME - Net of tax	**P22,471**	P22,317	**P10,064**	P11,082
Attributable to:				
Equity holders of the Parent Company	**P14,979**	P14,666	**P6,843**	P7,302
Non-controlling interests	**7,492**	7,651	**3,221**	3,780
	P22,471	P22,317	**P10,064**	P11,082

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

CERTIFIED CORRECT:

Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2026 AND 2025
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock			Non-controlling Interests	Total Equity
	Note	Common	Preferred							Appro-priated	Unappro-priated	Common	Preferred	Total		
As at January 1, 2026 (Audited)		P5,951	P300	P366,620	(P327,793)	(P3,305)	P45	P1,923	(P77)	P46,807	P68,194	(P182)	(P30,000)	P128,483	P68,260	P196,743
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	369	-	-	-	-	-	369	50	419
Other comprehensive income		-	-	-	-	-	-	369	-	-	-	-	-	369	50	419
Net income		-	-	-	-	-	-	-	-	-	14,610	-	-	14,610	7,442	22,052
Total comprehensive income		-	-	-	-	-	-	369	-	-	14,610	-	-	14,979	7,492	22,471
Net reversal of appropriation		-	-	-	-	-	-	-	-	1,240	(1,240)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(5,909)	-	-	(5,909)	(7,962)	(13,871)
As at June 30, 2026 (Unaudited)		P5,951	P300	P366,620	(327,793)	(P3,305)	P45	P2,292	(P77)	P48,047	P75,655	(P182)	(P30,000)	P137,553	P67,790	P205,343

Forward

CERTIFIED CORRECT:

Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

	Note	Capital Stock Common	Capital Stock Preferred	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Equity Reserves: Reserve for Retirement Reserve	Equity Reserves: Fair Value Reserve	Equity Reserves: Translation Reserve	Equity Reserves: Other Equity Reserve	Retained Earnings Appro-priated	Retained Earnings Unappro-priated	Treasury Stock Common	Treasury Stock Preferred	Total	Non-controlling Interests	Total Equity
		Equity Attributable to Equity Holders of the Parent Company														
As at January 1, 2025 (Audited)		**P5,951**	**P300**	**P366,620**	**(P327,793)**	**(P3,275)**	**P41**	**P1,600**	**(P77)**	**P45,375**	**P57,551**	**(P182)**	**(P30,000)**	**P116,111**	**P64,078**	**P180,189**
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	(281)	-	-	-	-	-	(281)	(365)	(646)
Other comprehensive loss		-	-	-	-	-	(1)	(281)	-	-	-	-	-	(282)	(365)	(647)
Net income		-	-	-	-	-	-	-	-	-	14,948	-	-	14,948	8,016	22,964
Total comprehensive income (loss)		-	-	-	-	-	(1)	(281)	-	-	14,948	-	-	14,666	7,651	22,317
Share issuance costs		-	-	-	-	-	-	-	-	-	(28)	-	-	(28)	-	(28)
Appropriation – net		-	-	-	-	-	-	-	-	1,435	(1,435)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(5,909)	-	-	(5,909)	(6,324)	(12,233)
As at June 30, 2025 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P3,275)	P40	P1,319	(P77)	P46,810	P65,127	(P182)	(P30,000)	P124,840	P65,405	P190,245

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

CERTIFIED CORRECT:

Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2026 AND 2025

(In Millions)

	Note	**2026 Unaudited**	2025 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P28,644**	P29,842
Adjustments for:			
Depreciation and amortization	4	**9,581**	8,703
Interest expense and other financing charges		**2,242**	2,613
Retirement costs		**754**	701
Impairment losses on receivables and write-down of inventories		**363**	264
Gain on sale of investments and property and equipment		**521**	(14)
Net unrealized foreign exchange gain		**(55)**	(51)
Equity in net earnings of associate		**(4)**	-
Gain on fair valuation of agricultural produce		**(34)**	(79)
Dividend income		**(76)**	(72)
Interest income		**(1,703)**	(1,868)
Net other charges (gain) on derivative transactions		**116**	(67)
Operating income before working capital changes		**40,349**	39,972
Decrease (increase) in:			
Trade and other receivables		**5,367**	6,644
Inventories		**(8,229)**	2,662
Current portion of biological assets		**(67)**	(186)
Prepaid expenses and other current assets		**401**	282
Increase (decrease) in trade payables and other current liabilities		**(6,374)**	(603)
Cash generated from operations		**31,447**	48,771
Income taxes paid		**(7,447)**	(6,656)
Interest paid		**(2,979)**	(3,258)
Contributions paid		**(1,161)**	(573)
Net cash flows provided by operating activities		**19,860**	38,284
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	4	**(5,616)**	(6,304)
Increase in biological assets, intangible assets and other noncurrent assets		**(2,271)**	(4,954)
Proceeds from sale of investments and property and equipment		**29**	28
Dividends received		**76**	72
Interest received		**1,696**	1,850
Net cash flows used in investing activities		**(6,086)**	(9,308)

Forward

CERTIFIED CORRECT:
Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

	2026 Unaudited	2025 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	**P70,982**	P106,867
Long-term borrowings	**9,925**	11,910
Payments of:		
Short-term borrowings	**(73,004)**	(117,117)
Long-term borrowings	**(10,132)**	(12,186)
Lease liabilities	**(364)**	(353)
Cash dividends paid	**(12,905)**	(11,622)
Share issuance costs	**-**	(28)
Net cash flows used in financing activities	**(15,498)**	(22,529)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**535**	(240)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,189)**	6,207
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**64,505**	58,221
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P63,316**	P64,428

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

CERTIFIED CORRECT:

Monica L. Ang-Mercado
Treasurer and Chief Finance Officer

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Reporting Entity

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

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

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

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

On August 7, 2024, the Board of Directors (BOD) of SMFB approved the amendment of the Company’s principal address from 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City to 40 San Miguel Avenue, Mandaluyong City. The change of the principal address was approved by the SEC on January 10, 2025. Accordingly, the Company filed an application for registration information with the Bureau of Internal Revenue (BIR) and BIR issued the updated certificate of registration dated January 31, 2025.

2. Material Accounting Policy Information

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as at December 31, 2025.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 5, 2026.

The interim consolidated financial statements are presented in Philippine Peso and all financial information is 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 Philippine 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) Accounting Standards.

Adoption of Amendments to Standards

The Group has adopted the following amendments to PFRS effective January 1, 2026 and accordingly, changed its accounting policies in the following areas:

- Disclosures about Uncertainties in the Financial Statements (Amendments to Illustrative Examples on PFRS 7, *Financial Instruments: Disclosures,* PFRS 18, *Presentation and Disclosure in Financial Statements,* PAS 1, *Presentation of Financial Statements,* PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* PAS 36, *Impairment of Assets* and PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments provide illustrative examples demonstrating how entities can apply PFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The examples use climate-related scenarios as practical illustrations, but the underlying principles apply more broadly to all uncertainties.

  The illustrative examples are not an integral part of the PFRS Accounting Standards and do not have an effective date or transition requirements. Entities are expected to consider these examples in applying the disclosure requirements of the relevant standards on a timely basis.

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments* and PFRS 7). The amendments clarify that a financial liability is derecognized on the settlement date when the related obligation is discharged, cancelled or expires. The amendments also introduce an accounting policy option to derecognize financial liabilities settled through an electronic payment system before the settlement date, if certain specified conditions are met.

  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.

- Annual Improvements to PFRS Accounting Standards - Volume 11. This cycle of improvements contains amendments to five standards, of which the following amendments are relevant to the Group:

  - Gain or Loss on Derecognition (Amendments to PFRS 7). The amendments replaced the reference to ‘inputs that were not based on observable market data’ in the obsolete paragraph 27A of PFRS 7, with reference to ‘unobservable inputs’ in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.

- Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9). The amendments:

    - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in statement of income; and

    - replaced the term 'their transaction price (as defined in PFRS 15, *Revenue from Contracts with Customers*)' with 'the amount determined by applying PFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that’s unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

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, 2026 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is 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 18, 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.

    Consequential amendments to PAS 7, *Statement of Cash Flows*, require the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

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

The Group continues to assess the impact of the above new and amendments to standards effective subsequent to 2026 on the interim consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the interim consolidated financial statements when these amendments are adopted.

3. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed by SMC separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, namely: Food, Beer and Non-alcoholic Beverages (NAB), and Spirits. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Food Segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats and canned meats products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, 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) 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 ("Others").

The Beer and NAB segment is engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets.

The Spirits segment is engaged in the production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

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

Financial information about reportable segments follows:

	Food		Beer and NAB		Spirits		Others		Total Reportable Segments		Eliminations		Consolidated	
	June 2026	June 2025	**June 2026**	June 2025	**June 2026**	June 2025	**June 2026**	June 2025	**June 2026**	June 2025	**June 2026**	June 2025	**June 2026**	June 2025
Sales														
External	**P99,266**	P94,379	**P73,654**	P74,588	**P32,334**	P32,233	**P-**	P-	**P205,254**	P201,200	**P-**	P-	**P205,254**	P201,200
Inter-segment	**1**	-	**-**	-	**1**	2	**33**	20	**35**	22	**(35)**	(22)	**-**	-
Total sales	**P99,267**	P94,379	**P73,654**	P74,588	**P32,335**	P32,235	**P33**	P20	**P205,289**	P201,222	**(P35)**	(P22)	**P205,254**	P201,200
Expenses														
Inventories	**P65,114**	P62,116	**P6,668**	P7,423	**P7,804**	P8,728	**P-**	P-	**P79,586**	P78,267	**(P2)**	(P4)	**P79,584**	P78,263
Excise taxes	**-**	-	**34,903**	34,349	**14,431**	13,980	**-**	-	**49,334**	48,329	**-**	-	**49,334**	48,329
Total Expenses	**P65,114**	P62,116	**P41,571**	P41,772	**P22,235**	P22,708	**P-**	P-	**P128,920**	P126,596	**(P2)**	(P4)	**P128,918**	P126,592
Results														
Segment operating result	**P8,833**	P8,648	**P14,372**	P16,214	**P5,360**	P4,952	**P215**	P220	**P28,780**	P30,034	**P31**	P7	**P28,811**	P30,041
Interest expense and other financing charges													**(2,242)**	(2,612)
Interest income													**1,703**	1,868
Equity in net gain of associate													**4**	-
Gain on sale of investments and property and equipment													**443**	2
Other income (charges) - net													**(75)**	543
Income tax expense													**(6,592)**	(6,878)
Net income													**P22,052**	P22,964
	June 2026	December 2025	**June 2026**	December 2025	**June 2026**	December 2025	**June 2026**	December 2025	**June 2026**	December 2025	**June 2026**	December 2025	**June 2026**	December 2025
Other Information														
Segment assets	**P156,102**	P153,628	**P123,454**	P131,156	**P35,568**	P32,983	**P16,630**	P8,610	**P331,754**	P326,377	**(P7,096)**	(P2,271)	**P324,658**	P324,106
Investments	**50**	50	**16,193**	15,934	**1,500**	1,500	**360,767**	360,767	**378,510**	378,251	**(359,574)**	(359,579)	**18,936**	18,672
Right-of-use assets - net													**4,441**	4,814
Goodwill, trademarks and brand names													**38,276**	38,191
Other assets													**144**	147
Deferred tax assets													**3,492**	3,377
Consolidated total assets													**P389,947**	P389,307
Segment liabilities	**P50,750**	P51,804	**P18,584**	P21,501	**P7,850**	P6,924	**P7,489**	P7,147	**P84,673**	P87,376	**(P8,201)**	(P7,511)	**P76,472**	P79,865
Loans payable													**12,324**	14,346
Long-term debt													**80,647**	80,800
Lease liabilities													**5,286**	5,592
Income and other taxes payable													**8,761**	11,369
Dividends and interest payable													**1,083**	561
Deferred tax liabilities													**31**	31
Consolidated total liabilities													**P184,604**	P192,564

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

	Food		Beer and NAB		Spirits		Consolidated	
	June 2026	June 2025	**June 2026**	June 2025	**June 2026**	June 2025	**June 2026**	June 2025
Timing of Revenue Recognition								
Sales recognized at point in time	**P99,259**	P94,369	**P73,654**	P74,588	**P32,334**	P32,233	**P205,247**	P201,190
Sales recognized over time	**7**	10	**-**	-	**-**	-	**7**	10
Total External Sales	**P99,266**	P94,379	**P73,654**	P74,588	**P32,334**	P32,233	**P205,254**	P201,200

4. Property, Plant and Equipment

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

June 30, 2026 and December 31, 2025

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2025 (Audited)	P19,651	P50,280	P108,527	P8,145	P2,320	P36,163	P225,086
Additions	290	1,480	207	499	15	13,019	15,510
Disposals	-	(35)	(1,279)	(149)	-	-	(1,463)
Reclassifications	2,020	7,051	7,978	1,365	1,314	(19,206)	522
Currency translation adjustments	114	266	758	16	-	2	1,156
December 31, 2025 (Audited)	22,075	59,042	116,191	9,876	3,649	29,978	240,811
Additions	10	454	64	85	-	3,466	4,079
Disposals	(29)	-	(75)	(49)	-	-	(153)
Retirement	-	(11)	(52)	(44)	-	-	(107)
Reclassifications	1,299	991	353	404	306	(4,060)	(707)
Currency translation adjustments	(14)	475	1,232	17	-	10	1,720
June 30, 2026 (Unaudited)	**23,341**	**60,951**	**117,713**	**10,289**	**3,955**	**29,394**	**245,643**
Accumulated Depreciation							
January 1, 2025 (Audited)	2,107	14,503	59,771	4,611	703	-	81,695
Depreciation	165	1,628	4,706	955	129	-	7,583
Disposals	-	(24)	(1,160)	(142)	-	-	(1,326)
Reclassifications	9	(29)	107	(2)	4	-	89
Currency translation adjustments	3	114	400	13	-	-	530
December 31, 2025 (Audited)	2,284	16,192	63,824	5,435	836	-	88,571
Depreciation	89	830	2,514	550	67	-	4,050
Disposals	-	-	(12)	(47)	-	-	(59)
Retirement	-	(11)	(53)	(44)	-	-	(108)
Reclassifications	-	(10)	(8)	-	(37)	-	(55)
Currency translation adjustments	(2)	160	460	6	-	-	624
June 30, 2026 (Unaudited)	**2,371**	**17,161**	**66,725**	**5,900**	**866**	-	**93,023**
Accumulated Impairment Losses							
January 1, 2025 (Audited)	-	3,865	10,822	113	1	-	14,801
Impairment	274	-	-	-	-	-	274
Disposals	-	(7)	(104)	(2)	-	-	(113)
Reclassifications	-	(1)	45	1	-	-	45
Currency translation adjustments	-	130	333	2	-	-	465
December 31, 2025 (Audited)	274	3,987	11,096	114	1	-	15,472
Reclassifications	-		(60)	(45)	- -		(105)
Currency translation adjustments	-	269	693	2	- -		964
June 30, 2026 (Unaudited)	**274**	**4,256**	**11,729**	**71**	**1**	**-**	**16,331**
Carrying Amount							
December 31, 2025 (Audited)	P19,517	P38,863	P41,271	P4,327	P2,812	P29,978	P136,768
June 30, 2026 (Unaudited)	**P20,696**	**P39,534**	**P39,259**	**P4,318**	**P3,088**	**P29,394**	**P136,289**

June 30, 2025

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2025 (Audited)	P19,651	P50,280	P108,527	P8,145	P2,320	P36,163	P225,086
Additions	29	-	34	57	2	6,177	6,299
Disposals	-	(35)	(603)	(44)	-	-	(682)
Reclassifications	883	1,881	2,846	729	1,302	(6,651)	990
Currency translation adjustments	17	(233)	(527)	(15)	-	(2)	(760)
June 30, 2025 (Unaudited)	**20,580**	**51,893**	**110,277**	**8,872**	**3,624**	**35,687**	**230,933**
Accumulated Depreciation							
January 1, 2025 (Audited)	2,107	14,503	59,771	4,611	703	-	81,695
Depreciation	75	738	2,237	442	62	-	3,554
Disposals	-	(25)	(584)	(43)	-	-	(652)
Reclassifications	12	8	94	9	-	-	123
Currency translation adjustments	(1)	(101)	(230)	(10)	-	-	(342)
June 30, 2025 (Unaudited)	**2,193**	**15,123**	**61,288**	**5,009**	**765**	**-**	**84,378**
Accumulated Impairment Losses							
January 1, 2025 (Audited)	-	3,865	10,822	113	1	-	14,801
Disposals	-	(7)	(3)	(2)	-	-	(12)
Reclassification			43	-	-	-	43
Currency translation adjustments	-	(98)	(281)	(2)	-	-	(381)
June 30, 2025 (Unaudited)	**-**	**3,760**	**10,581**	**109**	**1**	**-**	**14,451**
Carrying Amount							
June 30, 2025 (Unaudited)	**P18,387**	**P33,010**	**P38,408**	**P3,754**	**P2,858**	**P35,687**	**P132,104**

Depreciation and amortization recognized in the consolidated statements of income amounted to P4,050 and P3,554 for the periods ended June 30, 2026 and 2025, respectively.

5. Dividends

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

2026

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common	**February 6, 2026**	**February 20, 2026**	**March 6, 2026**	**P0.50**
	May 6, 2026	**May 21, 2026**	**June 5, 2026**	**0.50**

2025

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 5, 2025	February 19, 2025	March 6, 2025	P0.50
	May 7, 2025	May 22, 2025	June 6, 2025	0.50

6. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at June 30, 2026 and December 31, 2025:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**June 30, 2026**	**P97**	**P745**	**P6,250**	**P834**	On demand except redeemable perpetual securities; non-interest bearing	Unsecured; no impairment
	December 31, 2025	425	1,640	6,083	924		
Entities under Common Control of the Intermediate Parent Company	**June 30, 2026**	**364**	**21,220**	**1,648**	**13,264**	On demand; non- interest bearing	Unsecured; no impairment
	December 31, 2025	1,045	45,148	2,134	17,193		
Joint Venture	**June 30, 2026**	**15**	**-**	**621**	**-**	On demand; interest bearing	Unsecured; with impairment
	December 31, 2025	15	-	622	-		
Associate of Intermediate Parent Company	**June 30, 2026**	**316**	**-**	**3,583**	**262**	Upon maturity; interest bearing	Unsecured; no impairment
	December 31, 2025	365	305	3,614	325		
Shareholders in Subsidiaries	**June 30, 2026**	**77**	**2,587**	**103**	**61**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2025	179	4,830	159	61		
June 30, 2026	**June 30, 2026**	**P869**	**P24,552**	**P12,205**	**P14,421**		
Total	December 31, 2025	P2,029	P51,923	P12,612	P18,503		

a. Amounts owed by related parties consist of current and noncurrent receivables arising from sale of goods and services, deposits and share in expenses. It also includes investments in equity that pertains to subscription in redeemable perpetual securities and investments in debt securities under investment agreement with Bank of Commerce, both are presented as part of “Investments – net” account in the consolidated statement of financial position.

b. The amounts owed by joint venture includes receivables from Thai San Miguel Liquor Company Limited included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statement of financial position amounting to P540 as at December 31, 2025.

c. Amounts owed to related parties consist of trade and non-trade payables arising from purchases of materials, bottles, shells, cartons, fuel and power and non-trade payables arising from professional fees, insurance, lease of outdoor advertising spaces, lease of land and building, management fees, reimbursement of expenses, and other services rendered by related parties.

d. The Group has entered into various lease agreements with related parties as a lessor and lessee.

e. On June 23, 2026, San Miguel Brewery Inc. (SMB) distributed as stock dividends, a total of 1,622,192,515 common shares at P1.00 par value per stock dividend or amounting to P1,622, to San Miguel Brewery Retirement Plan and Kirin Holdings Company, Ltd., shareholders of SMB, pursuant to the stock dividend declaration approved by the BOD and stockholders of SMB on April 27 and May 26, 2026, respectively.

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

7. Basic and Diluted Earnings Per Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

	June 30	
	2026	2025
Net income attributable to common shareholders of the Parent Company (a)	**P14,610**	P14,948
Weighted average number of common shares issued and outstanding (in millions) (b)	**5,909**	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company – basic and diluted (a/b)	**P2.47**	P2.53

As at June 30, 2026 and 2025, the Parent Company has no dilutive debt or equity instruments.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

Interest Rate Risk

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

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

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

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

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

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

June 30, 2026	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P19,122**	**P12,098**	**P24,282**	**P13,750**	**P69,252**
Interest rate	**3.284%-5.761%**	**3.548%-6.925%**	**3.548%-6.186%**	**5.456%-5.857%**	
Floating Rate					
Philippine peso-denominated	**181**	**363**	**7,351**	**3,811**	**11,706**
Interest rate	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	
	P19,303	**P12,461**	**P31,633**	**P17,561**	**P80,958**

December 31, 2025	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate	P19,009	P22,178	P20,206	P7,900	P69,293
Philippine peso-denominated	3.284%-4.150%	3.5830%-6.9253%	3.548%-6.2954%	6.1566%-6.2954%	
Interest rate					
Floating Rate					
Philippine peso-denominated	181	363	7,410	3,842	11,796
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P19,190	P22,541	P27,616	P11,742	P81,089

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 P117 and P118 for the period ended June 30, 2026 and for the year ended December 31, 2025, 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 derivative and non-derivative instruments to manage its foreign currency risk exposure.

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

	June 30, 2026		December 31, 2025	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$226**	**P13,894**	US$235	P13,802
Trade and other receivables	**26**	**1,586**	31	1,850
Prepaid expenses and other current assets	**7**	**439**	8	445
Noncurrent receivables	**5**	**309**	4	244
	264	**16,228**	278	16,341
Liabilities				
Trade payables and other current liabilities	**(124)**	**(7,634)**	(108)	(6,368)
Lease liabilities	**(1)**	**(71)**	(1)	(79)
	(125)	**(7,705)**	(109)	(6,447)
Net Foreign Currency-denominated Monetary Assets	**US$139**	**P8,523**	US$169	P9,894

The Group reported net gain (loss) on foreign exchange amounting to (P35) and P46 for the periods ended June 30, 2026 and 2025, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine Peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
June 30, 2026	**P61.360**
December 31, 2025	58.790
June 30, 2025	56.330
December 31, 2024	57.845

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, 2026	**Effect on Income before Income Tax**	**Effect on Equity (Net of Tax)**	**Effect on Income before Income Tax**	**Effect on Equity (Net of Tax)**
Cash and cash equivalents	**(P46)**	**(P215)**	**P46**	**P215**
Trade and other receivables	**(12)**	**(33)**	**12**	**33**
Prepaid expenses and other current assets	**(4)**	**(6)**	**4**	**6**
Non-current receivables	**-**	**(5)**	**-**	**5**
	(62)	**(259)**	**62**	**259**
Trade payables and other current liabilities	**68**	**107**	**(68)**	**(107)**
Other noncurrent liabilities	**-**	**1**	**-**	**(1)**
	68	**108**	**(68)**	**(108)**
	P6	**(P151)**	**(P6)**	**P151**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2025	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P25)	(P229)	P25	P229
Trade and other receivables	(11)	(33)	11	33
Prepaid expenses and other current assets	(4)	(7)	4	7
Noncurrent receivables and deposits -net	-	4	-	(4)
	(40)	(265)	40	265
Trade payables and other current liabilities	36	99	(36)	(99)
Finance lease liabilities	-	1	-	(1)
	36	100	(36)	(100)
	(P4)	(P165)	P4	P165

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.

Liquidity Risk

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

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

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

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

June 30, 2026	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P63,316**	**P63,316**	**P63,316**	**P -**	**P -**	**P -**
Trade and other receivables - net	**24,175**	**24,175**	**24,175**	**-**	**-**	**-**
Restricted cash (included under "Prepaid expenses and other current assets" account)	**211**	**211**	**211**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**37**	**37**	**37**	**-**	**-**	**-**
Investment in equity at FVOCI (included under "Investments" account)	**6,249**	**6,248**	**-**	**-**	**-**	**6,248**
Investment in debt instruments at amortized cost (included under "Investments" account)	**11,500**	**13,241**	**799**	**664**	**11,778**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**251**	**552**	**-**	**28**	**106**	**418**
Financial Liabilities						
Loans payable	**12,324**	**12,324**	**12,324**	**-**	**-**	**-**
Trade payables and other current liabilities (excluding derivative liabilities)	**70,771**	**70,771**	**70,771**	**-**	**-**	**-**
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**406**	**406**	**406**	**-**	**-**	**-**
Long-term debt (including current maturities)	**80,647**	**94,888**	**23,274**	**15,217**	**37,830**	**18,567**
Lease liabilities (including current portion)	**5,286**	**11,783**	**854**	**624**	**1,806**	**8,499**

December 31, 2025	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	P64,506	P64,506	P64,506	P-	P-	P-
Trade and other receivables -net	29,891	29,891	29,891	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	37	37	37	-	-	-
Investment in equity at FVOCI (included under "Investments - net" account)	5,990	5,990	-	-	-	5,990
Investment in debt instruments at amortized cost (included under "Investments - net" account)	11,500	13,658	753	841	12,064	-
Noncurrent receivables and deposit - net (included under "Other noncurrent assets - net" account)	241	476	-	32	99	345
Restricted cash (included under "Prepaid expenses and other current assets" account	215	215	215	-	-	-
Financial Liabilities						
Loans payable	14,346	14,314	14,314	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	74,336	74,336	74,336	-	-	-
Dividends payable	111	111	111	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	206	206	206	-	-	-
Long-term debt (including current maturities)	80,800	93,904	23,075	23,477	34,688	12,664
Lease liabilities (including current portion)	5,592	13,041	1,053	946	1,839	9,203

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, restricted cash, investment in debt instruments 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, 2026	December 31, 2025
Cash and cash equivalents (excluding cash on hand)	**P62,965**	P61,644
Trade and other receivables - net	**24,175**	29,891
Restricted cash	**211**	215
Derivative assets	**37**	37
Investment in debt instruments at amortized cost	**11,500**	11,500
Noncurrent receivables and deposits - net	**251**	241
	P99,139	P103,528

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.

	Financial Assets at Amortized Cost				
June 30, 2026	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P62,965**	**P -**	**P -**	**P -**	**P62,965**
Trade and other receivables - net	**24,175**	**-**	**1,215**	**-**	**25,390**
Restricted cash	**211**	**-**	**-**	**-**	**211**
Derivative assets	**-**	**-**	**-**	**37**	**37**
Investment in debt instruments at amortized cost	**11,500**	**-**	**-**	**-**	**11,500**
Noncurrent receivables and deposits - net	**-**	**251**	**-**	**-**	**251**
Total	**P98,851**	**P251**	**P1,215**	**P37**	**P100,354**

	Financial Assets at Amortized Cost				
December 31, 2025	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL -credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P61,644	P-	P-	P-	P61,644
Trade and other receivables -net	29,891	-	1,135	-	31,026
Restricted cash	215	-	-	-	215
Derivative assets	-	-	-	38	38
Investment in debt instruments at amortized cost	11,500	-	-	-	11,500
Noncurrent receivables and deposits -net	-	241	-	-	241
	P103,250	P241	P1,135	P38	P104,664

The aging of receivables is as follows:

June 30, 2026	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P18,875**	**P604**	**P202**	**P19,681**
Past due:				
1-30 days	**2,366**	**203**	**51**	**2,620**
31-60 days	**235**	**160**	**16**	**411**
61-90 days	**165**	**65**	**56**	**286**
Over 90 days	**640**	**334**	**1,418**	**2,392**
	P22,281	**P1,366**	**P1,743**	**P25,390**

December 31, 2025	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P20,935	P586	P481	P22,002
Past due:				
1 - 30 days	4,669	214	248	5,131
31 - 60 days	1,164	52	38	1,254
61 - 90 days	169	49	41	259
Over 90 days	544	407	1,429	2,380
	P27,481	P1,308	P2,237	P31,026

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, restricted cash and investment in debt instruments at amortized cost are placed with reputable entities with high quality external credit ratings.

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

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

<u>Financial and Other Risks Relating to Livestock</u>
The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and 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, and hogs in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

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

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

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

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

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

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

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

The Group is not subject to externally-imposed capital requirements.

9. Financial Assets and Financial Liabilities

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

Financial Liabilities

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

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

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

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

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

<u>Impairment of Financial Assets</u>
The Group recognizes allowance for ECL on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

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

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

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

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

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

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

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

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

- deliver cash or another financial asset to another entity;

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

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

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

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

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

	June 30, 2026		December 31, 2025	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P63,316**	**P63,316**	P64,506	P64,506
Trade and other receivables - net	**24,175**	**24,175**	29,891	29,891
Restricted cash (included under "Prepaid expenses and other current assets" account)	**211**	**211**	215	215
Derivative assets (included under "Prepaid expenses and other current assets" account)	**37**	**37**	37	37
Investment in equity at FVOCI (included under "Investments - net" account)	**6,249**	**6,249**	5,990	5,990
Investment in debt instruments at amortized cost (included under "Investments - net" account)	**11,500**	**11,500**	11,500	11,500
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**251**	**251**	241	241
Financial Liabilities				
Loans payable	**12,324**	**12,324**	14,346	14,346
Trade payables and other current liabilities (excluding derivative liabilities)	**70,771**	**70,771**	74,336	74,336
Dividends payable	**727**	**727**	111	111
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**406**	**406**	206	206
Long-term debt (including current maturities)	**80,647**	**78,169**	80,800	79,917

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

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

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market.

Financial Assets at Amortized Cost. The fair value of investment in debt instruments is estimated as the present value of all future cash flows discounted using prevailing market rate of interest for a similar instrument as of the end of the reporting period.

Loans Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent Liabilities. The carrying amounts of loans payable and trade payables approximate fair value due to the relatively short-term maturities of these financial instruments. In the case of other noncurrent liabilities, 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.

Long-term Debt. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. As at June 30, 2026 and December 31, 2025, discount rates used ranges from 4.03% to 6.84% and from 4.26% to 6.40% respectively.

Derivative Financial Instruments
The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

Derivative Instruments Not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at June 30, 2026, March 31, 2026, and December 31, 2025, the total outstanding notional amount of such embedded currency forwards amounted to, US$138, US$135, and US$78, 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 (P369), (P376) and (P168) as at June 30, 2026, March 31, 2026, and December 31, 2025, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P315) and P73, P(219) and P22 for the periods ended June 30, 2026 and 2025, and March 31, 2026 and 2025, respectively.

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

	June 30, 2026	December 31, 2025
Balance at beginning of year	**(P168)**	(P66)
Net change in fair value of non-accounting hedges	**(315)**	(183)
	(483)	(249)
Less fair value of settled instruments	**114**	81
Balance at end of year	**(P369)**	(P168)

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, 2026			December 31, 2025		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P-**	**P37**	**P37**	P-	P37	P37
Investment in equity at FVOCI	**6,249**	**-**	**6,249**	5,990	-	5,990
Investment in debt instrument at amortized cost	**11,500**	**-**	**11,500**	11,500	-	11,500
Financial Liabilities						
Derivative liabilities	**-**	**406**	**406**	-	206	206

The Group has no financial instruments valued based on Level 3 as at June 30, 2026 and December 31, 2025. For the period ended June 30, 2026 and for the year ended December 31, 2025, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Other Matters

a. Commitments

   The outstanding purchase commitments of the Group amounted to P88,470 and P87,234 as at June 30, 2026 and December 31, 2025, respectively.

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

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

d. The effect of US-Israel-Iran conflict in the performance of the Group is discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.

11. Event After the Reporting Date

On August 5, 2026, the BOD of the Parent Company declared regular and special cash dividends to all common shareholders of record as of August 19, 2026, amounting to P0.50 and P0.77 per common share, respectively. Cash dividends for common shares are payable on September 4, 2026.

Annex "B"

SAN MIGUEL
FOOD AND BEVERAGE, INC.

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended June 30, 2026 (with comparative figures as at December 31, 2025, and for the period ended June 30, 2025). All necessary adjustments to present fairly the consolidated financial position, financial performance, and cash flows of the Group as at June 30, 2026, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

Operating Segments
The Group has three primary operating segments, namely, the Beer and Non-alcoholic Beverages (NAB) Segment, the Spirits Segment, and the Food Segment.

The Beer and NAB Segment is engaged in the production, marketing, and sale of fermented, malt-based, and non-alcoholic beverages in the Philippines and several foreign markets.

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

The Food Segment includes the manufacture, production or importation, marketing, and sale of the following categories: (i) branded value-added refrigerated and canned processed meat products, ready-to-eat viands, plant-based protein food products, seafood line, butter, margarine, cheese, milk, ice cream, salad aids, flour mixes, and coffee products (collectively known as "Prepared and Packaged Food"); (ii) integrated feeds, veterinary medicine, and pet care products ("Animal Nutrition and Health"); and (iii) poultry and fresh meats ("Protein"). The Segment is also engaged in flour milling, bulk grain handling and storage, foodservice, and international operations ("Others").

I. FINANCIAL PERFORMANCE

Six months ended June 30, 2026, compared to six months ended June 30, 2025

(in millions)	JUNE 2026	JUNE 2025	HORIZONTAL ANALYSIS INCREASE (DECREASE) AMOUNT	HORIZONTAL ANALYSIS INCREASE (DECREASE) %	VERTICAL ANALYSIS 2026	VERTICAL ANALYSIS 2025
SALES	205,254	201,200	4,054	2%	100%	100%
COST OF SALES	146,863	143,084	3,779	3%	72%	71%
GROSS PROFIT	58,391	58,116	275	0%	28%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(29,580)	(28,075)	1,505	5%	(14%)	(14%)
OPERATING RESULTS	28,811	30,041	(1,230)	(4%)	14%	15%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(2,242)	(2,612)	(370)	(14%)	(1%)	(1%)
INTEREST INCOME	1,703	1,868	(165)	(9%)	1%	1%
EQUITY NET GAIN OF ASSOCIATE	4	-	4	100%	0%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	443	2	441	22050%	0%	0%
OTHER INCOME (CHARGES) - NET	(75)	543	(618)	(114%)	(0%)	0%
INCOME BEFORE INCOME TAX	28,644	29,842	(1,198)	(4%)	14%	15%
INCOME TAX EXPENSE	6,592	6,878	(286)	(4%)	3%	3%
NET INCOME	**22,052**	**22,964**	(912)	(4%)	**11%**	**11%**
Attributable to:						
Equity holders of the Parent Company	14,610	14,948	(338)	(2%)	7%	7%
Non-controlling interests	7,442	8,016	(574)	(7%)	4%	4%
	22,052	**22,964**	(912)	(4%)	**11%**	**11%**

The Group has remained resilient through the first half of the year despite persistent inflation, slower economic growth, and the effects of the US-Israel-Iran conflict on its international operations.

Consolidated sales for the six months ended June 30, 2026, reached P205,254 million, representing a 2% increase compared to the same period in 2025. Meanwhile, consolidated net income amounted to P22,052 million, reflecting a 4% decline over the first half of 2025.

Sales
Consolidated sales rose by 2%, from P201,200 million for the six months ended June 30, 2025, to P205,254 million for the same period in 2026. Sales in the Beer and NAB Segment eased by 1%, from P74,588 million in 2025 to P73,654 million in 2026. The Spirits Segment's sales held at par, from P32,235 million in 2025 to P32,335 million in 2026, while sales in the Food Segment increased by 5%, from P94,379 million in 2025 to P99,267 million in 2026. The overall increase was mainly driven by sustained volume gains in the Food Segment and favorable selling prices across all businesses.

Cost of Sales
Consolidated cost of sales increased by 3%, from P143,084 million for the six months ended June 30, 2025, to P146,863 million for the same period in 2026. Cost of sales in the Beer and NAB Segment remained at the same level, from P46,115 million in 2025 to P46,184 million in 2026. Meanwhile, cost of sales of the Spirits Segment slightly decreased by 1%, from P23,735 million in 2025 to P23,402 million in 2026. The Food Segment saw a 6% increase in cost of sales, from P73,229 million in 2025 to P77,263 million in 2026. The overall increase reflects the impact of higher sales volume, the annual increase in excise taxes, and elevated input costs compared to the same period last year.

Gross profit
Consolidated gross profit remained at the same level, from P58,116 million for the six months ended June 30, 2025, to P58,391 million for the same period in 2026.

Selling and Administrative Expenses
Consolidated selling and administrative expenses increased by 5%, from P28,075 million for the six months ended June 30, 2025, to P29,580 million for the same period in 2026. Breaking it down per segment, selling and administrative expenses for the Beer and NAB Segment rose by 7%, from P12,259 million in 2025 to P13,098 million in 2026. Selling and administrative expenses for the Spirits Segment went up slightly by 1%, from P3,548 million in 2025 to P3,573 million in 2026, while expenses for the Food Segment rose by 5%, from P12,502 million in 2025 to P13,171 million in 2026. The overall increase was mainly due to stepped-up advertising and promotional expenses, higher handling costs from both volume and rate increases, accelerated amortization following changes in accounting estimates, and the depreciation and manpower costs of new facilities.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges declined by 14%, from P2,612 million for the six months ended June 30, 2025, to P2,242 million for the same period in 2026, primarily on account of lower loan availments and lower average interest rates versus the same period in the previous year.

Interest Income
Consolidated interest income decreased by 9%, from P1,868 million to P1,703 million, mainly attributable to lower yields on money market placements.

Equity Net Gain of Associate
The Group recorded a share in the net income of an associate, equivalent to its 15% equity interest, following the investment on September 22, 2025. This resulted in a 100% increase in the current year.

Gain on Sale of Investments and Property and Equipment
The Group recognized a gain on the disposal of land.

Other Income (charges) - Net
The Group recorded consolidated net other charges amounting to P75 million for the six months ended June 30, 2026, compared to net other income of P543 million for the same period in 2025. The 114% decrease was primarily due to the Food Segment's higher casualty losses and the Spirits Segment's lower tolling income.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax amounted to P28,644 million for the six months ended June 30, 2026.

Net Income
Moreover, SMFB's consolidated net income decreased by 4%, from P22,964 million at the end of the second quarter of 2025 to P22,052 million at end of the second quarter of 2026. Net income of the Beer and NAB Segment declined by 12%, from P12,984 million to P11,447 million; net income of the Spirits Segment grew by 3%, from P4,247 million to P4,381 million; and the Food Segment likewise posted an 8% increase in net income, from P5,994 million to P6,444 million.

Non-Controlling Interests
The share of non-controlling interests in the Group's net income decreased by 7%, from P8,016 million at the end of the second quarter of 2025 to P7,442 million at end of the second quarter of 2026.

Net Income after Tax and Minority Interest
Consequently, SMFB's consolidated net income after tax and minority interest decreased by 2%, from P14,948 million for the six months ended June 30, 2025, to P14,610 million for the same period in 2026. By segment, net income after tax and minority interest for the Beer and NAB Segment declined by 11%, from P12,742 million to P11,312 million; for the Spirits Segment, grew by 3%, from P4,247 million to P4,381 million; and for the Food Segment, increased by 5%, from P5,474 million to P5,724 million.

Business Highlights for the period ended June 30, 2026

Beer and NAB
The Beer and NAB Segment, under San Miguel Brewery Inc. (SMB), posted consolidated revenues of P73,654 million, 1% lower than in the same period last year. This was mainly due to the slower consumer spending in the second quarter, which affected consumption in the local market, while supply chain disruptions caused by the Middle East conflict impacted international operations. Domestic operations contributed P65,973 million while international operations contributed US$128.5 million.

Cost of sales remained at the same level at P46,184 million, with domestic operations accounting for P42,055 million and international operations accounting for US$69.2 million.

Selling and administrative expenses increased by 7%, or by P839 million, to P13,098 million, mainly due to higher depreciation and amortization and higher advertising and promotions. Domestic operations accounted for P10,559 million while international operations accounted for US$42.2 million.

Consequently, income from operations decreased by 11%, or by P1,842 million, from P16,214 million to P14,372 million. Domestic operations contributed P13,359 million while international operations contributed US$17.1 million.

Interest income decreased by 11% mainly due to lower interest rates in the current period.

Consolidated net income decreased by 12%, or by P1,537 million, to P11,447 million. Domestic operations contributed P13,418 million while international operations contributed US$18.9 million.

Net income attributable to equity holders of the company was lower by 11% while net income attributable to non-controlling interests decreased by 44% primarily due to lower net income of international operations.

The operating and financial highlights of each subdivision in the Beer and NAB Segment are as follows:

Domestic Beer Operations

Domestic sales reached P65,973 million, at par with the same period last year, as the price increase in January 2026 offset a 5% easing in volume. The softer volumes in the second quarter of 2026 were partly due to the inventory build-up in the trade in December 2025 in anticipation of the January price adjustment. Moreover, the hikes in fuel prices, inflation, and other uncertainties from the ongoing conflict in the Middle East continued to temper consumer spending on discretionary items, weighing on demand for the period.

Income from operations was lower by 5% at P13,359 million, while net income was higher by 24% at P13,418 million, mainly due to dividends received.

International Beer Operations

San Miguel Brewing International Limited (SMBIL) recorded consolidated revenues of US$128.5 million in the first half of 2026, 11% lower than in the same period in 2025. This was mainly driven by softer export volumes, partially offset by a favorable market mix. The US-Israel-Iran conflict tempered shipments to the Middle East Region, which settled 29%, or 2.6 million cases, below year-ago levels.

Consolidated volumes were down 17% from the prior year, mainly due to the significant reduction of global San Miguel brand volumes exported to the Middle East. The decline was partially mitigated by higher domestic sales volumes of local and partner brands in their respective local markets. Indonesia operations recorded a 15% year-on-year increase in volume, driven primarily by the continued strong performance of the wholesaler channel. Sales volume in the Vietnam operations increased by 8% compared with the first semester of 2025, supported by the expansion of the San Miguel brand distribution in draft outlets and improved performance in the modern trade off-premise channel. South China operations registered an 8% increase in volume, reflecting stronger sales across all regions in Guangdong. In the Hong Kong operations, volumes were slightly higher than the previous year despite the overall contraction in the beer industry. Meanwhile, volumes in Thailand operations declined by 5%, primarily due to weaker performance in the traditional trade channel following the rationalization of trade support implemented during the second quarter.

Consolidated operating income at the end of the second quarter of 2026 amounted to US$17.1 million, compared with the US$37 million registered at end of the second quarter of 2025. The decline was primarily driven by the adverse impact of the US-Israel-Iran conflict on export volumes, which in turn affected production efficiency; increase in cost of production inputs; and higher payroll and depreciation. Profitability was further impacted by the freight support extended to the Middle East importer to partially absorb the sharp increase in sea freight costs resulting from the disruption in key shipping routes.

Spirits

The Spirits Segment, under Ginebra San Miguel Inc. (GSMI), maintained revenues of P32,335 million, at the same level as first half last year's P32,235 million, primarily driven by higher selling prices, which partially mitigated the negative impact of unfavorable market conditions during the period.

Cost of sales was almost unchanged at P23,402 million, compared with P23,735 million in the same period last year. The impact of higher excise taxes was offset by lower material input costs. Consequently, gross profit increased by 5% to P8,933 million from P8,500 million in the same prior-year period.

Selling and administrative expenses remained stable at P3,573 million, compared with P3,548 million in the same period last year.

Interest expense and other financing charges increased by 8% to P43 million from P40 million, due to higher interest on the defined benefit liability and other related charges.

Interest income increased by 6% to P441 million from P418 million, attributable to higher money market placements.

Other income decreased by 79% to P64 million from P305 million in the same period last year, mainly due to losses recognized on derivative instruments, compared with gains recorded in the same prior-year period.

The Spirits Segment posted a net income of P4,381 million for the first semester, representing a 3% increase from P4,247 million in the same period last year.

<u>Food</u>
The Food Segment delivered consolidated revenues of P99,267 million for the first half of 2026, 5% higher than the same period in 2025, driven by strong volume growth in the Animal Nutrition and Health and dairy businesses, complemented by favorable selling prices across the Prepared and Packaged Food businesses.

> The Protein business, comprising the poultry and fresh meats businesses, posted revenues of P35,947 million for the first half of 2026, 5% lower than the same period in 2025. Poultry sales volumes registered modest growth, supported by sustained demand from the foodservice and wet market channels and adequate internal supply. However, significantly higher imports of frozen chicken meat resulted in elevated industry supply, putting pressure on chicken selling prices and weighing on revenue performance. Meanwhile, the fresh meats business benefited from improved selling prices, partly offsetting lower sales volumes as operations remained on a scaled-down level due to the continuing impact of African Swine Fever (ASF).
>
> The Animal Nutrition and Health business recorded revenues of P25,879 million, up 26% from the same period last year. Strong performance of hog feeds, driven by hog repopulation, improved distribution, and strong trade execution, boosted volume achievement. Broiler and layer feeds likewise contributed to volume expansion. Strategic pricing was maintained to protect market share, supported by favorable costs of most major raw materials.
>
> The Prepared and Packaged Food businesses, consisting of processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, delivered revenues of P29,223 million, 5% higher than the same period in 2025. Magnolia Inc.'s cheese, salad aids, milk, margarine, flour mixes, and all-purpose cream, as well as San Miguel Super Coffeemix Co., Inc.'s Sugarfree and Barako brands, posted volume growth. The Purefoods-Hormel Company, Inc.'s Purefoods Luncheon Meat and Star Corned Beef likewise year-ago volumes, while high-value products such as Purefoods Pinoy Favorites and SPAM® further improved product mix. Stable selling prices and better sales mix across the Prepared and Packaged Food businesses likewise supported topline growth.

The Food Segment's cost of sales increased by 6% to P77,263 million, primarily driven by volume growth, as well as higher costs of meat and dairy inputs and increased fuel expenses.

For the first half of 2026, the Food Segment generated gross profit of P22,004 million, 4% higher than the same period in 2025. Growth was driven by volume expansion, favorable costs of key raw materials in the commodity businesses, and improved operational efficiencies across the businesses.

Selling and administrative expenses amounted to P13,171 million, up 5% versus the same period last year, mainly due to higher freight, contracted services, and promotional expenses incurred to support volume growth and market expansion initiatives. Strict operating cost management mitigated the impact of the unprecedented increase in fuel costs resulting from the Middle East conflict.

Driven by strong topline performance, enhanced operating efficiencies, and disciplined cost management, the Food Segment concluded the first half of 2026 with operating income of P8,833 million, 2% higher than the same period in 2025.

Six months ended June 30, 2025, compared to six months ended June 30, 2024

(in millions)	JUNE 2025	JUNE 2024	HORIZONTAL ANALYSIS INCREASE (DECREASE) AMOUNT	HORIZONTAL ANALYSIS INCREASE (DECREASE) %	VERTICAL ANALYSIS 2025	VERTICAL ANALYSIS 2024
SALES	201,200	192,882	8,318	4%	100%	100%
COST OF SALES	143,084	140,156	2,928	2%	71%	73%
GROSS PROFIT	58,116	52,726	5,390	10%	29%	27%
SELLING AND ADMINISTRATIVE EXPENSES	(28,075)	(26,085)	(1,990)	8%	(14%)	(14%)
OPERATING RESULTS	30,041	26,641	3,400	13%	15%	14%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(2,612)	(2,246)	(366)	16%	(1%)	(1%)
INTEREST INCOME	1,868	1,867	1	0%	1%	1%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	2	1	1	100%	0%	0%
OTHER INCOME (CHARGES) - NET	543	(86)	629	(731%)	0%	(0%)
INCOME BEFORE INCOME TAX	29,842	26,177	3,665	14%	15%	14%
INCOME TAX EXPENSE	6,878	6,200	678	11%	3%	3%
NET INCOME	**22,964**	**19,977**	**2,987**	**15%**	**11%**	**10%**
Attributable to:						
Equity holders of the Parent Company	14,948	12,391	2,557	21%	7%	6%
Non-controlling interests	8,016	7,586	430	6%	4%	4%
	22,964	**19,977**	**2,987**	**15%**	**11%**	**10%**

The Group continued to deliver strong consolidated financial results in the first half of 2025.

Consolidated sales for the six months ended June 30, 2025, reached P201,200 million, representing a 4% increase compared to the same period in 2024. Meanwhile, consolidated net income amounted to P22,964 million, reflecting a 15% growth over the first half of 2024.

Sales
Consolidated sales rose by 4%, from P192,882 million for the six months ended June 30, 2024, to P201,200 million for the same period in 2025. The growth was primarily driven by higher sales volume and selective price increases. Sales in the Beer and NAB Segment slightly decreased by 1%, from P75,073 million in 2024 to P74,588 million in 2025. The Spirits Segment saw a 7% increase in sales, from P29,992 million in 2024 to P32,235 million in 2025, while sales in the Food Segment increased by 7%, from P87,819 million in 2024 to P94,379 million in 2025.

Cost of Sales
Consolidated cost of sales increased by 2%, from P140,156 million for the six months ended June 30, 2024, to P143,084 million for the same period in 2025, driven by higher sales volume and increased excise taxes. Cost of sales in the Beer and NAB Segment decreased by 4%, from P48,197 million in 2024 to P46,115 million in 2025. Meanwhile, cost of sales of the Spirits Segment increased by 5%, from P22,547 million in 2024 to P23,735 million in 2025. Likewise, the Food Segment saw a 5% increase in cost of sales, from P69,424 million in 2024 to P73,229 million in 2025.

Gross profit
Consolidated gross profit increased by 10%, from P52,726 million for the six months ended June 30, 2024, to P58,116 million for the same period in 2025. The increase was primarily due to adjustments in the selling prices of core brands, complemented by improvement in volumes and well-managed costs despite the rise in excise taxes.

Selling and Administrative Expenses
Consolidated selling and administrative expenses increased by 8%, from P26,085 million for the six months ended June 30, 2024, to P28,075 million for the same period in 2025. Breaking it down per segment, selling and administrative expenses for the Beer and NAB Segment rose by 12%, from P10,989 million in 2024 to P12,259 million in 2025. Selling and administrative expenses for the Spirits Segment grew by 17%, from P3,034 million in 2024 to P3,548 million in 2025, while expenses for the Food Segment slightly increased by 2%, from P12,268 million in 2024 to P12,502 million in 2025. The overall increase was mainly due to higher amortization of deferred containers, increased advertising, promotions, and

distribution and handling costs from increased volumes, rate adjustments, depreciation, and manpower expenses related to new facilities.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 16%, from P2,246 million for the six months ended June 30, 2024, to P2,612 million for the same period in 2025. This increase was primarily due to new loan availments at higher interest rates.

Interest Income
Consolidated interest income remained at the same level, from P1,867 million for the six months ended June 30, 2024, to P1,868 million for the same period in 2025.

Other Income (charges) - Net
The Group recognized consolidated other income - net amounting to P543 million for the six months ended June 30, 2025, compared to consolidated other charges - net amounting to P86 million for the same period in 2024. This was primarily due to favorable foreign exchange and derivatives movements, lower casualty losses and facility closures, and higher tolling fees.

Net Income before Income Tax
Consolidated net income before income tax increased by 14%, from P26,177 million for the six months ended June 30, 2024, to P29,842 million for the same period in 2025.

Net Income
As a result of the aforementioned factors, SMFB's consolidated net income increased by 15%, rising from P19,977 million for the six months ended June 30, 2024, to P22,964 million for the same period in 2025. The net income of the Beer and NAB Segment increased by 3%, from P12,563 million in 2024 to P12,984 million in 2025; the Spirits Segment saw a 16% increase in net income, from P3,676 million in 2024 to P4,247 million in 2025; while the Food Segment recorded a significant increase in net income, amounting to P5,994 million in the first half of 2025, a 53% increase compared to P3,920 million for the same period in 2024.

Net Income after Tax and Minority Interest

SMFB's consolidated net income after tax and minority interest increased by 21%, rising from P12,391 million for the six months ended June 30, 2024, to P14,948 million for the same period in 2025. By segment, net income after tax and minority interest for the Beer and NAB Segment grew by 3%, from P12,341 million to P12,742 million; for the Spirits Segment, by 16%, from P3,676 million to P4,247 million; and for the Food Segment, by 58%, from P3,472 million to P5,474 million.

Business Highlights for the period ended June 30, 2025

Beer and NAB
The Beer and NAB Segment, under SMB, posted consolidated revenues of P74,588 million in the first semester of 2025, 1% lower than in the same period in 2024, due to an 8% decline in sales volume. Domestic operations contributed P66,332 million, while international operations contributed US$145 million.

Cost of sales decreased by 4% or by P2,082 million, reflecting lower sales volume. Domestic operations accounted for P41,968 million, while international operations accounted for US$73 million.

Selling and administrative expenses increased by 12% or by P1,270 million, mainly due to higher depreciation and amortization. Domestic operations accounted for P10,260 million, while international operations accounted for US$35 million.

Despite the lower volumes, income from operations slightly increased to P16,214 million, supported by lower manufacturing costs. Domestic operations contributed P14,104 million, while international operations contributed US$37 million.

Interest expense and other financing charges increased by 11%, mainly due to the higher interest rates on the recently drawn term loans.

Interest income rose by 3%, driven by higher money market placements in the domestic operations.

Consolidated net income, which reached P12,984 million, was slightly higher than first half 2024's P12,563 million. Domestic operations contributed P10,806 million, while international operations contributed US$38 million.

The operating and financial highlights of each sub-segment under the Beer and NAB Segment are as follows:

Domestic Beer Operations

Domestic operations posted first semester revenue of P34,367 million, higher by P430 million or 1% than in the first semester of 2024, owing to the price increase effective September 1, 2024. Year-to-date June 30, 2025 revenue of P66,332 million was slightly lower by 1% from the same period in 2024, mainly due to lower sales volume. The soft performance was attributed to weaker economic and discretionary spending due to cautious consumption amid elevated local and global uncertainties.

Income from operations slightly improved to P14,104 million, mainly due to better prices and lower costs cushioning the impact of lower sales volume. Net income of P10,806 million is lower by 6% than in the comparable period in 2024.

International Beer Operations

SMBIL posted consolidated revenues of US$145 million in the first semester of 2025, a 2% increase from the US$142 million registered in the same period in 2024, driven by the 4% growth in volumes. This was partly offset by an unfavorable market mix and the appreciation of the US dollar against most local currencies.

Global San Miguel brands of SMBIL sustained their strong performance, recording a 7% increase in volumes from the same period in 2024. As a result, consolidated volumes as of June 2025, including local brands (i.e., beer brands owned by the subsidiaries in the relevant international markets) but excluding additional exports production allocated to the Philippines, were 4% ahead of first half 2024 volumes. Had the additional export volume allocated to the Philippines been included, consolidated SMBIL volumes would have reflected a 5% year-on-year growth. This was partly offset by lower sales of local and partner brands. South China volumes were 3% higher than first half 2024 volumes, outperforming Guangdong industry growth of 1%, due to expanded distribution in the online platform and retail chains. Vietnam's Global San Miguel brand volumes grew 9% from first half 2024 volumes, owing to higher sales in the modern trade off-premise channels. Exports business continued to thrive, with volumes growing 7% from first half 2024 volumes on account of higher shipments to the United Arab Emirates (UAE), Qatar, Australia, Canada, Singapore, South Korea, Mongolia, and Rwanda. These were partly offset by volume declines registered in Indonesia, Hong Kong, and Thailand operations. In Indonesia, sales of Anker Bir in the first semester declined compared to the same period in 2024 owing to weaker sales in the wholesaler-served traditional trade outlets. In Hong Kong, volume performance was impacted by the overall contraction in the beer industry, driven largely by increased outbound tourism and cross-border travel to mainland China. Thailand volumes trailed those of the same period in 2024 due to lower sales in the modern trade off-premise channel and the East and South Thailand regions owing to the drop in the country's tourist arrivals.

SMBIL's consolidated operating income as of June 2025 reached US$37 million, 10% better than the US$34 million income reported in June 2024, as a result of favorable volumes, as well as lower production cost and contained advertising and promotion expenses.

<u>Spirits</u>
The Spirits Segment, under GSMI, posted revenue of P32,235 million in the first semester of 2025, up by 7% from the P29,992 million of the same period in 2024. This growth was mainly attributed to an increase in selling prices and a modest uptick in volume.

Cost of sales increased to P23,735 million from P22,547 million, due to higher excise tax rates and input costs.

Selling and administrative expenses increased by 17%, from P3,034 million to P3,548 million, driven primarily by higher advertising, promotional, delivery, and related costs.

Interest expense and other financing charges increased by 14%, from P35 million to P40 million, mainly due to higher interest costs and related bank charges.

Other income increased from P93 million to P305 million, primarily driven by gains from derivative instruments.

Consolidated net income for the first semester of 2025 amounted to P4,247 million, 16% higher than the P3,676 million recorded in the same period in 2024.

Food

The Food Segment remained on a growth path, posting consolidated revenues of P94,379 million for the first semester of 2025, 7% higher than in the same period in 2024, driven by strong volume growth in most businesses, and favorable selling prices of chicken and Prepared and Packaged Food products.

The Protein business, comprising poultry and fresh meats, led the Food Segment's topline growth and delivered revenues of P37,727 million, up by 15% compared to the first half 2024 level. Strong demand from the foodservice segment and supermarkets boosted sales volume achievement. Steady internal chicken supply and favorable selling prices complemented revenue growth. Meanwhile, the fresh meats business continued to be challenged by limited hog supply due to the prolonged impact of ASF.

The Animal Nutrition and Health business remained largely affected by the ASF-induced industry depopulation, setting back hog feeds volume, which was only partly tempered by double-digit growth of both broiler and layer feeds. As a result, revenues of P20,613 million dipped by 5% against the same period in 2024. Contributing also to lower revenue achievement was the business' implementation of purposive competitive pricing, backed by lower input costs, to preserve market share.

The Prepared and Packaged Food business, consisting of processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, registered revenues of P27,826 million, a 9% growth from the same period in 2024, on the back of higher sales volume, favorable selling prices, and better sales mix. Magnolia Inc.'s butter, margarine, cheese, salad aids, all-purpose cream, and ice cream, as well as the coffee business' Original and Sugarfree variants, recorded double-digit volume growth. On the other hand, the company-owned canning facility sufficiently supported growing demand for canned processed meats, particularly corned beef and luncheon meat, enabling double-digit volume increase. Refrigerated meats such as hams, bacon, and Purefoods Pinoy Favorites likewise grew sales volume from the same period in 2024.

The Food Segment's cost of sales at P73,229 million was 5% higher than the same period in 2024. Aside from sales volume growth, rising prices of imported meat and dairy materials, operating costs of new company-owned facilities, as well as higher fuel and power costs, also contributed to the increase in cost of sales.

The Food Segment's gross profit at P21,150 million was up by 15% compared to the first half of 2024, driven by volume gains, favorable selling prices, and cost breaks in some major raw materials of the Protein and Animal Nutrition and Health businesses.

Selling and administrative expenses at P12,502 million increased by only 2% from the first semester of 2024 level, as operating expenses were tightly contained to support and drive volume growth.

Driven by the sustained strong performance of the poultry business, coupled with enhanced efficiencies from company-owned facilities, the Food Segment's operating income rose to P8,648 million, 41% higher than in the first semester of 2024.

II. FINANCIAL POSITION

Financial Position as of June 30, 2026, vs December 31, 2025

			Horizontal Analysis			
	June	December	Increase (Decrease)		Vertical Analysis	
(in millions)	2026	2025	Amount	%	2026	2025
ASSETS						
Current Assets						
Cash and cash equivalents	63,316	64,506	(1,190)	(2%)	16%	17%
Trade and other receivables - net	24,175	29,891	(5,716)	(19%)	6%	8%
Inventories	51,656	43,659	7,997	18%	13%	11%
Current portion of biological assets - net	3,141	3,074	67	2%	1%	1%
Prepaid expenses and other current assets	4,580	4,946	(366)	(7%)	1%	1%
Assets held for sale	186	186	-	0%	0%	0%
Total Current Assets	147,054	146,262	792	1%	38%	38%
Noncurrent Assets						
Investments - net	18,936	18,672	264	1%	5%	5%
Property, plant and equipment - net	136,289	136,768	(479)	(0%)	35%	35%
Right-of-use assets - net	4,441	4,814	(373)	(8%)	1%	1%
Investment property - net	5,495	4,304	1,191	28%	1%	1%
Biological assets - net of current portion	2,694	2,661	33	1%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,890	39,816	74	0%	10%	10%
Deferred tax assets	3,492	3,377	115	3%	1%	1%
Other noncurrent assets - net	30,660	31,637	(977)	(3%)	8%	8%
Total Noncurrent Assets	242,893	243,045	(152)	(0%)	62%	62%
Total Assets	**389,947**	**389,307**	640	0%	100%	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	12,324	14,346	(2,022)	(14%)	3%	4%
Trade payables and other current liabilities	71,177	74,542	(3,365)	(5%)	18%	19%
Lease liabilities - current portion	573	727	(154)	(21%)	0%	0%
Income and other taxes payable	8,761	11,369	(2,608)	(23%)	2%	3%
Dividends payable	727	111	616	555%	0%	0%
Current maturities of long-term debt - net of debt issue costs	19,280	19,174	106	1%	5%	5%
Total Current Liabilities	112,842	120,269	(7,427)	(6%)	29%	31%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	61,367	61,626	(259)	(0%)	16%	16%
Deferred tax liabilities	31	31	-	0%	0%	0%
Lease liabilities – net of current portion	4,713	4,865	(152)	(3%)	1%	1%
Other noncurrent liabilities	5,651	5,773	(122)	(2%)	1%	1%
Total Noncurrent Liabilities	71,762	72,295	(533)	(1%)	18%	19%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	94%	94%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(84%)	(84%)
Equity reserves	(1,045)	(1,414)	(369)	(26%)	(0%)	(0%)
Retained earnings:						
Appropriated	48,047	46,807	1,240	3%	12%	12%
Unappropriated	75,655	68,194	7,461	11%	19%	18%
Treasury stock	(30,182)	(30,182)	-	0%	(8%)	(8%)
Equity Attributable to Equity Holders of the Parent Company	137,553	128,483	9,070	7%	35%	33%
Non-controlling Interests	67,790	68,260	(470)	(1%)	17%	18%
Total Equity	205,343	196,743	8,600	4%	53%	51%
Total Liabilities and Equity	389,947	**389,307**	640	0%	100%	100%

Consolidated total assets as of June 30, 2026 amounted to P389,947 million, almost unchanged from the December 31, 2025 level.

Trade and other receivables declined by 19% or by P5,716 million, as a result of reduced credit sales, collections from peak-season sales, and improved collection efforts.

Inventories rose by 18% or by P7,997 million mainly due to higher finished goods levels across the Group resulting from lower sales offtake compared to December's seasonal peak, along with higher material costs in the Food Segment.

Prepaid expenses and other current assets decreased by 7% or by P366 million primarily driven by lower prepaid excise tax, amortization of real property taxes paid in advance in December 2025, and utilization of tax credit certificates.

Investment property increased by 28% or by P1,191 million primarily driven by a reclassification of a parcel of land from property, plant and equipment.

Loans payable decreased by 14% or by P2,022 million, primarily due to lower loan availments during the period.

Income and other taxes payable declined by 23% or by P2,608 million, mainly driven by lower value-added tax (VAT) and income taxes payable.

Dividends payable increased by 555% or by P616 million, mainly due to higher declared dividends in June 2026, with a portion remaining unpaid and unclaimed.

Consolidated total equity as of June 30, 2026 stood at P205,343 million, 4% or P8,600 million higher than the December 31, 2025 level. The increase was primarily due to the net income of P22,052 million, partially offset by dividends declared during the period amounting to P13,871 million.

Financial Position as of June 30, 2025, vs December 31, 2024

(in millions)	June 2025	December 2024	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2025	2024
ASSETS						
Current Assets						
Cash and cash equivalents	64,428	58,221	6,207	11%	17%	15%
Trade and other receivables - net	22,864	29,456	(6,592)	(22%)	6%	8%
Inventories	45,010	47,582	(2,572)	(5%)	12%	13%
Current portion of biological assets - net	3,427	3,241	186	6%	1%	1%
Prepaid expenses and other current assets	5,097	5,506	(409)	(7%)	1%	1%
Assets held for sale	186	186	-	0%	0%	0%
Total Current Assets	141,012	144,192	(3,180)	(2%)	37%	38%
Noncurrent Assets						
Investments - net	17,237	17,388	(151)	(1%)	5%	5%
Property, plant and equipment - net	132,104	128,590	3,514	3%	35%	34%
Right-of-use assets - net	5,062	4,923	139	3%	1%	1%
Investment property - net	3,580	3,576	4	0%	1%	1%
Biological assets - net of current portion	2,612	2,652	(40)	(2%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,603	39,665	(62)	(0%)	11%	11%
Deferred tax assets	3,591	3,657	(66)	(2%)	1%	1%
Other noncurrent assets - net	30,869	31,467	(598)	(2%)	8%	8%
Total Noncurrent Assets	235,654	232,914	2,740	1%	63%	62%
Total Assets	**376,666**	**377,106**	**(440)**	**(0%)**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	6,853	17,103	(10,250)	(60%)	2%	5%
Trade payables and other current liabilities	76,252	76,416	(164)	(0%)	20%	20%
Lease liabilities - current portion	779	735	44	6%	0%	0%
Income and other taxes payable	9,365	10,035	(670)	(7%)	2%	3%
Dividends payable	700	89	611	687%	0%	0%
Current maturities of long-term debt - net of debt issue costs	10,317	12,328	(2,011)	(16%)	3%	3%
Total Current Liabilities	104,266	116,706	(12,440)	(11%)	28%	31%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	69,443	67,652	1,791	3%	18%	18%
Deferred tax liabilities	23	23	-	0%	0%	0%
Lease liabilities – net of current portion	5,122	4,864	258	5%	1%	1%
Other noncurrent liabilities	7,567	7,672	(105)	(1%)	2%	2%
Total Noncurrent Liabilities	82,155	80,211	1,944	2%	22%	21%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	97%	97%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(87%)	(87%)
Equity reserves	(1,993)	(1,711)	(282)	16%	(1%)	(0%)
Retained earnings:						
Appropriated	46,810	45,375	1,435	3%	12%	12%
Unappropriated	65,127	57,551	7,576	13%	17%	15%
Treasury stock	(30,182)	(30,182)	-	0%	(8%)	(8%)
Equity Attributable to Equity Holders of the Parent Company	124,840	116,111	8,729	8%	33%	31%
Non-controlling Interests	65,405	64,078	1,327	2%	17%	17%
Total Equity	190,245	180,189	10,056	6%	51%	48%
Total Liabilities and Equity	**376,666**	**377,106**	**(440)**	**(0%)**	**100%**	**100%**

Consolidated total assets as of June 30, 2025 amounted to P376,666 million, almost unchanged from the December 31, 2024 level.

Cash and cash equivalents increased by 11% or by P6,207 million, driven by higher cash generated from operations, and collection of receivables.

Trade and other receivables declined by 22% or by P6,592 million, reflecting collections from peak season sales and lower credit sales during the period.

Inventories declined by 5% or by P2,572 million due to lower balances of materials and supplies.

Prepaid expenses decreased by 7% or by P409 million due to lower excise tax requirements of the Beer and NAB Segment, partially offset by the Spirits Segment's higher retirement contributions.

Loans payable decreased by 60% or by P10,250 million, primarily due to lower availments during the period.

Income and other taxes payable decreased by 7% or by P670 million, attributed to the Group's lower income taxes and VAT payable for the quarter ended June 30, 2025.

Dividends payable surged by 687% or by P611 million, mainly due to higher declared dividends in the first half of 2025, with a portion remaining unpaid and unclaimed.

Consolidated total equity as of June 30, 2025 stood at P190,245 million, 6% or P10,056 million higher than the December 31, 2024 level. The increase was primarily due to the net income of P22,964 million, partially offset by dividends declared during the period amounting to P12,233 million.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended June 30, 2026, and 2025 is shown below:

(in millions)	**2026**	**2025**
Net cash flows provided by operating activities	P19,860	P38,284
Net cash flows used in investing activities	(6,086)	(9,308)
Net cash flows used in financing activities	(15,498)	(22,529)

Net cash from operations consisted mainly of income for the period and changes in non-cash current assets, certain current liabilities, and others.

Net cash used in investing activities includes the following:

(in millions)	**2026**	**2025**
Additions to property, plant and equipment and investment property	(5,616)	(P6,304)
Increase in biological assets, intangible assets and other noncurrent assets	(2,271)	(4,954)
Proceeds from sale of investments and property, and equipment	29	28
Dividends received	76	72
Interest received	1,696	1,850

Net cash used in financing activities consists of the following:

(in millions)	**2026**	**2025**
Proceeds from short-term and long-term borrowings	P80,907	P118,777
Payments of short-term and long-term borrowings	(83,136)	(129,303)
Cash dividends paid	(12,905)	(11,622)
Payment of lease liabilities	(364)	(353)
Share issuance costs	-	(28)

The effect of exchange rate changes on cash and cash equivalents amounted to P535 million and (P240) million for the periods ended June 30, 2026, and 2025, respectively.

IV. 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 as for the periods indicated below.

KPI	**As of June 30, 2026**	**As of December 31, 2025**
Liquidity:		
Current Ratio	1.30	1.22
Quick Ratio	0.78	0.79
Solvency:		
Debt to Equity Ratio	0.90	0.98
Asset to Equity Ratio	1.90	1.98
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	22.40%	24.64%
Interest Rate Coverage Ratio	13.78	13.49
Return on Assets	11.64%	12.08%

	For the Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
Operating Efficiency:		
Volume Growth	2.20%	(2.10%)
Revenue Growth	2.01%	4.31%
Operating Margin	14.04%	14.93%

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

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

* *Annualized for quarterly reporting*
** *Excluding preferred capital stock and related additional paid-in capital*

V. OTHER MATTERS

a. Commitments

   The Group’s outstanding purchase commitments amounted to P88,470 million and P87,234 million as at June 30, 2026, and December 31, 2025, respectively.

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 any cash flow or liquidity problems within the next 12 months. The Group was not in default or breach in any material respect 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 would trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation, and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

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. Sales are affected by seasonality of customer purchase patterns. In the Philippines, food and alcoholic beverages, including those produced by the Group, generally experience increased sales during the Christmas holiday season. In addition, alcoholic beverages experience higher sales during the summer months, and typically slow down in the third quarter during the rainy season. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.

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

h. The US-Israel-Iran conflict has impacted the Group due to higher fuel prices resulting from tighter oil supply, inflationary pressures, and continued uncertainty surrounding the situation. It has also resulted in softer export volumes, as the conflict has curtailed shipments to the Middle East region.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
June 30, 2026
(In Millions)

	Total	Current	Past Due: 1 - 30 Days	Past Due: 31 - 60 Days	Past Due: 61 - 90 Days	Past Due: Over 90 Days
Trade	P 22,281	P 18,875	P 2,366	P 235	P 165	P 640
Non-trade	1,366	604	203	160	65	334
Others	1,743	202	51	16	56	1,418
Total	25,390	P 19,681	P 2,620	P 411	P 286	P 2,392
Less allowance for impairment losses	1,215					
	P 24,175					

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	**As of June 30, 2026**	**As of December 31, 2025**
Liquidity:		
Current Ratio	1.30	1.22
Quick Ratio	0.78	0.79
Solvency:		
Debt to Equity Ratio	0.90	0.98
Asset to Equity Ratio	1.90	1.98
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	22.40%	24.64%
Interest Rate Coverage Ratio	13.78	13.49
Return on Assets	11.64%	12.08%

	For the Six Months Ended June 30, 2026	**For the Six Months Ended June 30, 2025**
Operating Efficiency:		
Volume Growth	2.20%	(2.10%)
Revenue Growth	2.01%	4.31%
Operating Margin	14.04%	14.93%

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

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

** Annualized for quarterly reporting*
*** Excluding preferred capital stock and related additional paid-in capital*