SAN MIGUEL CORPORATION

40 San Miguel Avenue, Mandaluyong City, Philippines 1550

OFFER SUPPLEMENT

Fixed Rate Bonds in the aggregate principal amount of up to ₱20,000,000,000.00

Base Offer of ₱15,000,000,000.00
with an Oversubscription Option of up to ₱5,000,000,000.00

Consisting of:
Series O Bonds: 7.2584% p.a. due 2031
Series P Bonds: 7.7197% p.a. due 2034

Offer Price: 100% of Face Value

to be listed and traded through the Philippine Dealing & Exchange Corp.

Joint Issue Managers
Bank of Commerce
BDO Capital & Investment Corporation
China Bank Capital Corporation

Joint Lead Underwriters and Bookrunners

Asia United Bank Corporation	Bank of Commerce[1]	BDO Capital & Investment Corporation
BPI Capital Corporation	China Bank Capital Corporation	Philippine Commercial Capital, Inc.
PNB Capital and Investment Corporation	RCBC Capital Corporation	SB Capital Investment Corporation

Selling Agent
First Metro Investment Corporation

Trustee
RCBC Trust Corporation[2]

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS OFFER SUPPLEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Offer Supplement is dated June 13, 2024

[1] *Bank of Commerce is an affiliate of the Company.*
[2] *RCBC Trust Corporation, the Trustee, and RCBC Capital Corporation, are affiliates. RCBC Capital Corporation is a wholly-owned subsidiary of Rizal Commercial Banking Corporation. RCBC Trust Corporation is an affiliate of Rizal Commercial Banking Corporation and a member of the Yuchengco Group of Companies and will be the Trustee for the Series O Bonds and Series P Bonds.*

SAN MIGUEL CORPORATION
40 San Miguel Avenue, Mandaluyong City Philippines 1550
Telephone number (632) 8632-3000
http://www.sanmiguel.com.ph

The Prospectus, dated June 17, 2021, relating to the shelf registration and offer and sale in the Philippines within the Shelf Period, as defined below, of fixed rate bonds with an aggregate principal amount of up to Fifty Billion Pesos (₱50,000,000,000.00) (the "**Shelf Registered Bonds**") by San Miguel Corporation ("**SMC**," the "**Company**," the "**Parent Company**," or the "**Issuer**"), was previously approved and the shelf registration rendered effective by the Securities and Exchange Commission ("**SEC**") under SEC MSRD Order No. 32, Series of 2021. The Shelf Registered Bonds shall be issued in tranches within a period of three (3) years from the effective date of the Registration Statement of the Shelf Registered Bonds on June 21, 2021 to June 21, 2024, which period was extended to until July 21, 2024 pursuant to the SEC approval dated June 11, 2024 granting the Company's Request for Exemptive Relief (the "**Shelf Period**").

This Offer Supplement (the "**Offer Supplement**") relates to the take down of the second tranche of the Shelf Registered Bonds and the public offer for sale, distribution, and issuance in the Philippines (the "**Offer**") of Philippine Peso-denominated fixed rate bonds with an aggregate principal amount of up to ₱20,000,000,000.00 (the "**Offer Bonds**") by the Company. The Offer Bonds will be issued at face value ("**Issue Price**") and listed and traded through the Philippine Dealing & Exchange Corp. ("**PDEx**").

The Offer will have an aggregate principal amount of ₱15,000,000,000.00 (the "**Base Offer**"), and in the event of an oversubscription, the Joint Lead Underwriters and Bookrunners (as defined below), in consultation with the Issuer, may increase the size of the Offer by up to ₱5,000,000,000.00 (the "**Oversubscription Option**," and the Offer Bonds pertaining to such option, the "**Oversubscription Option Bonds**") to an aggregate issue size of up to ₱20,000,000,000.00.

The Offer Bonds will be issued on July 3, 2024 (the "**Issue Date**") and will be comprised of Series O Bonds due 2031 (the "**Series O Bonds**") and Series P Bonds due 2034 (the "**Series P Bonds**"). The Issuer has the discretion to allocate the principal amount of the Offer Bonds between the Series O Bonds and Series P Bonds based on the book building process.

The Series O Bonds shall have a term of six (6) years and six (6) months from Issue Date with a fixed interest rate equivalent to 7.2584% per annum. The Series P Bonds shall have a term of ten (10) years from Issue Date with a fixed interest rate equivalent to 7.7197% per annum.

For a detailed discussion on the Interest Payment Dates, please refer to the section "*Description of the Offer Bonds – Interest*" starting on page 48 of this Offer Supplement.

Subject to the consequences of default as may be contained in the Trust Agreement, and unless otherwise redeemed or purchased prior to the relevant Maturity Date, the Offer Bonds will be redeemed at par or 100% of the face value thereof on the Maturity Date. For a more detailed discussion on the redemption of the Bonds, please refer to the section "*Description of the Offer Bonds – Redemption and Purchase*" starting on page 49 of this Offer Supplement.

The Company estimates that the net proceeds from the Offer, assuming full exercise of the Oversubscription Option, shall amount to approximately ₱19,749,330,370.00, after fees, commissions, and expenses. The net proceeds of the Offer shall be used for investments in Manila International Airport ("**MIA**") and other airport related projects in Bulakan, Bulacan, redemption of Series I Bonds as a result of the Put Option Exercise of its bondholders, and repayment of Series F Bonds. For a more detailed discussion on the use of proceeds, please refer to the section "*Use of Proceeds*" starting on page 126 of this Offer Supplement.

On March 11, 2021, the Board of Directors of the Company (the "**Board of Directors**") authorized the sale and offer of the Shelf Registered Bonds under such terms and conditions as the management of SMC may deem advantageous to it. On April 23, 2021, the Company filed an application with the SEC to register the Shelf Registered Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) ("**SRC**"). On June 21, 2021, the SEC issued SEC MSRD Order No. 32, Series of 2021 rendering the

Registration Statement for the Shelf Registered Bonds effective. On April 22, 2024, the Company filed an amended Registration Statement and the Offer Supplement for the second tranche of the Shelf Registered Bonds. A corresponding permit to offer securities for sale covering the Offer Bonds upon compliance with the terms and conditions is expected to be issued prior to the commencement of the public offer and sale of the Offer Bonds.

The Company will apply for the listing of the Offer Bonds in the PDEx. However, there is no assurance that such listing will be achieved either before or after the issue date of the Offer Bonds being offered at a particular time or whether such a listing will materially affect the liquidity of the Offer Bonds on the secondary market. Such listing will be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings, and payments on an ongoing basis.

The Offer Bonds will be offered to the public solely in the Philippines through Bank of Commerce, BDO Capital & Investment Corporation, and China Bank Capital Corporation (collectively, the "**Joint Issue Managers**"), and together with Asia United Bank Corporation, BPI Capital Corporation, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation, RCBC Capital Corporation, and SB Capital Investment Corporation (collectively with the Joint Issue Managers, referred to as the "**Joint Lead Underwriters and Bookrunners**"), and participating underwriters and/or selling agents named herein, if any.

The Company reserves the right to withdraw the offer and sale of the Offer Bonds at any time, and the Issuer (acting through the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners) reserves the right to reject any application to purchase the Offer Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Bonds sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEx. Any of the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners and the Selling Agent may acquire for their own account a portion of the Offer Bonds.

The Offer Bonds will be registered and offered exclusively in the Philippines. The distribution of this Offer Supplement and the offer and sale of the Offer Bonds may, in certain jurisdictions, be restricted by law. This Offer Supplement does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction. The Company, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners require persons into whose possession this Offer Supplement comes to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally, and to observe all such restrictions. Each investor in the Offer Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase or subsequent offer and sale of the Offer Bonds under the laws and regulations in force in any jurisdiction to which it is subject. None of the Company, the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners, any participating underwriter and selling agent will have any responsibility therefore.

The price of securities, such as the Offer Bonds, can and does fluctuate, as any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Offer Bonds described in this Offer Supplement involves a certain degree of risk. A prospective purchaser of the Offer Bonds should carefully consider several risk factors relating to the Company's business and operations, risks relating to the Philippines, and risks relating to the Offer Bonds, as set out in "*Risk Factors*" found on page 66 of this Offer Supplement, in addition to the other information contained in this Offer Supplement, in deciding whether to invest in the Offer Bonds. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Offer Bonds. A person contemplating an investment in the Offer Bonds should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities.

The Company may declare dividends at the discretion of the Board of Directors and such declaration will depend upon the future results of operations and general financial condition and capital requirements of SMC; its ability to receive dividends and other distributions and payments from its subsidiaries; foreign exchange rates; legal,

regulatory, and contractual restrictions; loan obligations (both at the parent and subsidiary levels); and other factors that the Board of Directors may deem relevant.

Unless otherwise stated, the information contained in this Offer Supplement has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information in this Offer Supplement is correct as of the date hereof, and that there is no material misstatement or omission of fact which would make any statement in this Offer Supplement misleading in any material respect.

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners have exercised the required due diligence in ascertaining that all material representations contained in this Offer Supplement, and any amendment or supplement thereto, are true and correct as of the date hereof and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect.

Unless otherwise indicated, all information in this Offer Supplement is as of the date hereof. Neither the delivery of this Offer Supplement nor any sale made pursuant to this Offer Supplement shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date.

Market data and certain industry forecasts used throughout this Offer Supplement were obtained from internal surveys, market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified. The Company does not make any representation, undertaking, or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Offer Supplement in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

This Offer Supplement is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners or their respective affiliates or legal advisers that any recipient of this Offer Supplement should purchase the Offer Bonds. Each person contemplating an investment in the Offer Bonds should make his own investigation and analysis of the creditworthiness of SMC and his or her own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Offer Bonds. A person contemplating an investment in the Offer Bonds should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Offer Bonds involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Offer Bonds, see the section on "*Risk Factors*" starting on page 66.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Offer Supplement. If given or made, any such information or representation must not be relied upon as having been authorized by the Company, the Joint Issue Managers, or the Joint Lead Underwriters and Bookrunners.

The Company owns land as identified in the section on "*Description of Property*" on page 243. In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. For further discussion, please refer to section on "*Regulatory Framework"* on page 331.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

SAN MIGUEL CORPORATION

By:

RAMON S. ANG
Chairman and Chief Executive Officer

JOHN PAUL L. ANG
Vice Chairman, President and Chief Operating Officer

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY, METRO MANILA) SS.

SUBSCRIBED AND SWORN to before me this JUN 13 2024 in Mandaluyong City, affiants exhibiting to me the following competent evidence of identity:

Affiant	*Competent Evidence of Identity*	*Date and Place of Issuance*
Ramon S. Ang	Philippine Passport No. P2247867B	May 22, 2019, DFA Manila
John Paul L. Ang	Philippine Passport No. P2247864B	May 22, 2019, DFA Manila

Doc No.: 199;
Page No.: 101;
Book No.: VII;
Series of 2024.

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

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

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FORWARD-LOOKING STATEMENTS

This Offer Supplement contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors which may cause actual results, performance, or achievements of SMC to be materially different from any future results; and
- performance or achievements expressed or implied by forward-looking statements.

The words "believe," "expect," "anticipate," "estimate," "project," "may," "plan," "intend," "will," "shall," "should," "would," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offer Supplement are forward-looking statements. Statements in this Offer Supplement as to the opinions, beliefs, and intentions of the Issuer are the opinions, beliefs, and intentions of the management of SMC as to such matters at the date of this Offer Supplement, although the Issuer can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Offer Supplement discloses, under the section "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent written and oral forward-looking statements attributable to either the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by cautionary statements. Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which SMC will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of SMC to successfully implement its strategies;
- the ability of SMC and its subsidiaries (the "**SMC Group**") to anticipate and respond to consumer trends;
- changes in availability of raw materials used in the production processes of SMC Group;
- the ability of the SMC Group to successfully manage its growth;
- the condition and changes in the Philippine, Asian, or global economies;
- any future political instability in the Philippines, Asia, or other regions;
- changes in interest rates, inflation rates, and the value of the Peso against the U.S. Dollar and other currencies;
- changes in government regulations, including tax laws, or licensing requirements in the Philippines, Asia, or other regions; and
- competition in the beer, liquor, food, packaging, power, fuel and oil, cement, and infrastructure industries in the Philippines and globally.

Additional factors that could cause actual results, performance, or achievements of SMC to differ materially include, but are not limited to, those disclosed under "*Risk Factors*" and elsewhere in this Offer Supplement. These forward-looking statements speak only as of the date of this Offer Supplement. SMC, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to

reflect any change in the expectations of SMC with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based. In light of these risks, uncertainties and assumptions associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Offer Supplement might not occur in the way SMC expects, or at all. SMC's actual results could differ substantially from those anticipated in SMC's forward-looking statements. Investors should not place undue reliance on any forward-looking information.

DEFINITION OF TERMS

In this Offer Supplement, unless the context otherwise requires, the following terms shall have the meanings set forth below.

2014 ERC Orders	ERC orders that were issued subsequent to its March 3, 2014 Order
2019 Meralco PSCs	Contracts executed between Meralco and the relevant IPPAs
AAIBV	Atlantic Aurum Investments B.V. including, as the context requires, its subsidiaries
ABB	ABB, Inc.
ACEN	ACEN Corporation
AES Phil	AES Phil Investment Pte. Ltd.
AHC	Angat Hydropower Corporation
AHEPP	Angat Hydroelectric Power Plant
Animal Nutrition and Health	Integrated Feeds of the Food Division of SMFB
APEC	Albay Power and Energy Corp.
APM	Automatic Pricing Mechanism
Applicable Law	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority and any directive, guideline, policy or requirement of any Governmental Authority having the force and effect of law
Applicant	Any person who seeks to subscribe to the Offer Bonds and submits a duly accomplished Application to Purchase, together with all the requirements set forth therein
Application to Purchase	The application form accomplished and submitted by an Applicant to the relevant Joint Lead Underwriters and Bookrunners or Selling Agent for the purchase of a specified amount of the Series O Bonds and/or Series P Bonds, together with all the other requirements set forth in such application form
AS-CRM	Ancillary Services — Cost Recovery Mechanism
ASEAN	The Association of Southeast Asian Nations, consisting of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
ASF	African Swine Fever

ASPP	Ancillary Services Procurement Plan
Auto-LPG Rules	DOE Circular No. DC 2007-02-0002 entitled Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas for Automotive Use
BAI	Bureau of Animal Industry
Bataan Solar Project	Solar Project in Bataan
Bayan	PT Bara Tabang
Beer and NAB Division	San Miguel Brewery, Inc. and its subsidiaries
BESS	Battery Energy Storage System
BIR	Bureau of Internal Revenue of the Philippines
Board or Board of Directors	Board of Directors of SMC
Bonanza Energy	Bonanza Energy Resources, Inc.
Bond Agreements	Collectively, the Underwriting Agreement, the Trust Agreement and the Registry and Paying Agency Agreement
Bondholder	A Person whose name appears, at any relevant time, as the registered owner of the Series O Bonds and/or Series P Bonds in the Registry of Bondholders
Bonds	Fixed rate bonds with an aggregate principal amount of up to ₱20,000,000,000.00
BOT	Build-Operate-Transfer
BPG	Business Procurement Group
BPS	Bureau of Product and Standards
BSP	Bangko Sentral ng Pilipinas
BTO	Build-Transfer-Operate
Business Day	A day, other than a public non-working holiday, Saturday or Sunday on which the BSP's Philippine Payments and Settlements System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) (or, in the event of the discontinuance of their respective functions, their respective replacements) are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines
CAAP	Civil Aviation Authority of the Philippines
CAI	Can Asia, Inc.
Can-Pack	Can-Pack S.A.

Capital Stock.....	With respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the date of the Trust Agreement or issued thereafter, including, without limitation, all common stock and preferred stock of such Person
Captive Market.....	End-users who may not choose their supplier of electricity
Certificate of Compliance.....	Certificate of Compliance to the Revised Retail Rules
CFB.....	Circulating fluidized bed
Change in Law or Circumstance.....	Each of the events described as such under "*Description of the Offer Bonds – Redemption by Reason of Change in Law or Circumstance*"
Citra.....	P.T. Citra Lamtoro Gung Persada
Clean Air Act.....	The Philippine Clean Air Act of 1999
Clean Water Act.....	The Philippine Clean Water Act of 2004
CLPPC.....	Central Luzon Premiere Power Corp.
CODOs	Company-owned-dealer-operated service stations
Consolidated EBITDA.....	In respect of any Relevant Period, the net income of the Group (excluding items between any or all of the Issuer and its Consolidated Subsidiaries): (a) before any provision on account of taxation; (b) before any interest, commission, discounts or other fees incurred or payable, received or receivable by the Issuer or any of its Consolidated Subsidiaries in respect of Debt; (c) before any items treated as exceptional or extraordinary items; (d) before any amount attributable to the amortization of intangible assets and depreciation of tangible assets; and (e) if in respect of a calculation of a financial covenant under the section entitled "*Description of the Offer Bonds – Financial Ratio*," Project Debt is excluded from a determination of Consolidated Total Debt, excluding income attributable to or generated by the Ring-Fenced Subsidiaries, and so that no amount shall be included or excluded more than once.
Consolidated Net Debt.....	At any date, the Consolidated Total Debt less the aggregate amount (without duplication) of freely available, unencumbered cash and cash equivalents on the consolidated balance sheet of the Group at such time

Consolidated Net Worth……..	At any date, the total stockholders' equity (including minority interests) which would appear on a consolidated balance sheet of the Group prepared as of such date in accordance with PFRS
Consolidated Subsidiary.....	A Subsidiary of any Person which for financial reporting purposes, in accordance with PFRS, is accounted for by such Person as a consolidated Subsidiary
Consolidated Total Debt.....	At any date, the aggregate amount (without duplication) of all Debt of the Group as at such date and including all obligations of the IPPAs (under their respective IPPA Agreements) owned or acquired by the Group which are Guaranteed pursuant to a standby letter of credit or other credit support document, issued on behalf of the administrator of the relevant IPPA but excluding (a) items between any or all of the Issuer and its Consolidated Subsidiaries which would be excluded in a consolidated balance sheet of the Group prepared as of such date in accordance with PFRS; (b) Project Debt; and (c) all obligations of the IPPAs (under their respective IPPA Agreements) which represent periodic financial lease payments to PSALM or any other counterparty to an IPPA Agreement
Consolidated Total Equity.....	The consolidated total assets minus consolidated total liabilities plus deposit for future subscription (without double counting any amounts) as reported in the consolidated financial statements of the Company and excluding all amounts attributable to or generated by the Ring-Fenced Subsidiaries
Consolidated Total Interest Expense.....	The total Interest Expense per consolidated financial statements of the Company less interest due on the Project Debt
Consortium.....	Marubeni Corporation, Sithe Philippines Holdings, Ltd., and Italian-Thai Development Public Company Limited
Consumer Act.....	Republic Act No. 7394 or the Consumer Act of the Philippines
CPR.....	Certificate of Product Registration
CREATE Act.....	Corporate Recovery and Tax Incentives for Enterprises Law or Republic Act No. 11534
CSP.....	Competitive Selection Processes
CTA.....	Court of Tax Appeals
CTCII.....	Cypress Tree Capital Investments, Inc.
CTRP.....	Comprehensive Tax Reform Package
D.O. No. 174-17.....	DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended
DA……..	Department of Agriculture of the Philippines

DC..... Department Circular

Daguma..... Daguma Agro Minerals, Inc.

DBI..... Distileria Bago, Inc.

Debt..... Any indebtedness of a Person for or in respect of and without duplication:

(a) all obligations of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business;

(d) all obligations of such Person as lessee which are capitalized in accordance with PFRS;

(e) all Debt (of any Person) secured by a Lien on any asset of such first-mentioned Person, whether or not such Debt is otherwise an obligation of such first-mentioned Person;

(f) all obligations of such Person in respect of any redeemable stock of such Person; provided that, such redeemable stock (i) is required to be redeemed prior to December 14, 2032; or (ii) redeemable at the option of the holder thereof or any other Person at any time prior to December 14, 2032 provided such right has been exercised or notice of such exercise has been made; or (iii) convertible into or exchangeable for (1) Capital Stock; or (2) Debt of any Person having a scheduled maturity prior to December 14, 2032, and such has been converted into Debt having a scheduled maturity prior to December 14, 2032;

(g) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, Guarantee or similar instrument;

(h) all Debt of others Guaranteed by such Person;

(i) all indebtedness of such Person for or in respect of receivables sold or discounted (other than on customary non-recourse terms consistent with market terms for transactions of such nature); and

(j) all indebtedness of such Person for or in respect of any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other treasury transaction or any combination thereof or any other transaction entered into in

	connection with protection against or benefit from fluctuation in any rate or price (and the amount of the indebtedness in relation to any such transaction described in this paragraph (j) shall be calculated by reference to the mark-to-market valuation of such transaction at the relevant time)
DENR.....	Department of Environment and Natural Resources of the Philippines
Disruption Event.....	Either or both of: (a) a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust Agreement to be carried out which disruption is not caused by, and is beyond the control of, any of the parties; or (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that party from: (i) performing its payment obligations under the Trust Agreement and the Registry and Paying Agency Agreement; or (ii) communicating with other relevant parties (including, but not limited to, the Trustee and Paying Agent) in accordance with the terms of the Trust Agreement and the Registry and Paying Agency Agreement
Distribution Code.....	The Philippine Distribution Code
DODOs	Dealer-owned-dealer-operated service stations
DOE.....	Department of Energy of the Philippines
DOE CSP Policy.....	DOE Circular No. DC2018-02-0003
DOH.....	Department of Health of the Philippines, including the FDA
DOLE.....	Department of Labor and Employment of the Philippines
DOTr.....	Department of Transportation of the Philippines
DPWH.....	Department of Public Works and Highways of the Philippines
DTI.....	Department of Trade and Industry of the Philippines
DUs.....	Distribution utilities
Eagle Cement.....	Eagle Cement Corporation
EBITDA.....	Earnings before interest, taxes, depreciation and amortizations
ECA.....	Energy Conversion Agreement
ECC.....	Environmental Compliance Certificate

EERI	Excellent Energy Resources, Inc.
EIS	Environmental Impact Statement
EISS Law	Presidential Decree No. 1586
EMB	Environmental Management Bureau
EMF	Environmental Monitoring Fund
EMEPMI	ExxonMobil Exploration and Production Malaysia, Inc.
EMP	Environmental Management Plan
EPC	Engineering, Procurement, and Construction
EPIRA	Electric Power Industry Reform Act of 2001
ERC	Energy Regulatory Commission of the Philippines
ERC Orders	ERC Case No. 2019-081 and ERC Case No. 2019-083
ERC RES Rules	Implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users
ERC Resolution on Grid Market Share Limitation	ERC Resolution No. 01, Series of 2022 dated March 9, 2022
Expanded VAT Law	Republic Act No. 9337
FBO	Food Business Operators
FDA	The Food and Drug Administration of the Philippines
FDDC Act	The Philippine Foods, Drugs and Devices, and Cosmetics Act, as amended by the Food and Drug Administration Act of 2009
FGEN Corporation	First Gen Corporation
FIA	Foreign Investment Act of 1991, as amended
Final Redemption Amount	As the context may require: (a) 100% of the face value of the outstanding Series O Bonds or Series P Bonds, as the case may be, on the relevant Maturity Date of such series; or (b) the redemption price of the relevant series of the Offer Bonds determined in accordance with the terms and conditions of the Offer Bonds on the relevant Redemption Date
Food Safety Act	Republic Act No. 10611 or the Food Safety Act of 2013
FSCO	Food Safety Compliance Officer
Fuso	Fuso Machine & Mold Mfg. Co. Ltd.

GDP	Gross Domestic Product
GFS	Great Food Solutions
GMP	Good Manufacturing Practices
Government	The Government of the Republic of the Philippines
Governmental Authority	Any government agency, authority, bureau, department, court, tribunal, legislative body, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines
GRI	Global Reporting Initiative
Grid Code	The Philippine Grid Code
Group	At any time, the Company and its Subsidiaries at such time.
GSMI	Ginebra San Miguel Inc., including as the context requires, its subsidiaries
GST	Goods and Services Tax
Guarantee	Any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such first-mentioned Person entered into for the purpose of assuring in any manner the obligee of such Debt or other obligation or to protect such obligee against loss (in whole or in part), provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term Guarantee used as a verb has a corresponding meaning
GWh	Giga-watt hours
HACCP	Hazard Analysis of Critical Control Points
HDMF	Home Development Mutual Fund
HELE Technologies	High Efficiency Low Emission Technologies
HL	Hectoliters
IBI	Iconic Beverages, Inc.
IEMOP	Independent Electricity Market Operator of the Philippines Inc.
IFC	Integrated Food Complex
Ilijan LNG Terminal	Hybrid LNG Terminal in Ilijan, Batangas
IMF	International Monetary Fund

Interest Expense.....	For any Relevant Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments (other than payments of principal) in respect of indebtedness paid or payable by any member of the Group in cash or capitalized in respect of that Relevant Period: (a) including any upfront fees or costs; (b) including the interest (but not the capital) element of payments in respect of any lease or hire purchase contract which would, in accordance with PFRS, be treated as a finance or capital lease; (c) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate hedging arrangement; (d) excluding any accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of indebtedness paid or payable by any Ring-Fenced Subsidiaries; and (e) excluding the amount of any cash dividends or distributions paid or made by the Company in respect of that Relevant Period, in each case, so that no amount shall be added (or deducted) more than once
IPO.....	Initial Public Offering
IPOPHIL.....	Intellectual Property Office of the Philippines
IPP.....	Independent Power Producer
IPPA.....	Independent Power Producer Administrator
IPPA Agreement.....	Each independent power producer administrator agreement entered into between an IPPA and PSALM or any party, including a transferee of such agreement
IRR.....	Implementing Rules and Regulations
ISO.....	International Organization for Standardization
Joint Issue Managers.....	Bank of Commerce, BDO Capital & Investment Corporation, and China Bank Capital Corporation
Joint Lead Underwriters and Bookrunners.....	Joint Issue Managers and together with Asia United Bank Corporation, BPI Capital Corporation, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation, RCBC Capital Corporation, and SB Capital Investment Corporation
Kabankalan BESS.....	Kabankalan Battery Energy Storage System

kcal	Kilocalorie
K-Water	Korea Water Resources Corporation
KEILCO	KEPCO Ilijan Corporation
Kirin	Kirin Holdings Company, Limited
KLIA	Kuala Lumpur International Airport
KLIA 2	Kuala Lumpur International Airport Terminal 2
KWPP	KWPP Holdings Corporation
LCWDC	Luzon Clean Water Development Corporation
LGC	The Local Government Code of 1991, as amended
LGU	Local government unit
Lien	With respect to any property or asset, (i) any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14) of the Civil Code of the Philippines; and (ii) the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or asset, or the proceeds therefrom, prior to any general creditor of the owner thereof
Limay Power Inc	Limay Power Inc. (formerly SMC Consolidated Power Corporation)
Limay Refinery	Refinery operated by Petron in Limay, Bataan
Livestock and Poultry Feeds Act	The Philippine Livestock and Poultry Feeds Act, including its implementing rules and regulations
LPDSI	Luzon Power Dynamics Services Inc. (formerly known as Mantech Power Dynamics Services Inc.)
LPG	Liquefied Petroleum Gas
LPG Industry Rules	DOE Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry
LTIP	Long-Term Incentive Plan for Stock Options
LTO	License to Operate
Magnolia	Magnolia Inc.
Majority Bondholders	Means: (a) with respect to matters relating only to the Series O Bonds, Bondholders representing

more than 50% of the outstanding principal amount of the Series O Bonds;

(b) with respect to matters relating only to the Series P Bonds, Bondholders representing more than 50% of the outstanding principal amount of the Series P Bonds; and

(c) with respect to matters affecting all Offer Bonds, Bondholders representing more than 50% of the outstanding principal of the Offer Bonds

Malampaya.....	Malampaya gas facility
Malita Power Inc	Malita Power Inc. (formerly San Miguel Consolidated Power Corporation)
Manual.....	Manual on Corporate Governance
MARINA.....	Maritime Industry Authority of the Philippines
Masinloc BESS.....	Battery energy storage system in Masinloc, Zambales
Masinloc Group.....	SMCGP Masin and its subsidiaries
Material Adverse Effect.....	In the reasonable opinion of the Majority Bondholders, acting in good faith and in consultation with the Issuer, a material adverse effect on (i) the ability of the Issuer to observe and comply with the provisions of and perform its financial obligations under the Offer Bonds and the Bond Agreements; or (ii) the validity or enforceability of the Offer Bonds or any of the Bond Agreements; or (iii) the financial condition, business or operations of the Issuer taken as a whole
Material Subsidiary	At any time: (a) a Subsidiary of the Issuer as of such date with respect of which: (i) the Issuer's proportionate share (based on the Issuer's direct or indirect equity interest therein) of the net income (excluding extraordinary gains and losses) thereof, as shown by the latest audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries), constitutes at least 25% of the consolidated net income of the Issuer (excluding extraordinary gains and losses) as shown by the consolidated audited accounts of the Issuer in respect of the same period; or (ii) the Issuer's proportionate share (based on the Issuer's direct or indirect equity interest therein) of the total assets thereof, as shown by the then latest audited accounts of such Subsidiary (which accounts shall be consolidated if

such Subsidiary has any Subsidiaries) constitute at least 25% of the total consolidated assets of the Issuer as shown by the consolidated audited accounts of the Issuer in respect of the same period;

provided that for the purpose of the above:

(1) in the case of a Subsidiary acquired, or a Person becoming a Subsidiary, after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer, for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the acquisition is made, or as the case may be, in which the person becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries) into such accounts (as if such latest consolidated audited accounts of the Issuer are prepared in respect of the same period as such latest audited accounts of such Subsidiary);

(2) if at any time when a determination must be made under this definition with respect to the Issuer or any Subsidiary for which consolidated audited accounts of the Issuer are necessary no such consolidated audited accounts are prepared and audited, net income (excluding extraordinary gains and losses) and total assets of the Issuer shall be determined on the basis of the pro forma consolidated accounts prepared for this purpose by the auditors at that time of the Issuer (which pro forma accounts shall be procured by the Issuer as soon as reasonably practicable upon request by the Trustee); and

(3) if at any time when a determination must be made under this definition with respect to any Subsidiary for which audited accounts of such Subsidiary are necessary, no such accounts are prepared and audited, its net income (excluding extraordinary gains and losses) and total assets shall be determined on the basis of the pro forma accounts of such Subsidiary (which account should be consolidated if such Subsidiary has any Subsidiaries)

prepared for this purpose by the auditors at that time of such Subsidiary (which pro forma accounts shall be procured by the Issuer as soon as reasonably practicable upon request by the Trustee); and

(b) any Subsidiary of the Issuer to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary

Maturity Date…… Means:

(a) in respect of the Series O Bonds, the sixth (6th) month following the sixth (6th) anniversary of the Issue Date, or on January 3, 2031; and

(b) in respect of the Series P Bonds, the tenth (10th) anniversary of the Issue Date, or on July 3, 2034,

provided, that if the Maturity Date falls on a day that is not a Business Day, then the payment of the accrued interest and the Final Redemption Amount shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and the Final Redemption Amount to be paid.

MCIT…… Minimum Corporate Income Tax

MCO..... Malaysia's Movement Control Order

MME..... Metro Manila Expressway

MMS..... Metro Manila Skyway

MNHPI…… Manila North Harbour Port, Inc.

MPCL…… Masinloc PowerCo. Ltd. (formerly known as Masinloc Power Partners Co. Ltd.)

Meat Inspection Code…… The Meat Inspection Code of the Philippines

Meralco…… Manila Electric Company

MIA…… Manila International Airport

Mincorr…… Mindanao Corrugated Fibreboard, Inc.

MOPS …… Mean of Platts Singapore

MPGC…… Mariveles Power Generation Corporation

MPI …… Malita Power, Inc.

MPSA..... Mineral Production Sharing Agreement

MRT-7…… Metro Rail Transit Line 7

MT	Metric Tons
MTPY	Metric tons per year
Must Pay Volume	Monthly generation payments comprising a "must pay" amount for electricity sold up to a given volume
MW	Mega-watt
MWSS	Metropolitan Waterworks and Sewerage System
NAB	Non-Alcoholic Beverages
NAIAx	NAIA Expressway
NALEX	Northern Access Link Expressway
Narra Nickel Case	Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp (G.R. No. 195580)
NBEX	Nasugbu Bauan Expressway
NCC	Northern Cement Corporation
NCI	Non-controlling Interest
NCM	Nickel-cobalt-manganese
NCR	National Capital Region of the Philippines
NCR Plus	Metro Manila, Bulacan, Cavite, Laguna, and Rizal
Negative List	Twelfth Regular Foreign Investment Negative List
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Administration
NMIS	National Meat Inspection Service
NPC	National Power Corporation of the Philippines
NPD	New Product Development
NWRB	National Water Resources Board
NYG	Nihon Yamamura Glass Company, Ltd.
Offer	The public offer and sale of fixed rate bonds with an aggregate principal amount of up to ₱20,000,000,000.00 by SMC in the Philippines
Offer Supplement	The Offer Supplement dated June 13, 2024 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Offer Bonds
Oil Deregulation Act	Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998

OEDC.....	Olongapo Electricity Distribution Corp.
OIMB.....	Oil Industry Management Bureau
Optimal.....	Optimal Infrastructure Development, Inc.
Packaging Group	San Miguel Yamamura Packaging Corporation and its subsidiaries, San Miguel Yamamura Packaging International Limited, SMC Yamamura Fuso Molds Corporation, Can Asia, Inc., Mindanao Corrugated Fireboard, Inc., and Wine Brothers Philippines Corporation
PAREX.....	Pasig River Expressway
Paying Agent	PDTC, whose principal obligation is to handle payments of the principal of, interest on, and all other amounts payable on the Offer Bonds, to the Bondholders, pursuant to the Registry and Paying Agency Agreement. The term includes, wherever the context permits, all other Person or Persons for the time being acting as paying agent or paying agents under the Registry and Paying Agency Agreement
Payment Date	As the context may require, each Interest Payment Date, the relevant Maturity Date, and/or the relevant Redemption Date
PC.....	Pulverized coal
PCA.....	Philippine Competition Act
PCC.....	Philippine Competition Commission
PDTC.....	The Philippine Depository & Trust Corp., a corporation with quasi-banking license duly organized and existing under and by virtue of the laws of the Philippines.
PDEx.....	The Philippine Dealing & Exchange Corp., a corporation duly organized and existing under and by virtue of the laws of the Philippines and duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the Philippine Dealing System Group of Companies.
PDEx Trading Participant.....	A trading participant of PDEx defined as such under the PDEx Rules
PDS	Philippine Dealing System Group
PEMC.....	Philippine Electricity Market Corporation
Permit to Sell	The Certificate of Permit to Sell or Offer for Sale of Securities issued by the SEC in respect of the Offer
Permitted Lien.....	Means: (a) Any Lien existing as of the date of the Trust Agreement; (b) Liens for taxes or assessments or governmental charges or levies not yet

delinquent or which are being contested in good faith;

(c) Other Liens incidental to the ordinary conduct of the business of the Issuer or any Material Subsidiary or the ownership of the properties and assets of the Issuer or any Material Subsidiary provided that:

(i) such Liens are not incurred or granted in connection with incurring or maintaining Debt;

(ii) such Liens do not, individually or in the aggregate, materially detract from the value of such properties or assets or materially impair the use thereof in the operation of the business of the Issuer or any Material Subsidiary or materially interfere with the sale or other disposition of such properties or assets;

(iii) such Liens shall in no event secure any obligations or liabilities incurred by the Issuer and/or the Material Subsidiaries in the ordinary course of any real property development business; and

(iv) the aggregate amount secured by such Lien permitted under this paragraph (c) (for any and all of the Issuer and the Material Subsidiaries) shall not at any time be in excess of US$30,000,000.00 (or the equivalent in any other currencies);

(d) Liens arising by operation of law (other than any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines) on any property or asset of the Issuer or its Material Subsidiaries, including without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or materialman;

(e) Liens (not otherwise permitted in paragraphs (a) to (c) above) securing Debt owed under any government lending program or incurred by the Issuer and/or its Material Subsidiaries (in each case) in the ordinary course of any real property development business and in an aggregate principal amount (such aggregate being the aggregate for the Issuer and the Material Subsidiaries) at any date not to exceed 5% of Consolidated Net Worth as of such date;

(f) Liens over or affecting any asset of any company which becomes a member of the Group after the date of the Trust Agreement, where the Lien is created prior to the date on

which that company becomes a member of the Group;

(g) Liens created with the prior written consent of the Majority Bondholders;

(h) To the extent notified to the Trustee in writing, any Lien created by a Ring-Fenced Subsidiary securing Project Debt; and

(i) To the extent notified to the Trustee in writing, any Lien created over shares in any Ring-Fenced Subsidiary securing Project Debt

Person	Any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization
Peso or ₱ or PHP	Philippine Peso, the lawful currency of the Republic of the Philippines
PET	Polyethylene Terephthalate
Petrogen	Petrogen Insurance Corporation
Petron	Petron Corporation including, as the context requires, its subsidiaries
PFF Act	Republic Act No. 8976 or the Philippine Food Fortification Act of 2000
PFRS	Philippine Financial Reporting Standards
PHC or Purefoods-Hormel	The Purefoods-Hormel Company, Inc.
Philippines	Republic of the Philippines
Picazo Law	Picazo Buyco Tan Fider & Santos
PIFITA	Passive Income and Financial Intermediary Taxation Act
PME	Palm Oil Methyl Ester
PNCC	Philippine National Construction Company
PNOC	Philippine National Oil Company
POMSB	Petron Oil (M) Sdn. Bhd.
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
Prepared and Packaged Food	SMFB's Food Division branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein, butter, margarine, cheese, milk, ice cream to flour mixes

Price Act.....	Republic Act No. 7851, otherwise known as the Price Act
Privado.....	Privado Holdings Corp.
Privacy Commission.....	National Privacy Commission
Project Debt.....	Debt incurred by a Ring-Fenced Subsidiary in relation to project finance in respect of which there is no recourse to the Company or any other member of the Group, and in respect of which neither the Company nor any other member of the Group has any actual or contingent liability of any nature, whether as principal, guarantor, surety or otherwise, except in respect of the granting of Liens granted by the Company or any member of the Group over its shares in such Ring-Fenced Subsidiary
Protein.....	Poultry and fresh meats
PSA.....	Power Supply Agreement
PSALM.....	Power Sector Assets and Liabilities Management Corporation
PSC.....	Power Supply Contract
PSE.....	The Philippine Stock Exchange, Inc.
PSTPL.....	Petron Singapore Trading Pte. Ltd.
Purchase Price	In respect of each Bond, an amount equal to the face amount of such Bond, which is payable in full upon submission of the duly executed Application to Purchase
PT KPC.....	PT Kaltim Prima Coal
PTSMPFI.....	PT San Miguel Pure Foods Indonesia (formerly PT Pure Foods Suba Indah)
Put Option.....	The right of Series I bondholders to require the Company to redeem all or a portion of the Series I Bonds on the third anniversary of the Series I Bonds on July 8, 2024
PVEI.....	PowerOne Ventures Energy Inc.
R.A. No. 8792.....	Electronic Commerce Act of 2000
R&D.....	Research and development
RCOA.....	Retail Competition and Open Access
RE.....	Renewable energy
Record Date	As used with respect to any Payment Date, (a) two (2) Business Days immediately preceding the relevant Payment Date which shall be the cut-off date in determining the Bondholders entitled to receive interest, principal or any amount due under the Offer Bonds or (b) such other date as the Issuer may duly notify PDTC
Redemption Date.....	The date when the Offer Bonds (or any series thereof) are redeemed earlier than the relevant Maturity Date in accordance with the terms and conditions of the Offer

	Bonds; provided that if the relevant Redemption Date falls on a day that is not a Business Day, then the payment of the principal and accrued interest (if any) shall be made by the Issuer on the next Business Day, without adjustment to the amount of principal and interest to be paid. For the avoidance of doubt, the term "Redemption Date" includes the Optional Redemption Date
Registrar.....	PDTC, whose principal obligation is to maintain the Registry of Bondholders and record the initial issuance and subsequent transfers of the Offer Bonds, pursuant to the Registry and Paying Agency Agreement. The term includes, wherever the context permits, all other Person or Persons for the time being acting as registrar or registrars under the Registry and Paying Agency Agreement
Registry and Paying Agency Agreement.....	The Registry and Paying Agency Agreement dated June 13, 2024, and its annexes and attachments, as may be modified, supplemented or amended from time to time, entered into between the Issuer and the Registrar and Paying Agent to stipulate on the mutual rights and obligations of the Issuer and the Registrar and Paying Agent in relation to the Offer Bonds
Registry of Bondholders	The electronic registry book of the Registrar containing the official information on the Bondholders, including, but not limited to, the names and addresses of the Bondholders and the amount of the Offer Bonds they respectively hold, including all transfers and assignments thereof, any transaction relating thereto and any liens or encumbrances thereon, to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement
Relevant Period.....	A period of 12 calendar months ending on the last day of any quarter of any of the Issuer's fiscal years
REM.....	Renewable Energy Market
RES.....	Retail Electricity Supplier
Revised Corporation Code.....	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
Revised Financial Guidelines.....	A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies
Revised Retail Rules.....	DOE Department Circular No. DC 2017-11-0011, or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels
RGB.....	Returnable Glass Bottle
Ring-Fenced Subsidiary.....	Any entity that satisfies the following conditions: (a) such entity is a Subsidiary of the Issuer but not a Material Subsidiary; (b) such entity, to the extent directly owned by the Issuer or a member of the Group (other than another Ring-Fenced Subsidiary), is a limited

liability company or corporation organized and existing under the laws of the Philippines;

(c) the Issuer has delivered a written notification to the Trustee designating such entity as a Ring-Fenced Subsidiary;

(d) no member of the Group (other than that Ring-Fenced Subsidiary) shall be contingently liable for any Debt of such entity or its Subsidiaries, except in respect of the granting by a member of the Group of Liens over its shares in such entity or such entity's Subsidiaries; and

(e) all transactions conducted between any member of the Group and such entity or its Subsidiaries must be on an arm's length basis and on normal commercial terms,

and each Subsidiary of any such entity shall also be a Ring-Fenced Subsidiary

RMP-2	Petron Bataan Refinery Master Plan Phase -2 Upgrade
RON	Research Octane Number
RPS	Renewable Portfolio Standards
RPTs	Related Party Transactions
RSC	Retail supply contract
RTGS	The Philippine Payment Settlement System via Real Time Gross Settlement that allows banks to effect electronic payment transfers which are interfaced directly to the automated accounting and settlement systems of the BSP
S&P	Standard & Poor's Rating Services
S3HC	Stage 3 Connector Tollways Holdings Corporation
SALEX	Southern Access Link Expressway
San Miguel Foods	San Miguel Food Division of SMFB
San Roque PPA	Power purchase agreement of the San Roque Power Plant with NPC under a BOT scheme
San Roque IPPA Agreement	IPPA Agreement between SRHI and PSALM
Sanitation Code	Presidential Decree No. 856 or the Code on Sanitation of the Philippines
Saudi Aramco	Saudi Arabian Oil Company
SBM	Single Buoy Mooring
SC	Supreme Court of the Philippines
SC Decision	Decision of the Supreme Court of the Philippines

SC Petition	Petition filed with the SC
SCC	Standards Compliance Certificate
SCII	Southern Concrete Industries, Inc.
SCPC	SMC Consolidated Power Corporation
SDB	Sabah Development Bank
SEC	Securities and Exchange Commission of the Philippines
Series 2H Preferred Shares	Series 2 Preferred Shares – Subseries "2-H"
Series E Bonds	Fixed Rate Bonds Series E due 2023
Series F Bonds	Fixed Rate Bonds Series F due 2025
Series I Bonds	Fixed Rate Bonds Series I due 2027
Series I Put Option Notice	Notice required to be delivered by Series I bondholders who intend to exercise the Put Option to RCBC Trust Corporation, the trustee for the Series I Bonds
SEDI	Strategic Energy Development, Inc.
SIDC	Star Infrastructure Development Corporation
SLEX	South Luzon Expressway
SLEX TR4	South Luzon Expressway Toll Road 4
SLEX TR5	South Luzon Expressway Toll Road 5
SMAI	San Miguel Aerocity Inc.
SMB	San Miguel Brewery Inc., including, as the context requires, its subsidiaries
SMBIL	San Miguel Brewing International, Ltd.
SMC, the Company, the Parent Company or the Issuer	San Miguel Corporation, a corporation incorporated under the laws of the Republic of the Philippines
SMC Group	SMC and its subsidiaries
SMC NAIAX	SMC NAIAX Corporation[3]
SMCGP Masin	SMCGP Masin Pte. Ltd.
SMCI	SMC Infraventures Inc.
SMCSC	SMC Skyway Corporation[4]
SMCSS3C	SMC Skyway Stage 3 Corporation[5]

[3] *formerly,* Vertex Tollways Devt. Inc.
[4] *formerly,* Citra Metro Manila Tollways Corporation
[5] *formerly,* Citra Central Expressway Corp.

SMCSS4C.....	SMC Skyway Stage 4 Corporation[6]
SMCTC.....	SMC Tollways Corporation[7]
SMEII.....	San Miguel Equity Investments Inc.
SMELC.....	San Miguel Electric Corp.
SMF.....	San Miguel Foundation, Inc.
SMFB.....	San Miguel Food and Beverage, Inc. (formerly San Miguel Pure Foods Company, Inc.), including, as the context requires, its subsidiaries
SMFI.....	San Miguel Foods, Inc.
SMGP or San Miguel Global Power.....	San Miguel Global Power Holdings Corporation (formerly SMC Global Power Holdings Corp.), including, as the context requires, its subsidiaries
SMGP Bess Power, Inc	SMGP BESS Power Inc. (formerly Universal Power Solutions, Inc.)
SMGP Kabankalan Power Co. Ltd	SMGP Kabankalan Power Co. Ltd. (formerly SMCGP Philippines Energy Storage Co. Ltd.)
SMHC.....	San Miguel Holdings Corp., including, as the context requires, its subsidiaries
SMIS.....	San Miguel Integrated Sales
SMMI	San Miguel Mills, Inc.
SMNCI.....	San Miguel Northern Cement, Inc.
SMPI.....	San Miguel Properties, Inc., including, as the context requires, its subsidiaries
SMSCCI.....	San Miguel Super Coffeemix Co., Inc.
SMYPC.....	San Miguel Yamamura Packaging Corporation, including, as the context requires, its subsidiaries
SMYPIL.....	San Miguel Yamamura Packaging International Limited
SPGC.....	SMC Power Generation Corp.
SPI.....	SMC Powergen Inc.
Spirits Division	Ginebra San Miguel, Inc. and its subsidiaries
SPPC.....	South Premiere Power Corp.
SRC.....	Securities Regulation Code of the Philippines
SRHI.....	San Roque Hydropower Inc. (formerly known as Strategic Power Development Corporation)

[6] *formerly,* Citra Inter City Tollways, Inc.
[7] *formerly,* Atlantic Aurum Investments Philippines Corporation.

SRPC	San Roque Power Corporation
SSBs	Sugar Sweetened Beverages
SSS	Social Security System of the Philippines
SST	Sales and Services Tax
STAR	Southern Tagalog Arterial Road
STOA	Supplemental Toll Operation Agreement
Sual Power, Inc	Sual Power Inc. (formerly San Miguel Energy Corporation)
Subsidiary	An entity of which a Person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership
Sultan Energy	Sultan Energy Philippines Corp.
SyCip Law	SyCip Salazar Hernandez & Gatmaitan Law Offices
SYFMC	SMC Yamamura Fuso Molds Corporation
TADHC	Trans Aire Development Holdings Corp.
Tagum Peaking Power Plant	15MW multi-fuel peaking power plant in Tagum City, Davao del Norte
Tax Code	The Philippine National Internal Revenue Code of 1997, as amended
TDI	Tanduay Distillers, Inc.
TOC	Toll Operation Certificates
Top Frontier	Top Frontier Investment Holdings, Inc.
TPLEX	Tarlac–Pangasinan–La Union Expressway
TRAIN Act	Tax Reform for Acceleration and Inclusion Act or Republic Act No. 10963
Transaction Date	With respect to the incurrence of any Debt, the date such Debt is incurred
TransCo	National Transmission Corporation
Transfer Pricing Regulations	BIR Regulation No. 2-2013 on Transfer Pricing Regulations
Trust Agreement	The Trust Agreement, dated June 13, 2024 and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Trustee
Trustee	RCBC Trust Corporation, a banking corporation organized and existing under the laws of the Republic of the Philippines and duly licensed by the BSP to engage in the trust business, acting in its capacity as trustee for and in behalf of the Bondholders in accordance with the Trust Agreement. The term includes, wherever the context

	permits, all other Person or Persons for the time being acting as trustee or trustees under the Trust Agreement.
TRB	Toll Regulatory Board of the Philippines
TUA	Terminal Use Agreement
UNCLOS	United Nations Convention on the Law of the Sea
Underwriters	Underwriters that may be engaged by the Company for each tranche of the Offer
Underwriting Agreement	The Underwriting Agreement, dated June 13, 2024, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Joint Lead Underwriters and Bookrunners in relation to the Offer Bonds
UNDG	United Nations Development Group
Universal LRT	Universal LRT Corporation (BVI) Limited
UN SDG	United Nations Sustainable Development Goals
USCS	Undated Subordinated Capital Securities
USD, U.S.$	U.S. Dollars, the legal currency of the United States of America
VAT	Value-added tax
VPDSI	VisMin Power Dynamics Services Inc. (formerly known as Safetech Power Services Corp.)
Water Code	The Water Code of the Philippines
WESM	Philippine Wholesale Electricity Spot Market

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Offer Supplement.

Prospective investors should read this entire Offer Supplement fully and carefully, including the section on "Risk Factors". In case of any inconsistency between this summary and the more detailed information in this Offer Supplement, then the more detailed portions, as the case may be, shall at all times prevail.

Brief Background on the Company

San Miguel Corporation ("**SMC**", the "**Company**", the "**Parent Company**", or the "**Issuer**"), together with its subsidiaries (collectively with the Company referred to as the "**SMC Group**"), is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets with sales equivalent to approximately 6.0% of the Philippine Gross Domestic Product (GDP)[8] in 2023.

Originally founded in 1890 as a single brewery in the Philippines, SMC today owns market-leading businesses and has investments in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, cement, property development and leasing, car distributorship, and banking services. SMC has a portfolio of companies that is interwoven into the economic fabric of the Philippines, benefiting from, as well as contributing to the development and economic progress of the nation. The common shares of SMC were listed on the Manila Stock Exchange (now the PSE) on November 5, 1948 and, as of December 29, 2023, SMC had a market capitalization of ₱243,396 million (USD4,396 million[9]), with a common share price of ₱102.10.

The consolidated sales, EBITDA, and net income of SMC for the year ended December 31, 2023 were ₱1,446,703 million, ₱205,346 million and ₱44,699 million respectively. EBITDA and Net Income recorded strong growth of 24% and 67% year-on-year, respectively.

SMC's six (6) key business groups, most of which are market leaders in their respective industries, include the following: (a) food and beverage; (b) packaging; (c) fuel and oil; (d) energy; (e) infrastructure; and (f) cement. In addition, SMC has investments in other businesses, such as property development and leasing, car distributorship, insurance, and banking services.

Food and Beverage

San Miguel Food and Beverage, Inc. ("**SMFB**") is a leading food and beverage company in the Philippines. The brands under which SMFB produce, market and sell its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include *San Miguel Pale Pilsen*, *San Mig Light*, and *Red Horse* for beer; *Ginebra San Miguel* for gin and *Vino Kulafu* for Chinese wine; *Magnolia* for chicken, dairy, ice cream, flour mixes, and salad aids; *Monterey* for fresh and marinated meats; *Purefoods* and *Purefoods Tender Juicy* for branded processed meats; *Veega* for plant-based protein products; *Star* and *Dari Crème* for margarine; and *B-Meg* for animal feeds.

SMFB has three (3) primary operating divisions—(i) Beer and Non-Alcoholic Beverages ("**NAB**"), (ii) Spirits, and (iii) Food. SMFB operates its beverage business through San Miguel Brewery Inc. and its subsidiaries (collectively, "**SMB**" or the "**Beer and NAB Division**") and Ginebra San Miguel Inc. and its subsidiaries (collectively, "**GSMI**" or the "**Spirits Division**"). The food business under San Miguel Foods (collectively, "**SMF**" or the "**Food Division**") is operated through several key subsidiaries, including San Miguel Foods, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., and San Miguel Mills, Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to about seventy (70) markets worldwide.

[8] Based on data from the SMC consolidated revenues in 2023 divided by Philippine's total revenue at current prices sourced from Philippine Statistics Authority.

[9] Foreign Exchange rates for market capitalization are based on PHP/USD conversion closing rate of 55.37 as of December 29, 2023 (Source: Bankers Association of the Philippines)

SMFB is listed on the PSE under stock code "FB" and as of December 29, 2023, had a market capitalization of ₱301,370 million, with a common share price of ₱51.00. As of December 31, 2023, SMC's ownership interest in SMFB was 88.76%.

Packaging

The packaging business is a total packaging solutions business servicing many of the leading food, pharmaceutical, chemical, beverages, spirits, and personal care manufacturers in the region. The packaging business is comprised of San Miguel Yamamura Packaging Corporation ("**SMYPC**") and its subsidiaries, San Miguel Yamamura Packaging International Limited ("**SMYPIL**") and its subsidiaries, SMC Yamamura Fuso Molds Corporation ("**SYFMC**"), Can Asia, Inc. ("**CAI**"), Mindanao Corrugated Fibreboard, Inc. ("**Mincorr**") and Wine Brothers Philippines Corporation, (collectively the "**Packaging Group**").

The Packaging Group has one of the largest packaging operations in the Philippines, producing glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging, and other packaging products and services such as beverage toll filling for aluminum cans, PET and glass bottles as well as logistics services. As of December 31, 2023, the Packaging Group has 32 packaging facilities located across the Asia-Pacific Region and SMC's ownership interest in SMYPC was 65.00%.

Fuel and Oil

SMC operates its fuel and oil business through Petron Corporation ("**Petron**"), which is the only oil refining and the leading oil marketing company in the Philippines and is a strong third player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day and refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. Petron's oil refinery is located in Bataan (the "**Petron Bataan Refinery**"), the only and one of the most complex refineries in the region, which Petron believes supplies approximately 30% of the country's total fuel requirements as of December 31, 2023. The Petron Bataan Refinery has a crude oil distillation capacity of 180,000 barrels per day, processing crude oil into a range of petroleum products, including gasoline, diesel, liquified petroleum gas ("**LPG**"), jet fuel, kerosene, naphtha and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene.

The common shares of Petron are listed on the PSE under stock code "PCOR". The market capitalization of Petron was ₱33,282 million, with a common share price of ₱3.55 as of December 29, 2023. As of December 31, 2023, SMC's direct and indirect ownership in Petron was 68.26%.

Energy

San Miguel Global Power Holdings Corp. ("**SMGP**" or "**San Miguel Global Power**", formerly SMC Global Power Holdings Corp.), together with its subsidiaries, associates, and joint ventures, is one of the largest power companies in the Philippines, controlling 5,057 MW of combined capacity as of March 31, 2024. San Miguel Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems ("**BESS**"). Based on the total installed generating capacities reported in Energy Regulatory Commission ("**ERC**") Resolution No. 02, Series of 2024 dated March 12, 2024 ("**ERC Resolution on Grid Market Share Limitation**"), San Miguel Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 25% of the Luzon Grid, 4% of the Visayas Grid and 8% of the Mindanao Grid, in each case, as of March 31, 2024. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of National Grid, Luzon Grid, Visayas Grid, or Mindanao Grid (25,567,270 kW, 17,961,724 kW, 3,417,708 kW and 4,187,838 kW, respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation). As of December 31, 2023, SMC's ownership interest in San Miguel Global Power was 100%.

Infrastructure

The infrastructure business, conducted through San Miguel Holdings Corp. ("**SMHC**"), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. The toll roads that are currently operating include the South Luzon Expressway ("**SLEX**"), Skyway Stage 1 & 2, Skyway Stage 3, the

Southern Luzon Arterial Road tollway ("**STAR**"), the Tarlac-Pangasinan-La Union Expressway ("**TPLEX**"), and the Ninoy Aquino International Airport Expressway ("**NAIAx**").

Ongoing projects include Skyway Stage 4, SLEX – Toll Road 4 ("**SLEX-TR4**"), SLEX – Toll Road 5 ("**SLEX-TR5**"), Pasig River Expressway ("**PAREX**"), the Mass Rail Transit Line 7 ("**MRT-7**"), Northern Access Link Expressway ("**NALEX**"), Southern Access Link Expressway ("**SALEX**"), Cavite-Batangas Expressway ("**CBEX**"), Nasugbu-Bauan Expressway ("**NBEX**"), Pangasinan Link Expressway ("**PLEX**"), Marilao Access Link Expressway ("**MALEX"),** and MIA. SMHC also operates the Boracay Airport and has investments in Manila North Harbour Port, Inc. ("**MNHPI**") and Luzon Clean Water Development Corporation ("**LCWDC**") for the Bulacan Bulk Water Supply Project. As of December 31, 2023, SMC's ownership interest in SMHC was 100%.

Cement

SMC conducts the cement business through San Miguel Equity Investments Inc. ("**SMEII**"), which owns 100% of the common stock of Northern Cement Corporation ("**NCC**"), Southern Concrete Industries Inc. ("**SCII**"), and 99.96% of Eagle Cement Corporation ("**Eagle Cement**") as of December 31, 2023.

The cement business owns and operates (a) two (2) fully-integrated cement production facilities in Sison, Province of Pangasinan (NCC) and in Barangay Akle, San Ildefonso, Province of Bulacan (Eagle Cement), (b) a cement grinding plant in Santa Cruz, Province of Davao Del Sur (SCII), (c) a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant in San Ildefonso, Bulacan (Eagle Cement), and (d) a grinding and packaging facility in Limay, Bataan (Eagle Cement). As a whole, the cement business has a total annual rated cement production capacity of approximately 17.53 million metric tonnes per year ("**MTPY**") of finished cement as of December 31, 2023.

Others

Other investments of SMC include property development and leasing, through San Miguel Properties, Inc. ("**SMPI**"), car distributorship through SMC Asia Car Distributors Corporation, and Velocità Motors Inc., banking services through Bank of Commerce ("**BankCom**") and insurance through Petrogen Insurance Corporation ("**Petrogen**").

Strengths and Strategies

Strengths

SMC believes that its principal strengths include the following:

- Diversified platform with broad exposure to the growth of the Philippine economy
- Synergies across businesses
- Strong brand equity in the Philippines with an over 100-year legacy
- Well-positioned to benefit from strong macroeconomic fundamentals in the Philippines
- Operating businesses that provide sustainable streams of income and cash flows
- Highly visionary, cohesive, and experienced management team
- Strong commitment to social responsibility and sustainability

Strategies of SMC

The principal strategies of SMC include the following:

- Enhance strategic value and operating efficiencies among and within businesses
- Expand or diversify into businesses that contribute significantly to nation building, job creation and economic growth
- Identify and pursue synergies across businesses through vertical integration, platform matching and channel management
- Strengthen sustainable business strategies across all operations, and continue to adopt world-leading

best practices
- Integrate long-term sustainability goals into decision-making processes to foster a culture of environmental and social accountability

Risks of Investing

Prospective investors should also consider the following risks of investing in the Offer:

- Risks relating to SMC and the SMC Group include:
  - Diversification of business and acquisition of new businesses
  - Potential shortage of raw materials
  - Volatile prices of raw materials
  - Foreign exchange risk
  - Availability of financing
  - Covenants in existing debt agreements
  - Potential changes in the legal and regulatory environment
  - Increases and changes in applicable taxes, taxation laws, and tax incentives
  - Exposure to safety, health and environmental costs and liabilities
  - Increased use of digital commerce platforms
  - Changes in consumer preferences and purchasing power
  - Increased competition in the industries where the SMC Group operates
  - Ability of the largest shareholders to influence corporate actions
  - Possible disagreements among joint venture partners of SMC
  - Ability of subsidiaries and associates to declare and distribute dividends
  - Dependence on trademarks and proprietary rights
  - Compliance with and renewal of licenses, permits and other authorizations
  - Training and replacement of key personnel
  - Labor disruptions
  - Uninsured losses
  - Outsourcing risk
  - Disruption of operations
  - Performance of information technology systems
  - Legal and other proceedings
  - The risk involving related party transactions

- Risks relating to the food and beverage business
  - Price sensitive market
  - Increases in excise tax
  - Production and supply difficulties
  - Outbreak of diseases of livestock and poultry
  - Product liability claims
  - Competition in the food and beverage industry
  - Importation of lower-priced products
  - Derivative and hedging transactions
  - Implementation of expansion strategy
  - International and export operations
  - Price monitoring by the Government

- Risks relating to the packaging business
  - Handling of products
  - Competition and challenges in product development and production processes

- Risks relating to the fuel and oil business
  - Volatility in the price of crude oil and petroleum products
  - Russia-Ukraine War

- Outbreak of any other highly infectious or contagious disease
- Dependence on a number of suppliers for a significant portion of its crude oil requirements in each of the Philippines and Malaysia
- Intense competition, increasing presence of electric vehicles, and cyclicality in global and regional refining capacities
- Any significant disruption in operations or casualty loss at refineries
- Effect of Malaysian government policies and regulations relating to the marketing of fuel products
- Compliance with and renewal of licenses, permits, and other authorizations and continued compliance with safety, health, environmental and zoning laws and regulations
- Failure to respond quickly and effectively to product substitution or government-mandated product formulations
- Reliance on significant capital expenditures and financing
- Changes in applicable taxes, duties, and tariffs

➢ Risks relating to the energy business
- Increased competition in the Philippine power industry
- Suspension of issuance and renewal of RES licenses
- Disruptions and fluctuations in fuel supply
- Reliance on IPPs for the operation and maintenance of the IPPA Power Plants
- Market limitations under the EPIRA
- Development of greenfield power projects and expansion projects of existing plants involves substantial risks
- Adverse effect of WESM price fluctuations
- Non-renewal of or non-compliance with offtake agreements
- Administration of the output of SMGP's power portfolio necessarily involves significant risks
- Operating risks leading to network failures, breakdowns, or outages
- Insufficient insurance coverage for generation plants
- No direct contractual and operational relationship with Independent Power Producers
- Variations in hydrological conditions and irrigation requirements
- Challenges in successfully implementing SMGP's growth strategy
- Interest rate risk
- Availability of financing
- Dependence on the existence of transmission infrastructure
- Changes in taxation and certain tax exemptions and tax incentives
- Compliance with and renewal of licenses, permits and other authorizations
- Climate change policies
- ERC Regulation of electricity rates of distribution utilities
- Trading on the WESM is affected by market volatility

➢ Risks relating to the infrastructure business
- Completion of infrastructure projects
- Enforceability of concession agreements
- Inability to secure tariff increases
- Decrease in utilization of projects
- Obtaining new concessions or projects

➢ Risks relating to the cement business
- Cost to produce, environmental considerations, and unabated entry of imported cement
- Entry of new players and increasing cement importers in the market
- Aggressive price competition from an un-curtailed level of cement importation by other players
- Non-compliance with the Government's environmental standards
- Prolonged or major disruption of operations in any of the cement business's main manufacturing plants
- Growth slowdown in certain key industries in the Philippines

➢ Risks relating to the Philippines

- Concentration of SMC's operations and assets in the Philippines
- Political instability in the Philippines
- Acts of terrorism, clashes with separatist groups and violent crimes
- Territorial disputes
- Natural catastrophes
- Downgrade of Philippine credit rating
- Corporate governance, disclosure, and financial reporting standards
- Foreign exchange controls

➢ Risks related to the Offer
- The Offer Bonds may not be a suitable investment for all investors
- An active or liquid trading market for the Offer Bonds may not develop
- The issuer may be unable to redeem the Offer Bonds
- Holders of the Offer Bonds may not be able to reinvest at a similar return on investment
- The Bondholder may face possible gain or loss if the Offer Bonds are sold at the secondary market
- The Offer Bonds may not be able to retain its credit rating
- The Offer Bonds have no preference under Article 2244 (14) of the Civil Code
- There can be no guarantee that the Offer Bonds will be listed on the PDEx
- Risks related to statements made in this Offer Supplement

(For a more detailed discussion, see "Risk Factors" on page 66*)*

Use of Proceeds

The gross proceeds of the Base Offer shall be ₱15,000,000,000.00. In the event the Oversubscription Option is exercised, the gross proceeds will be ₱20,000,000,000.00.

The net proceeds of the Base Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱14,806,830,370.00. In the event the Oversubscription Option is exercised, the net proceeds will be ₱19,749,330,370.00 and will be used by the Company for investments in MIA and other airport-related projects, redemption of Series I Bonds as a result of the Put Option Exercise of its bondholders, and repayment of Series F Bonds. For a more detailed discussion, see Use of Proceeds on page 126.

Plan of Distribution

SMC plans to issue the Offer Bonds to institutional and retail investors through a public offering to be conducted through the Joint Lead Underwriters and Bookrunners.

Company Information

SMC is a Philippine corporation with its registered office located at No. 40 San Miguel Avenue, Mandaluyong City, Philippines. SMC's telephone number is: (632) 8632-3000 and its website is: *http://www.sanmiguel.com.ph.* The information on the SMC website is not incorporated by reference into, and does not form part of this Offer Supplement.

SUMMARY OF THE OFFER

The terms and conditions of this Offer are as follows. Any specific time of day refers to Philippine Standard Time.

Issuer	San Miguel Corporation ("**SMC**," the "**Company**," the "**Parent Company**," or the "**Issuer**")
Instrument.....	Fixed rate bonds constituting the direct, unconditional, unsubordinated, and unsecured obligations of the Issuer.
Offer Size	Base Offer of ₱15,000,000,000.00, with an Oversubscription Option of up to ₱5,000,000,000.00
The Offer	Philippine Peso-denominated 6.5-year fixed rate Series O Bonds due 2031 and 10-year fixed rate Series P Bonds due 2034 with an aggregate issue size of up to ₱20,000,000,000.00, consisting of a Base Offer of ₱15,000,000,000.00 and an Oversubscription Option of up to ₱5,000,000,000.00. The Issuer has the discretion to allocate the principal amount of the Offer Bonds between the Series O Bonds and Series P Bonds based on the bookbuilding process.
Oversubscription Option	The Issuer grants the Joint Lead Underwriters and Bookrunners the right, in consultation with the Company, to increase the size of the Base Offer by up to an additional ₱5,000,000,000.00 worth of Offer Bonds to cover oversubscriptions, if any (the "**Oversubscription Option**").
Manner of Distribution	SEC-registered public offering in the Philippines to eligible investors.
Use of Proceeds	The entire net proceeds for this Offer will be used for the investments in MIA and other airport-related projects, redemption of Series I Bonds as a result of the Put Option Exercise of its bondholders, and repayment of Series F Bonds. For a detailed discussion on the Use of Proceeds please refer to the section on "*Use of Proceeds*" on page 126
Form and Denomination of the Offer Bonds.....	The Offer Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.
Purchase Price	The Offer Bonds shall be issued at 100% of face value.
Offer Period	The Offer shall commence at 9:00 a.m. on June 18, 2024 and end at 5:00 p.m. on June 24, 2024, or on such other dates and time as may be agreed in writing among the Issuer and the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners may agree upon.
Issue Date of the Offer Bonds	July 3, 2024

Maturity Date ……..

Unless otherwise earlier redeemed or purchased in accordance with the terms and conditions of the Offer Bonds, the Offer Bonds shall mature:

For the Series O Bonds, the sixth (6th) month after the sixth (6th) anniversary of the Issue Date, or on January 3, 2031.

For the Series P Bonds, the tenth (10th) anniversary of the Issue Date, or on July 3, 2034.

If the relevant Maturity Date falls on a day that is not a Business Day, then the payment of the accrued interest and the Final Redemption Amount shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and the Final Redemption Amount to be paid.

Interest Rate ……

Series O Bonds 7.2584% per annum
Series P Bonds 7.7197% per annum

Interest Payment Dates and Interest Payment Computation ……..

Interest payment on the Offer Bonds shall commence on October 3, 2024 and thereafter, on January 3, April 3, July 3, and October 3 of each year, or the next Business Day if any such dates fall on a non-Business Day, without adjustment to the amount of interest to be paid, during which any of the relevant series of the Offer Bonds are outstanding (each, an "**Interest Payment Date**").

Interest on the Offer Bonds shall be calculated on a European 30/360-day count basis regardless of the actual number of days in a month. Interest shall be paid quarterly in arrears.

Final Redemption……..

The Offer Bonds shall be redeemed at par or 100% of the face value (the "**Final Redemption Amount**") on the Maturity Date, unless earlier redeemed or purchased and cancelled by the Issuer.

In the event the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Registrar and Paying Agent, without adjustment for accrued interest and the Final Redemption Amount, on the succeeding Business Day.

Optional Redemption ……..

The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) any series of the outstanding Offer Bonds on the dates set out below (each an "**Optional Redemption Date**"):

Series O Bonds	
Optional Redemption Dates	**Optional Redemption Price**
On the 3rd anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date of the Series O Bonds.	100.50%

Series P Bonds	
Optional Redemption Dates	**Optional Redemption Price**
On the 7th anniversary of the Issue Date and every Interest Payment	101.50%

Date thereafter until the Interest Payment Date prior to the 8th anniversary of the Issue Date.	
On the 8th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 9th anniversary of the Issue Date.	101.00%
On the 9th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date of the Series P Bonds.	100.50%

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of accrued interest and the applicable Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Offer Bonds pursuant to this Optional Redemption.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of Offer Bonds being redeemed, as the sum of: (a) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (b) the product of the principal amount of the Offer Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no more than 60 nor less than 30 days' prior written notice to the Trustee, the Registrar and Paying Agent of its intention to redeem the Offer Bonds, which notice shall be irrevocable and binding upon the Issuer to effect, such early redemption of the Offer Bonds on the Optional Redemption Date stated in such notice.

For a detailed discussion on the Optional Redemption, please refer to the section on "*Description of the Offer Bonds – Optional Redemption*" on page 49.

Redemption for Taxation Reasons…...

If payments under the Offer Bonds become subject to additional or increased taxes, other than the taxes and rates of such taxes prevailing on the Issue Date, as a result of certain changes in law, rule or regulation or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant series of the Offer Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 days' nor less than 30 days' prior written notice to the Trustee, the Registrar and Paying Agent) at 100% of the face value and paid together with the accrued interest thereon, subject to the requirements of Applicable Law.

For a detailed discussion on Redemption for Taxation Reasons, please refer to the section on "*Description of the Offer Bonds – Redemption for Taxation Reasons*" on page 50.

Redemption by Reason of Change in Law or Circumstance……	Upon the occurrence of a Change in Law or Circumstance, the Issuer may redeem the Offer Bonds in whole, but not in part, having given not more than 60 days' nor less than 30 days' prior written notice to the Trustee, the Registrar and the Paying Agent, at 100% of the face value and paid together with the accrued interest thereon. For a detailed discussion on Redemption by Reasons of Change in Law or Circumstance, please refer to the section on "*Description of the Offer Bonds – Redemption by Reason of Change in Law or Circumstance*" on page 51.
Status of the Offer Bonds	The Offer Bonds shall constitute direct, unconditional, unsubordinated and unsecured obligations of SMC and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured Debt of SMC, contingent or otherwise, other than obligations mandatorily preferred by law, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines).
Negative Pledge….....	The Offer Bonds will have the benefit of a negative pledge on all properties and assets of the Issuer, subject to the exceptions to be described on page 54 of this Offer Supplement.
Covenants …….....	Issuance of the Offer Bonds shall be subject to standard covenants such as but not limited to cross-default provisions and adherence to certain financial ratios.
Listing …….....	The Issuer will list the Offer Bonds on the Philippine Dealing & Exchange Corp. ("**PDEx**") on the Issue Date.
Purchase and Cancellation ……....	The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Offer Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.
Bond Rating……....	The Offer Bonds have been rated PRS Aaa with a Stable Outlook by the Philippine Rating Services Corporation on April 22, 2024. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, while the Offer Bonds are outstanding.
Transfer of the Offer Bonds …….....	Trading of the Offer Bonds will be coursed through a PDEx Trading Participant subject to the applicable PDEx Rules. Trading, transfer and/or settlement of the Offer Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment of the Offer Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar.

	For a detailed discussion on Transfer of the Offer Bonds, please refer to the section on "*Description of the Offer Bonds – Transfer of the Offer Bonds*" on page 46.
Joint Issue Managers	Bank of Commerce, BDO Capital & Investment Corporation, and China Bank Capital Corporation
Joint Lead Underwriters and Bookrunners	Asia United Bank Corporation, Bank of Commerce, BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation, RCBC Capital Corporation, and SB Capital Investment Corporation
Registrar and Paying Agent	Philippine Depository & Trust Corp. ("**PDTC**")
Selling Agent	First Metro Investment Corporation
Trustee	RCBC Trust Corporation
Counsel to the Issuer.....	Picazo Buyco Tan Fider & Santos
Counsel to the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners	SyCip Salazar Hernandez & Gatmaitan
Incorporation by way of Reference	All disclosures, reports, and filings of the Company made after the date of the Offer Supplement (the "**Company Disclosures**") and submitted to the SEC and/or PDEx pursuant to the Revised Corporation Code, the Securities Regulation Code, the Revised Disclosure Rules of the PSE, and the Disclosure Rules of the PDEx are incorporated or deemed incorporated by reference in this Offer Supplement. Copies of the Company Disclosures may be viewed at the website of the Company at: *http://www.sanmiguel.com.ph.* The Company Disclosures contain material and meaningful information relating to the Company and investors should review all information contained in the Offer Supplement and the Company Disclosures incorporated or deemed incorporated herein by reference.

Indicative Timetable .....

April 22, 2024	Filing of the Registration Statement and the Offer Supplement with the SEC
June 13, 2024	Price Setting and Allocation
June 14, 2024	Receipt of SEC Permit to Sell
June 18, 2024 – June 24, 2024	Public Offer Period
July 3, 2024	Settlement Date Issue and Listing Date

DESCRIPTION OF THE OFFER BONDS

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Offer Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors of the Company, the information contained in the Offer Supplement, the Trust Agreement, and the other Bond Agreements or other agreements, Applicable Law, rules and regulations of PDTC and PDEx relevant to the Offer, and to perform their own independent investigation and analysis of the Issuer and the Offer Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective Bondholder's independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Offer Bonds.

On March 11, 2021, the Board of Directors authorized the sale and offer of the Shelf Registered Bonds under such terms and conditions as the management of SMC may deem advantageous to it. On April 23, 2021, the Company filed an application with the SEC to register the Shelf Registered Bonds. The shelf registration was rendered effective by the SEC under SEC MSRD Order No. 32, Series of 2021 which shelf registration effectivity was extended to until July 21, 2024 pursuant to the SEC approval dated June 11, 2024 granting the Company's Request for Exemptive Relief. As of the date of this Offer Supplement, the total outstanding fixed rate bonds of the Company under the Shelf Registered Bonds is ₱30,000,000,000.00. On April 11, 2024, the Board of Directors authorized the take down of the second tranche of the Shelf Registered Bonds and the issuance of up to ₱20,000,000,000.00 aggregate principal amount of the Offer Bonds consisting of the Base Offer of ₱15,000,000,000.00 and the Oversubscription Option of up to ₱5,000,000,000.00. Upon completion of the Offer, the total outstanding fixed rate bonds of the Company under the Shelf Registered Bonds is expected to be ₱45,000,000,000.00 (assuming the Oversubscription Option is not exercised) or ₱50,000,000,000.00 (if the Oversubscription Option is exercised in full).

The Offer Bonds will be issued on July 3, 2024 (the "**Issue Date**") and will be comprised of 6.5-year Series O Bonds due 2031 and 10-year Series P Bonds due 2034. The Issuer has the discretion to allocate the principal amount of the Offer Bonds between the Series O Bonds and the Series P Bonds based on the book building process.

The Offer Bonds shall be offered and sold through a general public offering in the Philippines.

The Offer Bonds shall be governed by the Trust Agreement dated June 13, 2024 between the Issuer and RCBC Trust Corporation as Trustee. The Trustee has no interest in or relation to the Issuer which may conflict with the performance of its functions. The description of the terms and conditions of the Offer Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A Registry and Paying Agency Agreement in relation to the Offer Bonds was executed on June 13, 2024 between the Issuer and PDTC as Registrar and Paying Agent. PDTC has no interest in or relation to the Issuer which may conflict with the performance of its functions.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Agreement and all the provisions of the Registry and Paying Agency Agreement applicable to them.

Form and Denomination

The Offer Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing each of the Series O Bonds and Series P Bonds sold in the Offer shall be issued in the name of the Trustee for the benefit of the Bondholders.

The Offer Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

Title

Legal title to the Offer Bonds will be shown in the Registry of Bondholders maintained by the Registrar and Paying Agent. A notice confirming the principal amount of the Offer Bonds purchased by each Applicant in the Offer shall be issued by the Registrar and Paying Agent to all Bondholders following the Issue Date. Upon any assignment, title to the Offer Bonds shall pass by recording the transfer from the transferor to the transferee in the Registry of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Offer Bonds, including the settlement of any cost arising from such transfer or change, including, but not limited to, documentary stamps taxes, if any, shall be for the account of the relevant Bondholder or the transferee, as applicable.

Bond Rating

The Offer Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. PRS Aaa is the highest rating assigned by PhilRatings. The ratings and the corresponding outlook were assigned given the following key considerations: (a) diversified portfolio of market-leading businesses; (b) seasoned management team; (c) sustained profitability, driven by the continuous recovery of major businesses, albeit tempered by external headwinds; and (d) adequate liquidity, supported by stable cash flow generation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Offer Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Offer Bonds with the regular annual reviews.

TRANSFER OF THE OFFER BONDS

Registry of Bondholders

The Issuer shall cause the Registrar to keep the Registry of Bondholders in electronic form. The names and addresses of the Bondholders and the particulars of the Offer Bonds held by them and of all transfers and assignments of Offer Bonds, including any liens and encumbrances thereon, shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least every quarter (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Offer Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Offer Bonds may be made during the Closed Period (as defined below).

Initial placement of the Offer Bonds and subsequent transfers of interests in the Offer Bonds shall be subject to applicable prevailing Philippine selling restrictions.

Transfers: Tax Status

Trading of the Offer Bonds will be coursed through a PDEx Trading Participant subject to the applicable PDEx Rules. Trading, transfer and/or settlement of the Offer Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar and Paying Agent. Upon any assignment of the Offer Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders.

Settlement in respect of such transfers or change of title to the Offer Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

The Bondholders may not transfer their Offer Bonds as follows:

(a) transfers across Tax Categories on a date other than on an Interest Payment Date that falls on a Business Day; provided, however, that transfers from a tax-exempt Tax Category to a taxable Tax Category on a date other than an Interest Payment Date shall be allowed using the applicable tax withheld series name on PDEx, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt person shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred; provided, finally, that this restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented. For purposes hereof, "**Tax Categories**" shall refer to the four (4) final withholding tax categories in the PDEx system covering, particularly, tax-exempt persons, 20% tax-withheld persons, 25% tax-withheld persons, and 30% tax-withheld persons, as such categories may be revised, amended or supplemented by PDEx in accordance with its rules and applicable law;

(b) transfers by Bondholders with deficient documents; and

(c) transfers during a Closed Period. For purposes hereof, "**Closed Period**" means, with respect to each series of the Offer Bonds, the period during which the Registrar shall not register any transfer or assignment of the relevant series of the Offer Bonds, specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the final redemption amount of the relevant series of the Offer Bonds; or (ii) the period when any of the Offer Bonds have been previously called for redemption, whereas, "**final redemption amount**" means, as the context may require: (i) 100% of the face value of the outstanding Series O Bonds or Series P Bonds, as the case may be, on the relevant maturity date of such series; or (ii) the redemption price of the relevant series of the Offer Bonds determined in accordance with the terms and conditions of the Offer Bonds on the relevant Redemption Date.

Transfers taking place in the Registry of Bondholders after the Offer Bonds are listed on PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEx and PDTC.

A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar and Paying Agent. Please see the sections on "*Description of the Offer Bonds – Tax-Exempt Status or Entitlement to Preferential Tax Rate*" on page 53 of this Offer Supplement for a detailed discussion on the requirements for claiming a preferential tax status.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer or any of its agents of documentary proof of the tax-exempt status or entitlement to a preferential withholding tax rate of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Offer Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry of Bondholders. The payment report to be prepared by the Registrar and Paying Agent and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Offer Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

Secondary Trading of the Offer Bonds

The Issuer intends to list the Offer Bonds on PDEx for secondary market trading and, for that purpose, the Issuer has filed an application for such listing. However, there can be no assurance that such a listing will actually be achieved or whether such a listing will materially affect the liquidity of the Offer Bonds on the secondary market. Such listing would be subject to the Issuer's execution of a listing agreement with PDEx that may require the Issuer to make certain disclosures, undertakings, and payments on an ongoing basis.

For so long as any of the Offer Bonds are listed on PDEx, the Offer Bonds will be traded in a minimum board lot size of ₱10,000.00, and in multiples of ₱10,000.00 in excess thereof. Secondary market trading in PDEx shall follow the applicable PDEx Rules governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEx and PDTC, all of which shall be for the account of the Bondholders.

Ranking

The Offer Bonds shall constitute the direct, unconditional, unsecured, and unsubordinated obligations of the Issuer ranking at least *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other unsecured and unsubordinated Debt of SMC, whether now existing or hereafter outstanding, contingent or otherwise, other than obligations mandatorily preferred by law, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines).

INTEREST AND INTEREST PAYMENT DATES

Interest

The Series O Bonds shall have a term of six (6) years and six (6) months from Issue Date with a fixed interest rate equivalent to 7.2584% per annum.

The Series P Bonds shall have a term of ten (10) years from Issue Date with a fixed interest rate equivalent to 7.7197% per annum.

Interest Payment Dates

The Offer Bonds shall bear interest on its principal amount from and including the Issue Date, payable quarterly in arrears starting on October 3, 2024 as the first Interest Payment Date, and on January 3, April 3, July 3, and October 3 of each year at which the Offer Bonds are outstanding as the subsequent Interest Payment Dates, or the subsequent Business Day, without adjustment to the amount of interest due, if the relevant Interest Payment Date falls on a non-Business Day.

The cut-off date in determining the Bondholders entitled to receive interest, principal or any amount due under the Offer Bonds shall be two (2) Business Days immediately preceding to the relevant Interest Payment Date or such other date as the Issuer may duly notify PDTC (see "*Definition of Terms - Record Date*"). The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest or any other amount due under the Offer Bonds.

Interest Accrual

The Offer Bonds shall cease to bear interest from and including the Maturity Date, as defined in the discussion on "*Description of the Offer Bonds – Final Redemption*" below, unless (a) the Offer Bonds are redeemed at an earlier date in accordance with the terms and conditions of the Offer Bonds, or (b) upon due presentation, payment of the principal in respect of the Offer Bonds then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see "*Description of the Offer Bonds – Penalty Interest*" below) shall apply.

Determination of Interest

Interest on the Offer Bonds shall be calculated on a European 30/360-day count basis, regardless of the actual number of days in a month.

REDEMPTION AND PURCHASE

Final Redemption

Unless otherwise earlier redeemed or purchased and cancelled, the Offer Bonds shall be redeemed at 100% of face value on their respective Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest and Final Redemption Amount, on the succeeding Business Day.

For the Series O Bonds, the sixth (6th) month after the sixth (6th) anniversary of the Issue Date or on January 3, 2031.

For the Series P Bonds, the tenth (10th) anniversary of the Issue Date or on July 3, 2034.

Each Bondholder in whose name the relevant Offer Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the relevant Maturity Date shall be entitled to receive the principal amount of the relevant Offer Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Optional Redemption

The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) any series of the outstanding Offer Bonds on the dates set out below (each an "**Optional Redemption Date**"):

Series O Bonds	
Optional Redemption Dates	**Optional Redemption Price**
On the 3rd anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date of the Series O Bonds.	100.50%

Series P Bonds	
Optional Redemption Dates	**Optional Redemption Price**
On the 7th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 8th anniversary of the Issue Date.	101.50%

On the 8th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 9th anniversary of the Issue Date.	101.00%
On the 9th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date of the Series P Bonds.	100.50%

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of the accrued interest and the applicable Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Offer Bonds pursuant to this Optional Redemption.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of Offer Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount of the Offer Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no more than 60 nor less than 30 days' prior written notice to the Trustee, Registrar and Paying Agent of its intention to redeem the Offer Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Offer Bonds on the Optional Redemption Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Offer Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and optional redemption price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Redemption for Taxation Reasons

If payments under the Offer Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant series of the Offer Bonds in whole, and not in part only, on any Interest Payment Date (having given not more than 60 nor less than 30 days' prior written notice to the Trustee, Registrar and Paying Agent) at 100% of face value and paid together with the accrued interest thereon, subject to the requirements of Applicable Law; provided that if the Issuer does not redeem the Offer Bonds then all payments of principal and interest in respect of the Offer Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by Applicable Law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Upon receipt by the Trustee of a written notice from the Issuer hereunder, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Offer Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Offer Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Offer Bonds under this section.

Redemption by Reason of Change in Law or Circumstance

Upon the occurrence of a Change in Law or Circumstance (as enumerated below), the Issuer may redeem the Offer Bonds in whole, but not in part, having given not more than 60 nor less than 30 days' written notice to the Trustee, Registrar and Paying Agent, at 100% of the face value and paid together with the accrued interest thereon.

The following events shall be considered as changes in law or circumstance (each a "**Change in Law or Circumstance**") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement:

(a) any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Offer Bonds shall be modified, withdrawn or withheld in a manner which will materially and adversely affect the ability of the Issuer to comply with such obligations; or

(b) any provision of the Trust Agreement and the other Bond Agreements (in whole or in part) is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder or to enforce any provision thereunder; or any law is introduced or any existing Applicable Law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the Issuer of its obligations under the Bond Agreements; or

(c) any concession, permit, right, franchise or privilege required for the conduct of the business and operations of the Issuer shall be revoked, cancelled, or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer; or

(d) the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer or the same does not materially and adversely affect the financial condition or operations of the Issuer.

Upon receipt by the Trustee of a written notice from the Issuer on the occurrence of a Change in Law or Circumstance, the Trustee shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Offer Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Offer Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Offer Bonds pursuant to a Change in Law or Circumstance under this section.

Purchase and Cancellation

Notwithstanding the provisions on Final Redemption, Optional Redemption, Redemption for Taxation Reasons and Redemption by Reason of Change in Law or Circumstance above, the Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Offer Bonds in the PDEx, the Issuer shall disclose any such transaction in accordance with the applicable PDEx disclosure rules.

Payments

The principal, interests on, and all other amounts payable on the Offer Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer via RTGS, net of final taxes and fees (if any), to the cash settlement banks of the Bondholders (nominated by the Bondholders in the Application to Purchase or as the Bondholder may notify the Paying Agent in writing), for onward remittance to the relevant cash settlement account of the Bondholders with the cash settlement bank. The principal of, interest on, and all other amounts payable on the Offer Bonds shall be payable in Philippine Pesos.

In the event that the details of the cash settlement accounts indicated by the Bondholder in the Application to Purchase are incomplete or erroneous, or the cash settlement accounts of the Bondholders have been closed or are dormant or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, the relevant cash settlement bank shall handle such funds in accordance with its own internal procedures until the correction of the cash settlement account is effected and until credit of the relevant cash entitlement is completed. In these cases, the Issuer and the Registrar and Paying Agent shall not be liable to the relevant Bondholder for any failure or delay in the Bondholder's receipt of such payments.

Upon credit of the funds indicated in the payment report (as may be amended or corrected) to the relevant payment account, the obligation of the Issuer to deliver payment on the relevant Payment Date in accordance with the Registry and Paying Agency Agreement is discharged and the Issuer shall be held free and harmless from any losses, claims, damages, liabilities and expenses arising from or in relation to the non-receipt by the Bondholder of the interest, the Final Redemption Amount and/or such other payments due on the Offer Bonds, unless such non-receipt by the Bondholder is solely and directly attributable to the fault or negligence of the Issuer. For the avoidance of doubt, the foregoing shall not create any right, privilege, or benefit in favor of the Bondholders.

The Issuer shall ensure that so long as any of the Offer Bonds remain outstanding, there shall at all times be a Paying Agent for the purposes of the Offer Bonds, and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint such other leading institution in the Philippines authorized to act in its place.

Payment of Additional Amounts – Taxation

Interest income on the Offer Bonds is subject to a withholding tax at rates between 10% and 25% depending on the tax status of the Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided, however, that the Issuer shall not be liable for the following:

(a) the withholding tax applicable on interest earned on the Offer Bonds prescribed under the National Internal Revenue Code of 1997, as amended (the "**Tax Code**"), including any relevant Revenue Regulations and Revenue Memorandum Circulars issued by the BIR, and the implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholders' Selling Agent or PDEx Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers issued by the Bureau of Internal Revenue ("**BIR**");

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;

(d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963; and

(e) any applicable taxes on any subsequent sale or transfer of the Offer Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Offer Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Please see the section on "*Taxation*" on page 374 of this Offer Supplement for a more detailed discussion on the tax consequences of the acquisition, ownership, and disposition of the Offer Bonds.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from the aforesaid withholding tax or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar in each case, subject to acceptance by the Issuer as being sufficient in form and substance:

(a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant Applicant or Bondholder, confirming its exemption, as required under BIR Revenue Memorandum Circular ("**RMC**") No. 8-2014 including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief:

(i) a non-resident Bondholder may signify its intention to claim preferential tax rate under the relevant tax treaty by submitting to the Issuer the Application Form for Treaty Purposes (BIR Form 0901) and Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, and such other documentary requirements enumerated in BIR Revenue Memorandum Order ("**RMO**") No. 14-2021 in relation to BIR RMC Nos. 77-2021 and 20-2022. For the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Bondholder is entitled to the preferential tax rate based on the documents submitted by the non-resident Bondholder, provided that all the conditions for the availment thereof, other than tax residency, have been satisfied;

(ii) in the event that the Issuer determines that the non-resident Bondholder is not entitled to the preferential tax rate based on the documents submitted in item (i) above and determines that all conditions for the availment thereof have not been satisfied, the Issuer shall apply the regular tax rates;

(iii) if the non-resident Bondholder intends to obtain a confirmation of entitlement to treaty benefits, the non-resident Bondholder may apply for tax treaty relief with the BIR in accordance with BIR RMO No. 14-2021 in relation to BIR RMO Nos. 77-2021 and 20-2022;

(iv) if the regular withholding tax rate has been imposed, the Issuer shall not file with the BIR for any request for confirmation of preferential tax rate applied;

(v) should the BIR grant the application for tax treaty relief, it is the obligation of the non-resident Bondholder to apply for tax refund with the BIR. The Issuer shall not refund the non-resident Bondholder any amount as a result of the application of the regular tax rate;

(vi) the non-resident Bondholder must update its Certificate of Entitlement to Treaty Benefits ("**COE**") annually, if applicable, as described in BIR RMO No. 14-2021, as further clarified by BIR RMC Nos. 77-2021 and 20-2022. Expired COEs will not be accepted by the Issuer; and

(vii) aside from the updated COE (if applicable), the non-resident Bondholder shall submit its TRC annually to the Issuer as continuing proof of its entitlement to the preferential tax rate. Absent such updated TRC and COE (if applicable), the Issuer shall apply the regular tax rate;

(c) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption or preferential tax rate entitlement based on his official functions, if the Applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (ii) the trust officer, if the Applicant is a universal bank authorized under Philippine laws to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (*e.g.,* Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential tax rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Offer Bonds being ineligible for exemption or preferential tax rate, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such investor shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the preferential tax rate being claimed by the Bondholders on the interest payments to such Bondholders.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of the initial issuance of the Offer Bonds, upon submission of the Application to Purchase to the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners or Selling Agent who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents, in accordance with the procedures of the Registrar.

Failure on the part of the applicant/Bondholder/Joint Issue Managers and the Joint Lead Underwriters/Selling Agent/PDEx Trading Participant to submit the aforementioned document/s within the time prescribed shall result in the application of the regular tax rates.

FINANCIAL RATIO

The Issuer may incur Debt if, on the Transaction Date, after giving effect to the incurrence of such Debt, but not giving any effect to the receipt or application of proceeds therefrom, the ratio of the Consolidated Net Debt to Consolidated Total Equity shall be equal to or less than 2.10x, and Consolidated EBITDA to Consolidated Total Interest Expense shall be equal to or more than 2.00x.

NEGATIVE PLEDGE

The Issuer will not, and shall procure that none of its Material Subsidiaries shall, without the consent of the Majority Bondholders, (i) create, assume, incur or suffer to exist any Lien upon any of its properties or assets; and (ii) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Issuer or any member of the Group, in each case, where the arrangement or transaction is

entered into primarily as method of raising Debt or of financing acquisitions of an asset; provided that the foregoing restrictions shall not apply to any Permitted Liens.

EVENTS OF DEFAULT

Each of the following events shall constitute an "**Event of Default**" under the Offer Bonds and the Trust Agreement:

(a) the Issuer defaults in the payment when due of any amount payable under the Offer Bonds or the Trust Agreement unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within three (3) Business Days after the date such payment is due (a "***Payment Default***");

(b) the Issuer fails to perform, comply with, or violates any material provision, term, condition, covenant or obligation contained in the Trust Agreement (other than by reason of paragraph (a) above), and any such failure, non-compliance or violation is not remediable or, if remediable, continues unremedied for a period of 30 days (or such longer curing period granted to the Issuer by the Majority Bondholders) from the date after written notice thereof shall have been given to the Issuer by the Trustee;

(c) any representation or warranty which is made by the Issuer in the Trust Agreement or otherwise in connection with the Trust Agreement, or in any certificate delivered by the Issuer under or in connection with the Trust Agreement, shall prove to have been untrue or incorrect in any material respect as of the time it was made;

(d) any Debt of the Issuer, whether singly or in the aggregate, in excess of U.S.$50,000,000.00 or its equivalent in Philippine Pesos or other currencies, using the Philippine Dealing System (PDS) closing rate as published in the BSP Reference Exchange Rate Bulletin (or, in the event of discontinuance of use, its replacement) of the immediately preceding Business Day, is not paid on its due date or within any applicable grace period or is declared to be due and payable prior to its stated date of payment (except where liability for payment of that Debt is being contested in good faith by appropriate means);

(e) a decree or order by a court or other Governmental Authority having jurisdiction over the premises is entered without the consent or application of the Issuer:

(1) adjudging the Issuer bankrupt or insolvent;

(2) approving a petition seeking a suspension of payments by or a reorganization of the Issuer under any applicable bankruptcy, insolvency or reorganization law;

(3) appointing a receiver, liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or of all or substantially all of the business or assets of the Issuer;

(4) providing for the winding up or liquidation of the affairs of the Issuer;

(5) with a view to the rehabilitation, administration, liquidation, winding-up or dissolution of the Issuer; or

(6) taking other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (5) above (inclusive);

provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within 90 days from issuance thereof;

(f) the Issuer:

(1) institutes voluntary proceedings to be adjudicated bankrupt or insolvent or consents to the filing of a bankruptcy or insolvency proceeding against it;

(2) files a petition seeking a suspension of payments by it or its reorganization under any applicable bankruptcy, insolvency or reorganization law or consents to the filing of any such petition;

(3) seeks or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its business or assets;

(4) makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts generally as they become due;

(5) files a petition seeking the winding up or liquidation of its affairs or consents to the filing of any such petition;

(6) takes any other step with a view to its rehabilitation, administration, liquidation, winding-up or dissolution or a suspension of payments by it; or

(7) takes other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (6) above (inclusive);

(g) final and executory judgment(s) or order(s) are rendered by a court of competent jurisdiction against the Issuer or its properties or assets from which no appeal may be made for the payment of money which will have a Material Adverse Effect and such judgment or order shall continue unsatisfied or undischarged after 90 days;

(h) the Issuer shall suspend or discontinue all or a substantial portion of its business operations, whether voluntarily or involuntarily for a period of 30 consecutive days except in cases of strike, lockout, or closure when necessary to prevent business losses or when due to fortuitous events, or in cases of *force majeure*, *provided* that in any such event of strikes, lockouts, closure, or *force majeure*, there is no Material Adverse Effect; and

(i) any event or circumstance that will have a Material Adverse Effect has occurred and is continuing.

Notice of Default

The Trustee shall, within five (5) Business Days after receipt of written notice from the Issuer or the Majority Bondholders of the occurrence of an Event of Default, give to all the Bondholders written notice of any such Event of Default unless the same shall have been cured before the giving of such notice; provided, that in the case of a Payment Default (as described in paragraph (a) of the "*Description of the Offer Bonds – Events of Default*", the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default.

Consequences of Default

(a) If any one (1) or more of the Events of Default shall have occurred and be continuing after the lapse of the period given to the Issuer within which to cure such Event of Default, if any, or upon the occurrence of such Event of Default for which no cure period is provided, (i) the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the Issuer in default (each a "**Declaration of Default**") and declare the principal of the Offer Bonds then outstanding, together with all accrued and unpaid interest thereon and all amounts due thereunder, to be due and payable not later than five (5) Business Days from the receipt of the Declaration of Default ("**Default Payment Date**") with a copy to the Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon, the Issuer shall make all payments due on the Offer Bonds in accordance with the Registry and Paying Agency Agreement.

(b) All the unpaid obligations under the Offer Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer.

Penalty Interest

In case any amount payable by the Issuer under the Offer Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay a penalty fee on the defaulted amount(s) at the rate of 12% per annum (the "**Penalty Interest**") from the time the amount fell due until it is fully paid in accordance with the terms and conditions of the Offer Bonds and the Trust Agreement.

Payments in the Event of Default

Upon the occurrence of any Event of Default, and provided that there has been a Declaration of Default and acceleration of payment of the Offer Bonds by the Majority Bondholders pursuant to the provisions on Consequences of Default above, then in any such case:

(a) the Issuer will pay the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on such outstanding Offer Bonds with interest at the rate borne by the Offer Bonds on the overdue principal and with Penalty Interest, where applicable, based on the payment report no later than the Default Payment Date. The Issuer also undertakes that it shall give the Trustee written notice of its intention to make any payments under this paragraph (a); and

(b) the Trustee shall have the right to require the Registrar and Paying Agent, upon demand in writing, to do the following:

(i) to hold all sums, documents and records held by them in respect of the Offer Bonds on behalf of the Trustee; and/or

(ii) deliver all evidence of the Offer Bonds and all sums, documents, and records held by them in respect of the Offer Bonds to the Trustee or as the Trustee shall direct in such demand; provided, that such demand shall be deemed not to apply to any documents or records which the Registrar or Paying Agent is not allowed to release by any law or regulation; and/or

(iii) subject to the terms of the Registry and Paying Agency Agreement, apply any money received from the Issuer pursuant to this section in the order of preference provided in the "*Description of the Offer Bonds – Application of Payments"* below.

Application of Payments

Any money collected by the Trustee as a consequence of a Declaration of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds or to the Registry and Paying Agency Agreement, shall be applied by the Trustee in the order of preference as follows:

(a) *First*: to the *pro rata* payment to the Trustee, the Registrar, the Paying Agent and PDEx of the reasonable, actual, and documented costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all reasonable, actual, and documented expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Offer Bonds.

(b) *Second*: to the payment of all outstanding interest, including any Penalty Interest, in the order of maturity of such interest based on the information on Bondholders reflected in the relevant registry

account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.

(c) *Third*: to the payment of the principal amount of the Offer Bonds then due and payable based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.

(d) *Fourth*: the remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Prescription

Claims in respect of principal and interest or other sums payable under the Offer Bonds shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which the payment becomes due.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion under "*Description of the Offer Bonds – Ability to File Suit*".

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient, subject to the discussion under "*Description of the Offer Bonds – Ability to File Suit*".

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer under the Trust Agreement on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy thereunder unless: (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Offer Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name; (iii) the Trustee for 60 days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no Bondholder shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Offer Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal, ratable, and common benefit of all the Bondholders.

Waiver of Default by the Bondholders

The Majority Bondholders may (a) direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Trust Agreement, or (b) on behalf of the Bondholders, waive any past default except the Events of Default defined as a Payment Default, insolvency default or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Trust Agreement; provided that no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all

Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Offer Bonds.

SUBSTITUTION

Substitution of the Offer Bonds is not contemplated.

TRUSTEE – NOTICES

The following discussion is qualified by the more detailed information in the Trust Agreement.

Notice to the Trustee

All documents required to be submitted to the Trustee and all other notices, requests, and other communications must be in writing and will be deemed to have been duly given only if delivered personally, or mailed (first class postage prepaid) or emailed to the Trustee at the following address, or email address; and addressed to the individuals named below:

To the Trustee:

RCBC Trust Corporation

Attention:	Ms. Justine Kim C. Marte, SM / Mr. Ryan Roy W. Sinaon, FVP
Telephone No:	8894-9000 locals 1252 and 1278
Email:	jcmarte@rcbc.com / rwsinaon@rcbc.com

All such notices, requests and other communications will: (i) if delivered personally to the address as provided above, be deemed given upon delivery; and (ii) if delivered by mail in the manner described above to the address as provided above, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person on behalf of such individual to whom a copy of such notice, request or other communication is to be delivered). The Trustee may from time to time change its address, email address, or other information for the purpose of notices hereunder by giving notice specifying such change.

Any notice, report or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

Notice to the Bondholders

The Trustee shall send all notices to Bondholders to their respective mailing address as set forth in the Registry of Bondholders. Except where a specific mode of notification is provided for in the Bond Agreements, notices to Bondholders shall be sufficient when made in writing and transmitted in any one (1) of the following modes: (i) registered mail; (ii) ordinary mail; (iii) by publication for at least once a week for two (2) consecutive weeks in at least two (2) newspapers of general circulation in the Philippines; (iv) personal delivery to the address of record in the Registry of Bondholders; or (v) disclosure through the Online Disclosure System of the PDEx. The Trustee shall be entitled to rely on the Registry of Bondholders in determining the Bondholders entitled to notice and their respective contact details. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) 15 days from mailing, if transmitted by ordinary mail; (iii) on the date of last publication, if notice is made by publication; (iv) on the date of delivery, for personal delivery; or (v) on the date of disclosure, if notice is made by disclosure through the Online Disclosure System of the PDEx.

A notice made by the Issuer to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the PDEx on a matter relating to the Offer Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication or the date of the disclosure, as the case may be.

Duties and Responsibilities of the Trustee

The Trustee shall be responsible for performing the following duties, among others, for the benefit of the Bondholders.

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such diligence, judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters will exercise in the management of their own affairs.

(c) None of the provisions contained in the Trust Agreement and the Offer Supplement shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Trust Agreement.

Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving at least 90 days' prior written notice to the Issuer and Bondholders of such resignation.

(b) Upon receipt of such notice of resignation of the Trustee, the Issuer shall immediately appoint a replacement trustee, which shall be acceptable to the Issuer, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the replacement trustee. If no replacement trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee or any Bondholder who has been a *bona fide* holder for at least the immediately preceding six (6) months may, for and in behalf of the Bondholders, petition any court of competent jurisdiction for the appointment of a replacement trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a replacement trustee.

(c) Subject to paragraph (f) below, a replacement trustee must possess all the qualifications required under pertinent laws and the Trust Agreement.

(d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, or for other causes set out in the Trust Agreement, then the Issuer may within 30 days therefrom remove the Trustee, and appoint a replacement trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the replacement trustee. If the Issuer fails to remove the Trustee and appoint a replacement trustee, any Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a replacement trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a replacement trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and with the consent of the Issuer, appoint a replacement trustee, by the delivery to the Trustee so removed, to the replacement trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders, which removal shall take effect 30 days from receipt of such notice by the Trustee; provided, that if no replacement trustee shall have been appointed within 90 days from the receipt of the Issuer of the required evidence of the action taken, the Majority Bondholders may appoint a replacement trustee without the consent of the Issuer. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the law or in equity.

(f) Any resignation or removal of the Trustee and the appointment of a replacement trustee pursuant to any of the provisions in the Trust Agreement shall become effective upon the earlier of: (i) the acceptance of appointment by the replacement trustee as provided in the Trust Agreement; and (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided, that after the effectivity of the resignation notice and, as relevant, until such replacement trustee is qualified and appointed, the resigning or removed Trustee shall continue to discharge its duties and responsibilities solely as a custodian of records for turnover to the replacement trustee promptly upon the appointment thereof by the Issuer and shall be entitled to incurred, due and demandable fee stipulated in the Trust Agreement for services already rendered.

Successor Trustee

(a) Any successor trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee under the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor trustee, the trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the trustee so ceasing to act as such. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders of the succession of such trustee to the trusteeship in writing and/or by publication once in a newspaper of general circulation in Metro Manila, Philippines. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

Reports to the Bondholders

Only upon the existence of either (a) and (b) below, the Trustee shall submit to the Bondholders on or before March 1 of each year from the Issue Date until full payment of the Offer Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(a) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report which shall be based on the report to be given by the Paying Agent to the Trustee upon request by the Trustee through the Issuer; and

(b) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Offer Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within 90 days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount, and the

circumstances surrounding the making of such advance; provided that, the remaining unpaid amounts of such advance is at least 10% of the aggregate outstanding principal amount of the Offer Bonds at such time.

Inspection of Documents

Upon due notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(a) the Trust Agreement;
(b) the Registry and Paying Agency Agreement;
(c) the latest amended articles of incorporation and amended by-laws of the Issuer; and
(d) the Registration Statement of the Issuer with respect to the Offer Bonds with the Offer Supplement.

MEETING OF BONDHOLDERS

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Offer Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Offer Bonds.

The following discussion is qualified by the more detailed information in the Trust Agreement.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, on its own accord or upon the written request by the Issuer, or the Majority Bondholders, for purposes of taking any actions authorized under the Trust Agreement. The meeting may be held at such time and at such place as the Trustee shall determine. Meetings may be either in person or through teleconference, videoconference or through similar modes of modern communication technology.

Unless otherwise provided in the Trust Agreement, the Trustee shall give notice of every meeting of the Bondholders (which notice must set forth the time, place, and purpose of such meeting in reasonable detail) to the Issuer and each of the registered Bondholders not earlier than 45 days nor later than 15 days prior to the date fixed for the meeting (physical or *via* remote communication) and shall publish such notice once in a newspaper of general circulation; provided, that the Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than 45 days before the date of the meeting; provided, further, that all reasonable, actual and documented costs and expenses incurred by the Trustee for the proper dissemination of the notice of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement, subject to obtaining prior written consent of the Issuer for reasonable, actual and documented costs and expenses in excess of Fifty Thousand Pesos (₱50,000.00) per occurrence; provided, finally, that any meetings of the Bondholders shall be held at such time and place within Metro Manila as the party requesting such meeting may determine.

Failure of the Trustee to Call a Meeting

Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Majority Bondholders within five (5) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of the Bondholders' meeting and fix the record date for determining the Bondholders entitled to attend and vote in accordance with the procedure set forth under "*Description of the Offer Bonds – Notice of Meetings*". The costs for calling such a meeting shall be for the Trustee's account in case of unjustified failure of the Trustee to call the meeting is due to its willful misconduct, fraud, evident bad faith or gross negligence.

Quorum

The presence of Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar in accordance with the Registry and Paying Agency Agreement (which list shall include all information necessary for the performance of the duties and powers of the Trustee under the Trust Agreement, such as, but not limited to, specimen signatures of the Bondholders' authorized signatories). The Registrar shall provide the Trustee with the foregoing list and information upon receipt of a written request from the Trustee.

Procedure for Meetings

(a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided under "*Description of the Offer Bonds – Failure of the Trustee to Call a Meeting*" in which case the Issuer or the Majority Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolution by, and the results of the votes cast by, the Bondholders entitled to vote at the meeting and/or the Person appointed in writing by a public instrument as proxy or agent by any such Bondholder in accordance with the procedure set forth in "*Description of the Offer Bonds – Voting Rights*". The elected secretary shall immediately provide the Trustee with a copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request.

(b) Any meeting of the Bondholders may be adjourned from time to time for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Offer Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Offer Bonds as reflected in the Registry of Bondholders on the relevant record date fixed by the Trustee, the Issuer or the Majority Bondholders, as the case may be, or a Person appointed in writing by a public instrument as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. The Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00). The only Persons who shall be entitled to be present or to participate at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting, the Trustee, and any representative of the Issuer and its legal counsel.

Voting Requirement

Except as provided in "*Description of the Offer Bonds – Amendments*," all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (present or represented in a meeting at which there is a quorum). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to the proof of ownership of the Offer Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes,

the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit.

Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Offer Bonds may take any action (including the making of any demand or request, the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined such action may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing in accordance with the provision on *"Description of the Offer Bonds — Voting Rights",* (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

Non-Reliance

Each Bondholder represents and warrants to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee or the Issuer, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Offer Bonds and on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee or the Issuer. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all claims, liabilities, damages, penalties, judgments, suits, expenses, and other costs of any kind or nature against the Trustee in respect of its obligations under the Trust Agreement, except in case it breaches Applicable Law or for its gross negligence, fraud, evident bad faith or willful misconduct.

Amendments

The Issuer and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Trust Agreement if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency; provided, in all cases, that such amendment or waiver does not adversely affect the interests of the Bondholders; provided, further, that all Bondholders are notified of such amendment or waiver.

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of the Board of Directors or the executive committee of the Board of Directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental to the Trust Agreement for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, that no such supplemental agreement shall:

(a) without the consent of all Bondholders affected thereby: (i) extend the Maturity Dates of the Offer Bonds; or (ii) reduce the principal amount of the Offer Bonds; or (iii) reduce the rate or extend the time of payment of interest and principal thereon;

(b) impair the right of any Bondholder to (i) receive payment of principal of and interest on the Offer Bonds on or after the due dates therefor or (ii) to institute suit for the enforcement of any payment on or with respect to such Bondholder;

(c) affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders;

(d) make any Bond payable in money other than that stated in the Bond;

(e) subordinate the Offer Bonds to any other obligation of the Issuer;

(f) amend or modify the provisions of the terms and conditions of the Offer Bonds on Taxation, the Events of Default or the waiver of default by the Bondholders;

(g) reduce the percentage of the Bondholders required to be obtained under the Trust Agreement for their consent to or approval of any supplemental agreement or any waiver provided for in the Trust Agreement, without the consent of all the Bondholders; or

(h) make any change or waiver of the conditions under paragraphs (a) to (g) inclusive.

It shall not be necessary to obtain the consent of the Bondholders under the foregoing paragraphs for the purpose of approving the particular form of any proposed supplemental agreement, but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this section shall be conclusive and binding upon all Bondholders and upon all future holders and owners of the Offer Bonds or of any Offer Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Offer Bonds.

GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

VENUE

Any suit, action, or proceeding arising out of, or relating to, the Offer Bonds or the Trust Agreement shall be brought in any competent court in the Cities of Makati and Mandaluyong, at the option of the plaintiff and to the exclusion of all other courts of equal and competent jurisdiction, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Trustee (for itself and on behalf of the Bondholders) expressly waiving any other venue.

WAIVER OF PREFERENCE

The obligations created under the Bond Agreements and the Offer Bonds shall not enjoy any priority or preference or special privilege whatsoever over any Debt or obligations of the Issuer. Accordingly, whatever priorities or preferences that the Bond Agreements may have or any Person deriving a right thereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines shall be deemed revoked if it be shown that any Debt of the Issuer has a priority or preference under the said provision. Should any bank or Bondholder hereinafter have preference or priority over the Offer Bonds as a result of notarization, then the Issuer shall, at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Offer Bonds as may be practicable.

RISK FACTORS

General Risk Warning

An investment in the Offer Bonds involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Offer Bonds. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, and results of operations and cause the market price of the Offer Bonds to decline. All or part of an investment in the Offer Bonds could be lost. Investors deal in a range of investments each of which may carry a different level of risk.

The means by which we intend to address the risk factors discussed herein are principally presented under "The Company" beginning on page 139*, "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page* 291*, and "Management" on page* 244 *of this Offer Supplement.*

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition, and prospects.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly available information on the Offer Bonds and SMC from the SEC, PDEx, and PSE.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

Risk Factors

This Offer Supplement contains forward-looking statements that involve risks and uncertainties. SMC adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Offer Supplement. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of SMC, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Offer Supplement including the risk factors described below, before deciding to invest in the Offer Bonds. The business, financial condition, and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATING TO SMC AND THE SMC GROUP

Diversification of businesses and acquisition of new businesses

The traditional core businesses of the Company comprise beverage, food, and packaging products. Since embarking on its diversification strategy in 2007, the Company has expanded its businesses to include fuel and

oil, energy, infrastructure and cement, among others. SMC implemented this strategy through a series of acquisitions and investments and intends to continue to pursue this diversification strategy through further acquisitions and investments to enhance its product and brand portfolio, and realize other strategic and cost benefits.

The diversification strategy of SMC involves a number of risks and challenges, including substantial financial investments, the diversion of management's time and resources, and managing a broader scope of businesses and risks inherent in making new acquisitions and investments. Growth through acquisitions involves business risks, including unforeseen contingent risks, latent business liabilities, and other challenges that may only become apparent after the acquisition is finalized, such as the successful integration and management of the acquired business by the Company, retention of key personnel, joint sales and marketing efforts, and management of a larger business. In addition, there is no assurance that the Company will achieve the anticipated benefits, expected returns, strategic benefits or synergies of an acquisition, or that the Company will be as successful in new businesses as it has been in its traditional core businesses. Failure to successfully implement its diversification strategy, to integrate acquired businesses or to realize the anticipated benefits of acquisitions or investments could materially and adversely affect the business, financial condition, results of operations, and prospects of the Company.

The Company, through its mergers and acquisitions team, undertakes prudent review and due diligence, and evaluates the viability of any acquisition or investment. In addition, the Company is guided by metrics when assessing possible investments, which include, but not limited to, financial returns and possible synergies across the SMC Group, with an overall objective of maximizing returns for its shareholders.

Potential shortage of raw materials

The products and businesses of the SMC Group, specifically, the beverage, food, packaging, fuel and oil, and energy and cement businesses, depend on the availability of raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. These raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, foreign exchange rate fluctuations, weather conditions, and governmental controls.

Food & Beverage

Movements in the supply of global crops may affect prices of raw materials, such as wheat, malted barley, adjuncts, and molasses for the food and beverage businesses.

The food business may be affected by disruptions in the supply of major raw materials which include anhydrous milk fat, wheat and soybean meal supply due to weather conditions of source countries, outbreak of diseases or other geopolitical developments that may affect trade situations. Another raw material that may be affected is cassava, a substitute raw material in producing animal feeds. Adverse weather conditions and the relative price attractiveness of corn farming versus cassava at certain times may discourage local farmers to plant cassava and switch to planting corn. An assembler's program was established in 2017 which encourages farmers to organize into a business unit and assemble a minimum of 20 hectares of land for cassava or corn production. This program provides them with an assured market, a guaranteed floor price, technical assistance, access to financing and planting material advances. This may in turn result in the food business' purchasing a greater quantity of higher cost raw materials, which may affect the profit margin of the food business.

Water is critical in the operations of the beer business, and it may not be able to source sufficient quantities or may face increases in water costs in the future. The beer business sources water requirements from deep wells and from water utility service providers. The Water Code of the Philippines (the "Water Code", Presidential Decree No. 1067) and its implementing rules and regulations govern the appropriation and use by any entity of water within the Philippines. Water permits are issued by the National Water Resources Board ("**NWRB**") and restrictions on the use of deep well water could disrupt operations. Likewise, price increases for the use of deep well water or by water utility service providers could adversely affect operating costs, which could adversely affect the beer business, its financial condition, results of operations, and prospects.

The Spirits business may face disruptions in the supply of major raw materials. For example, the current global focus on bioethanol fuel has contributed, and is expected to continue to contribute, to higher prices for molasses, which is a major raw material to produce spirits, as traders can choose to sell their molasses to producers of bioethanol rather than of beverage alcohol, thereby causing higher demand and cost. To address the situation, the spirits business continues to widen its sourcing of alcohol and molasses through the operation of its new alcohol depot in Batangas.

Packaging

The Packaging business also needs to obtain sufficient quantities of quality raw materials, including glass, aluminum, paper and composites in a timely manner, and it requires a significant amount of electricity in order to maintain its operations.

Fuel & Oil

The Fuel and Oil business is primarily affected by the volatility of crude oil prices, which are affected by changes in global supply and demand, international economic conditions, global conflicts or acts of terrorism, weather conditions, domestic and foreign governmental regulation, and other factors over which Petron has no control.

Energy

The Power business requires sufficient coal supply from its power plants, which have entered into coal supply contracts with Vitol Asia Pte. Ltd. ("**Vitol**"), PT Trubaindo Coal Mining ("**Banpu**"), PT Bara Tabang / PT Bayan Resources Pte. Ltd. ("**Bayan**"), PT Kaltim Prima Coal ("**KPC**") and other reputable coal suppliers. If Vitol, Banpu, Bayan, KPC, and the other reputable coal suppliers fail to perform their obligations under the coal supply contracts, the disruption of coal supply may materially affect power plant operations.

Cement

The cement manufacturing process is heavily reliant on the following: shale, limestone, and coal. These raw materials, as well as most additives, are generally sourced from mines or quarry sites. Mines nationwide and globally are subject of environmental concerns, which makes these mineral commodities exposed to reduced output by reason of heavy regulations. While the cement businesses maintain steady supply of limestone and shale sourced from its own mining sites, clinkers are still imported from other sources to augment the requirement of cement production as the government regulates the output of mineral extractions. Cement businesses are thus vulnerable to the movement of prices of imported clinker. In addition, internally produced clinkers are likewise dependent on the price of coal. The steady supply of coal is on a regulated decline, among other reasons, environmental restrictions, reduced use to give way to renewable energy sources, and supply chain issues; which further drives up the demand and consequently the price. In effect, cement prices are hinged on the movement of prices of raw materials. This effectively lessens the ability of domestic producers to compete with much lower priced imported cements.

The SMC Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations or policies.

Although the SMC Group actively monitors the availability and prices of raw materials, there is no assurance that these items will be supplied in adequate quantities or at the required quality to meet its needs or will not be subject to significant price fluctuations in the future. While the SMC Group may, in certain limited instances, be able to shift to alternative raw materials to produce its products, there is no assurance that it will be able to reduce its reliance on these raw materials in the future. The SMC Group may only have a limited ability to hedge against commodity prices and any hedging activities may not be as effective as planned. Moreover, market prices of raw materials could increase significantly if there are material shortages due to, among other things, competing usage, drastic changes in weather or natural disasters. There is no assurance that any increases in product costs could be passed on to consumers. As a result, any significant shortages or material increase in the market price of such raw materials could have a material adverse effect on the financial and operating performance of the SMC Group.

Prior to the use of alternative raw materials, the Company undertakes testing to ensure the quality of its products are maintained. Furthermore, the Company believes this risk can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 147 of this Offer Supplement. However, there is no assurance that the Company can provide an effective mitigation to such risk.

Volatile prices of raw materials

The DTI continues to adjust suggested retail prices for basic necessities and prime commodities due to rising prices of raw materials, packaging, and other costs globally. Prices of petroleum products remain volatile as supply in the world market remains tight. Some groups have called for the suspension of excise oil tax and to review the oil deregulation law to offset the effects of the continuous oil price increase, which has already seeped to other commodities. Moreover, high cost of production of rice due to skyrocketing rates of fuel and fertilizers could further dissuade farmers from planting rice. The price of wheat also increased because of the Russian invasion of Ukraine, followed by the drought in India and the USA. Meat processors have also called for price increases on meat products to break even with their production costs.

Given the circumstances like simultaneous geopolitical tensions such as the Ukraine-Russia conflict and Israel-Gaza war, continuous lack of supply, increasing cost of imported raw materials in particular coal, fuel, and grains, and increasing Peso-Dollar exchange rate led to prices of goods and services to continue to rise. Growth in consumer prices increased 6.0% in full-year 2023 and 3.3% in 1Q24. Higher food prices continued to be the main driver of the surge in inflation while other contributors were transport and restaurants and accommodation services.

As previously mentioned, the SMC Group may only have a limited ability to hedge against commodity price and any hedging activities may not be as effective as planned. There is no assurance that any increases in product costs could be passed on to consumers. Consequently, any significant increase in the market price of raw materials could have a material adverse effect on the financial and operating performance of the SMC Group. The Company believes the risk brought about by the rising prices of raw materials can be managed by leveraging on the Company's strengths and strategies specifically under the heading "*Synergies across business*" on page 147 of this Offer Supplement. However, there is no assurance that the Company can provide an effective mitigation to such risk.

While prices of raw materials remain high, it should be noted that inflation increased for the second consecutive month at 3.70% in March 2024 – higher compared to 3.40% recorded in February. This was heavily attributed to higher prices of food in particular continued soaring rice prices, transportation, and restaurants and accommodation services. Still, YTD inflation at 3.30% as of 1Q24 is still within the government's target range of 2% to 4%.

To mitigate this, the Food business has implemented price increases on its products, entered into commodity hedging agreements, optimized utilization of company-owned facilities and implemented cost containment measures such as enhancing product formulations, use of alternative raw materials, improving logistics efficiencies and increasing yield and productivity. Additionally, on October 12, 2023, we inaugurated the mega farm food complex in Davao and similar facilities will be constructed in key areas across the country. This is to ensure that we provide food security to our customers nationwide.

For the Fuel and Oil business, the on-going volatility of crude prices has affected its profitability. To mitigate this, Petron has implemented programs and strategies to protect and manage the impact of refining margins and drive volume growth. Going forward, Petron expects to continue investing in upgrading its production capability with a focus on high-margin petroleum products and petrochemicals, including expanding its service stations to increase its reach.

For the Power business, our EPSAs with Meralco now have a full fuel pass-through feature allowing us to minimize fuel price risk. Moreover, contracts with other distribution utilities and electric cooperatives are also being negotiated to have the same pass-through arrangement SMGP has contracted around 340MW of the BESS, capacity to the National Grid Corporation of the Philippines last March 2023. This will address one of the main

limitations of renewable power – intermittence. Partial operations of the BESS capacities have started last August 15, 2023.

For the Cement business, its raw materials such as limestone and shale are primarily sourced from their own reserves pursuant to their mineral rights. Likewise, it utilizes alternative materials for their operations. However, internally produced clinkers are dependent on the price of coal. Thus, Eagle Cement and Northern Cement use low heating value coal to manage price volatility.

The Company believes these programs will enable our businesses to sustain its financial goals and further generate growth.

Foreign exchange risk

In 2023, approximately 71% of the consolidated sales of the SMC Group was denominated in Philippine Peso, while a substantial portion of its expenses, including raw materials, crude oil purchases, and foreign currency-denominated debt service costs was denominated in U.S. Dollars. As of December 31, 2023, the percentage of outstanding short-term and long-term loans of the SMC Group denominated in foreign currencies was around 39.83%. From its close of ₱55.755 per U.S. dollar in December 2022, the exchange rate closed at ₱55.37 on December 29, 2023.

In addition, the financial reporting currency of the Company is in Philippine Peso, and therefore, depreciation of the Philippine Peso would result in an increase in foreign currency-denominated expenses of SMC as reflected in its Philippine Peso financial statements. This could also result in foreign exchange losses due to mark-to-market valuation of foreign currency-denominated assets and liabilities, including increases in the Philippine Peso amounts of the foreign currency-denominated debt obligations of the Company, thereby possibly adversely affecting its results of operations and financial condition. In addition, there is no assurance that the Company could increase its Peso-denominated product prices to offset increases in costs resulting from any depreciation of the Philippine Peso.

Further, the continuing depreciation of the Philippine Peso may result in significant liquidity shortages and capital or exchange controls. This could result in a reduction of economic activity, economic recession, sovereign or corporate loan defaults, lower deposits, and an increased cost of funds. The occurrence of any of the foregoing events could have a material adverse effect on the businesses, financial condition, liquidity, and results of operations of the Company.

The Company uses a combination of natural hedges, coming from its foreign currency denominated assets, and derivative instruments to manage its exchange rate risk exposure as part of its prudent financial risk management. The Company continues to implement sound management of its derivatives in relation to its debt exposure and commodity requirements.

Availability of financing

The expansion and growth plans of the SMC Group are expected to be funded through a combination of internally generated funds and external fund-raising activities, including debt and equity financing. The continued access of the SMC Group to debt and equity financing as sources of funding for new projects and acquisitions and for refinancing maturing debt is subject to many factors including: (i) Philippine regulations limiting bank exposure to a single borrower or related group of borrowers; (ii) the compliance of SMC Group with existing debt covenants, which include debt-to-equity ratio and debt service coverage ratio covenants; (iii) the ability of the SMC Group to service new debt; and (iv) perceptions in the capital markets regarding the SMC Group and the industries in which it operates, and other factors, including general conditions in the debt and equity capital markets, which are outside of its control. Political instability, an economic downturn, social unrest, or changes in the Philippine regulatory environment could increase the cost of borrowing for the SMC Group or restrict its ability to obtain debt financing.

In addition, certain subsidiaries of the Company have significant finance lease obligations, long-term debt, and have issued perpetual capital securities.

As of December 31, 2023, the noncurrent liabilities of the Company included finance lease liabilities (net of current portion) of ₱36,941 million and long-term debt (net of current maturities and debt issue costs) of ₱953,786 million. Meanwhile, the current liabilities of the Company included accounts payable and accrued expenses of ₱223,055 million and finance lease liabilities (current portion) of ₱19,631 million.

There is no assurance that the SMC Group will be able to arrange and obtain additional financing when needed on commercially acceptable terms, or at all. Any additional debt financing may place restrictions on the Company, which may, among others:

- increase vulnerability to general adverse economic and industry conditions;
- limit ability to pursue growth plans;
- limit ability to raise additional financing and access credit or equity markets to satisfy its repayment obligations as they become due on favorable terms, or at all;
- require the Company to dedicate a substantial portion of cash flow from operations to payments on debt and capital securities, thereby reducing the availability of its cash flow to fund capital expenditure, working capital requirements, and other general corporate purposes; and/or
- limit its flexibility in planning for, or reacting to, changes in its business and its industry, either through the imposition of restrictive financial or operational covenants or otherwise.

Any inability of the SMC Group to obtain financing from banks and other financial institutions or from the capital markets would adversely affect the ability of the SMC Group to execute its expansion and growth strategies, as well as its financial condition and prospects.

The Company believes that close monitoring, management, and the exercise of financial prudence for its financing requirement, guided by its corporate governance and risk management initiatives will lessen any impact of such events. The Company can also rely on its strengths to navigate and have continual access to financing. For further discussions on these strengths, please refer to the Company's Strengths and Strategies on page 147 of this Offer Supplement.

Covenants in existing debt agreements

The existing debt agreements of the Company contain various covenants and cross-default clauses in relation to indebtedness of a material subsidiary of the Company. Under a cross-default clause, if a default by such material subsidiary under its debt agreement is not cured or waived, the default could result in the default by the Company under its own existing debt agreements. Moreover, the ability of the Company and its subsidiaries to comply with covenants contained in their respective debt agreements may be affected by events beyond the control of the Company or its subsidiaries, including but not limited to, prevailing economic, financial, and industry conditions. Even if the Company is able to comply with all of the applicable covenants and potential defaults by it or its subsidiaries may be cured or waived, any default by the Company on its existing debt agreements or an occurrence of a cross-default could adversely affect the business of the Company by, among other things, limiting its ability to take advantage of financing and investment opportunities that may be beneficial to the Company and to the SMC Group.

The cross-default clause is subject to monetary thresholds and cure periods as agreed with the relevant lenders and to compliance with procedural requirements before the Company can be declared in default under such debt instruments. Moreover, to mitigate this risk, the Company exercises prudent financial risk management and has an established system to regularly monitor and ensure compliance by the Company and its subsidiaries with their respective debt and financing covenants.

Potential changes in the legal and regulatory environment

The businesses and operations of the SMC Group are subject to a number of national and local laws, rules and regulations governing several different industries both in the Philippines and in other countries where it

conducts its businesses. While each industry where the SMC Group operates has specific regulatory risks, the one (1) common factor among these is that the political and regulatory landscape is continually evolving, and the SMC Group is required to continuously assess and ensure it is up to date with the demands of regulatory compliance. These laws and regulations require the Company to obtain and maintain several approvals, licenses, and permits from various entities such as the Philippine Food and Drug Association ("**FDA**"), the Philippine Department of Environment and Natural Resources ("**DENR**"), the Philippine Energy Regulatory Commission ("**ERC**"), the Philippine Department of Trade and Industry ("**DTI**"), and the Philippine Department of Transportation ("**DOTr**"), among others. Additionally, the Company may need to apply for more approvals, licenses, and permits and renew such approvals, licenses, and permits that may expire from time to time. In addition, there is no assurance that the Company will not be subject to new licensing requirements in the future or that it will be able to obtain and/or maintain such approvals, licenses or permits in a timely manner, or at all, or that it will not become subject to any regulatory action on account of not having obtained or renewed such approvals, licenses, and permits.

For example, SMGP is subject to extensive regulation in the Philippines, including the EPIRA. The enactment and implementation of any such bills or amendments to the EPIRA or other changes to Philippine laws and regulations relevant to the power industry, could have a material adverse effect on the business, financial condition and results of operations of SMGP, or on the rules and regulations governing the power industry, which could materially reduce sales and profitability.

As SMGP expands its BESS capabilities and projects, it will be subject to applicable regulations under ancillary services and energy storage systems. To conduct its businesses, SMGP and its subsidiaries must obtain various licenses, permits and approvals. Even when SMGP and its subsidiaries obtain the required licenses, permits and approvals, their operations are subject to continued review under the applicable regulations, and the interpretation or implementation of such regulations is subject to change. For example, in October 2020, the Department of Energy ("**DOE**") Secretary Alfonso G. Cusi announced that the periodic assessment of the country's energy requirements has led the DOE to declare a moratorium on endorsements for greenfield coal power plants and subsequently clarified that the moratorium would not apply to those greenfield power plants in the pipeline for which endorsements had already been previously issued (SMGP's planned Masinloc Power Plant Units 4 and 5 expansion project, the Mariveles Greenfield Power Plant under construction and the planned Pagbilao Greenfield Power Plant (which SMGP has decided to no longer pursue) have already obtained the relevant DOE endorsement). The DOE subsequently issued "Advisory on the Moratorium of Endorsements for Greenfield Coal-Fired Power Projects In Line with Improving the Sustainability of the Philippines' Electric Power Industry" on January 11, 2021, which was dated as of December 22, 2020, to implement the moratorium. Under this advisory, effective October 27, 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsements. However, existing and operational coal-fired power generation facilities as well as any coal-fired power project which comply with the following parameters will not be affected by the moratorium: (i) committed power projects; (ii) existing power plant complexes which already have firm expansion plans and existing land site provision; and (iii) indicative power project with substantial accomplishments, specifically those with signed and notarized acquisition of land or lease agreement for the project, and with approved permits or resolutions from the relevant local government units and the relevant regional development council where the power plant will be located.

Health, food and beverage safety and environmental laws and regulations in the Philippines have also become increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new health, food and beverage safety and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations. For example, the Extended Producer Responsibility (EPR) Act of 2022 requires large-scale companies to establish or phase-in EPR programs for plastic packaging which may include activities and strategies for reduction of non-environment friendly products, as well as product waste recovery programs aimed at effectively preventing waste from leaking to the environment. For 2023, obliged companies need to recover 20% of the plastic waste that their company has produced from 2022. The target recovery rate is then increased to 40% by 2024, 50% by 2025, 60% by 2026, 70% by 2027, and 80% by 2028 and every year thereafter. The National Ecology Center, a sub-group under the National Solid Waste Management Commission of the DENR-EMB, is responsible for monitoring and evaluating the compliance of obliged enterprises with the Act.

For the toll road business, the approval of the Toll Regulatory Board of the Philippines ("**TRB**"), which is under DOTr, is necessary before a toll road concessionaire may implement a toll rate increase, and may affect the profitability of its toll road operations. For example, SMC SLEX, Inc. (formerly, South Luzon Tollway Corporation), has filed five (5) petitions for periodic toll rate adjustment with the TRB from 2012 to 2022. However, it was only on June 21, 2023, that the TRB issued its Notice of Consolidated Resolution for the approval of the 2012 and 2014 periodic toll rate adjustment petitions, to be implemented on a staggered basis. SMC SLEX, Inc. still has three (3) pending petitions for periodic toll rate adjustments which were submitted on September 28, 2018, September 30, 2020 and September 30, 2022, respectively.

There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Company. In particular, the enactment and implementation of any such bills or amendments to the National Internal Revenue Code of 1997, as amended ("**Philippine Tax Code**"), or other changes to Philippine laws and regulations relevant to the food and beverage, packaging, fuel and oil, power, and infrastructure industries, could increase the Company's costs and have a material adverse effect on the business, financial condition and results of operations. In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the SMC Group to pass on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the SMC Group.

While the SMC Group believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations, there is no assurance that changes in laws, rules or regulations or the interpretation thereof of relevant government agencies, will not result in the SMC Group having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities or being subject to an increased rate of taxation or fines and penalties.

The SMC Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the SMC Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that the SMC Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Company endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

Increases and changes in applicable taxes, taxation laws and tax incentives

The businesses and operations of the SMC Group are subject to various taxes, including value-added tax ("**VAT**"), excise taxes, duties and tariffs in the Philippines and in other countries where it conducts its businesses. An increase in prices due to additional taxes may affect demand for its products in the Philippines.

For example, the second package of the tax reform program, also known as the Corporate Recovery and Tax Incentives for Enterprises ("**CREATE**"), was passed by both the House of Representatives and Senate of the Philippines on February 3, 2021, and signed into law by the President of the Philippines on March 26, 2021 as Republic Act No. 11534 ("**CREATE Law**"). The CREATE Law took effect on April 11, 2021, 15 days after its publication in a newspaper of general circulation last March 27, 2021. In approving the CREATE Law, the President of the Philippines vetoed certain provisions including, among others, provisions relating to tax incentive entitlement of domestic market enterprises with an investment capital of ₱500 million and domestic market enterprises engaged in activities that are classified as "critical" to a special corporate income tax. The CREATE Law lowers the corporate income tax and provides for rationalization of fiscal incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan) to qualified registered business enterprises. Under the CREATE Law, the corporate income tax rate for domestic corporations and resident foreign corporations shall be reduced to 25% effective July 1, 2020 and effective on January 1, 2021 for non-resident foreign corporations; domestic corporations, resident foreign corporations no longer have an option to be taxed at 15% on gross income; and the rate of the minimum corporate income tax ("**MCIT**") is lowered to 1% from July 1, 2020 to June 30, 2023.

As part of the rationalization of tax incentives, the CREATE Law provides that: (i) any law to the contrary notwithstanding, the importation of petroleum products by any person shall be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the Philippine Tax Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, shall be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs ("**BOC**") and the Philippine Bureau of Internal Revenue ("**BIR**") to ensure that crude oil shall not be lifted from the refinery without payment of appropriate duties and taxes.

The other tax reform packages that the government hopes to implement under the comprehensive tax reform program ("**CTRP**") include tax amnesties (estate and general), as well as "sin" (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP proposes to remove the transaction tax on listed and traded debt instruments by 2026 and exempt non-monetary documents from documentary stamp tax.

On November 14, 2022, the House of Representatives approved House Bill No. 4339 ("**HB 4339**") representing the fourth package of the CTRP. HB 4339 has been transmitted to the Senate of the Philippines for its concurrence and remains pending with the Senate of the Philippines as of the date of this Offer Supplement. Based on the version of HB 4339 approved by the House of Representatives, the proposed law includes the following tax reforms, among others: imposes a final tax of 20% on interest income earned from currency bank deposits, deposit substitutes, trust funds or similar arrangements; harmonizes the tax rates on interest, royalties, dividends and capital gains to a standard 15%; a single gross receipt tax rate of 5% will likewise be imposed on banks, quasi-banks and other non-bank financial intermediaries; shares of stock of a domestic corporation listed and traded in any foreign stock exchange will be subjected to the lower stock transactions tax instead of the 15% capital gains tax to allow the company to expand its sources of capital.

Increases in excise tax, changes in the applicable tax regime or other taxes and incentives to which the SMC Group is subject, or the imposition of new taxes on its operations or products, including those which may result from ongoing tax reforms by the government may, (i) if passed on to the consumers by way of upward price adjustments, reduce consumption of SMC Group products, (ii) if prices remain unchanged, reduce margins, or (iii) if additional taxes are not fully passed on to the consumers, have both of the foregoing effects. Thus, as with other Philippine companies engaged in similar businesses, these increases and changes may materially and adversely affect the Company's business, financial condition, and results of operations.

There can be no assurance that any pending tax legislation or future changes in the tax regime in the Philippines would not have a material and adverse effect on the Company's business, financial condition, and results of operations.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 147 of this Offer Supplement. However, there is no assurance that the Company can provide an effective mitigation to such risk.

Exposure to safety, health and environmental costs and liabilities

The businesses of the SMC Group span several industries and are subject to a variety of laws, rules and regulations that impose limitations, prohibitions, and standards with respect to health and safety, as well as the use, discharge, emission, treatment, release, disposal, and management of regulated materials and waste, and hazardous substances. Safety, health and environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly stricter in the future. The adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations as well as any costs related to fines and penalties.

Furthermore, if the measures implemented by the SMC Group to comply with these laws and regulations are not deemed sufficient by governmental authorities, compliance costs may significantly exceed estimates. If the SMC Group fails to meet safety, health and environmental requirements, it may be subject to administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the SMC Group, as well as orders that could limit or halt its operations. There is no assurance that the SMC Group will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Environmental compliance and remediation costs at sites on which its facilities are located and related litigation and other proceedings could materially and adversely affect the cash flow, results of operations, and financial condition of SMC.

The strong compliance culture of the SMC Group and the processes in place to manage adherence with laws and regulations mitigate this risk. For further information, see section on Regulatory Framework on page 331 and Compliance with Environmental Laws on page 157.

Increased use of digital commerce platforms

The importance of online selling platforms increased significantly during the COVID-19 pandemic. Heightened demand for online groceries remained in the aftermath of the COVID-19 pandemic.

SMFB continues to utilize its ordering system, *https://www.sanmiguelmart.ph*, which was launched during the COVID-19 pandemic, as well as the country's top e-commerce sites, including Lazada, Zalora, Grab Mart, Shopee, and Panda Mart, to sell its products.

The increased use by customers of e-commerce platforms could make SMFB increasingly reliant on digital ordering and payments as a sales channel. These digital ordering and payment platforms could be damaged or interrupted by power loss, technological failures, user errors, other forms of sabotage or other force majeure. The execution of SMFB's growth strategy moving forward will depend, in part, on such initiatives utilizing technology solutions, gathering and leveraging data to enhance operations, and improving the customer experience on multiple platforms. Additionally, implementing, maintaining, and upgrading technology solutions to meet and serve consumer demands and support operations may require significant investment.

To mitigate this risk, the Company has in place data protection, security policies, and service level agreements with third-party digital platforms. The Company also monitors data privacy regulations and trends in the different markets it operates in to ensure compliance and implementation of best data protection practices.

Changes in consumer preferences and purchasing power

The SMC Group's ability to successfully develop and launch new products, which is a key part of its strategy, as well as the ability to maintain or increase demand for existing products, depend on the acceptance of these products by consumers, as well as consumers' purchasing power. Consumer preferences may shift for a variety of reasons, including changes in international, national, regional and local economic conditions; culinary, demographic and social trends; and leisure activity patterns or consumer lifestyle choices.

There can be no assurance that any new products introduced in the future will generate the estimated consumer interest, projected revenues or expected market share. If the Company's marketing strategies are not successful or do not respond timely or effectively to changes in consumer preferences, large expenses may be incurred without the benefit of higher revenues and the Company's businesses and prospects could be materially and adversely affected.

In addition, as SMC continues to take advantage of the "premiumization" trend by strengthening the focus on its higher margin premium and upscale brands, particularly in the food and beverage business and in the Greater Manila and key cities nationwide, SMC's business and prospects become more closely related to, and affected by, changes in consumer purchasing power and lifestyles. Any decrease in consumers' purchasing power or

disposable income levels could have a material adverse effect on SMC's financial condition and results of operations.

The Company believes this risk can be managed by leveraging on its strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 147 of this Offer Supplement. However, there is no assurance that the Company can provide an effective mitigation to such risk.

Increased competition in the industries where the SMC Group operates

The businesses of the SMC Group operate in an increasingly competitive environment, as discussed further elsewhere in this Offer Supplement.

Republic Act No. 10667 or the Philippine Competition Act was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities, prevent economic concentration which will manipulate or constrict the discipline of free markets, and penalize all forms of anti-competitive agreements, abuse of dominant position, and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development. The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources, have more extensive experience or have a more specialized approach than the Company and its businesses, giving them the ability to respond to operational, technological, financial, and other challenges more quickly than the SMC Group. In addition, consolidation among competitors, the entry of new, larger competitors or other actions by competitors (including by those small and medium sized enterprises), such as unanticipated pricing of products at below-market prices or unconventional promotional activities, could exert downward pressure on prices of the SMC Group's products or cause market share to decline. Finally, the review by the Philippine Competition Commission ("**PCC**") of mergers and acquisitions meeting certain criteria and thresholds can delay or result in revisions to planned mergers and acquisitions, which could impact the SMC Group's plans and diversification program.

Any failure to successfully compete with competitors, maintain its customer base and market share or respond to new challenges could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies to ensure competitiveness. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 147 of this Offer Supplement. However, there is no assurance that the Company can provide an effective mitigation to such risk.

Ability of the largest shareholders to influence corporate actions

Top Frontier Investment Holdings, Inc. ("**Top Frontier**") and Privado Holdings, Corp. ("**Privado**") are the major shareholders of SMC and hold approximately 61.77% and 15.67% of the common shares of SMC, respectively, and collectively control approximately 77.44% of the voting rights of the common shares of SMC, as of March 31, 2024. Top Frontier and Privado are able to influence the businesses of SMC through their ability to vote on corporate actions that require Board and shareholder approval. Top Frontier and Privado are not obligated to provide SMC with financial support. The interests of Top Frontier and Privado may differ from those of the holders of the Shelf Registered Shares or of the other shareholders of the Company, which may, as a result, adversely affect the interests such holders. There can be no assurance that any conflicts of interest between and among holders of Shelf Registered Shares, Top Frontier, Privado, or other shareholders of the Company will be resolved in favour of such holders, or that Top Frontier and Privado will influence SMC to pursue actions that are in the best interests of such holders.

The Company continues to have comprehensive discussions and good relationship with its shareholders working towards a common goal of expanding the business, increasing profitability and maximizing shareholder value.

Possible disagreements among joint venture partners of SMC

Some of the businesses of SMC are conducted through joint ventures with other partners, including Kirin Holdings Company Limited for beer, Hormel Netherlands B.V. for processed meats, Korea-Water Resources Corporation ("**K-Water**") for the Angat Hydroelectric Power Project ("**AHEPP**") and Nihon Yamamura Glass Co. Ltd. ("**NYG**"), Fuso Machine & Mold Manufacturing Co. Ltd. ("**Fuso**") and Can Pack SA ("**Can-Pack**") for packaging products. Cooperation among partners on business decisions is crucial to the sound operation and financial success of these joint venture companies. While the SMC Group believes that it maintains good relationships with its partners, there can be no assurance that these relationships will be sustained in the future or that problems will not develop. For example, such partners may be unable or unwilling to fulfill their obligations, take actions contrary to SMC's policies or objectives, or experience financial difficulties. If any of these events occur, the businesses of these subsidiaries could be severely disrupted, which could have a material adverse effect on the Company's business, financial condition and results of operations.

SMC continues to engage and generally has good working relationships with its business partners to ensure sound operation and financial success of these joint ventures. In addition, the joint venture agreements set out the rights and obligations of the parties and provide the framework for the joint venture for the protection and enforcement of the Company's rights under the agreements.

Ability of subsidiaries and associates to declare and distribute dividends

SMC is a holding company that conducts all of its operations through its subsidiaries, associates and joint ventures. As a holding company, the revenues of SMC are derived from, among other sources, dividends paid by its subsidiaries and associates. SMC is reliant on such sources of funds with respect to its obligations and in order to finance its subsidiaries. The ability of the subsidiaries, associates and joint ventures of SMC to declare and pay dividends is subject to, (i) the performance and cash flow requirements of such subsidiaries, associates, and joint ventures; (ii) applicable laws; (iii) restrictions contained in loans and/or debt instruments of such subsidiaries; and (iv) the deduction of taxes.

Any restriction or prohibition on the ability of some or all of the subsidiaries, associates and joint ventures of SMC to distribute dividends or make other distributions to SMC, either resulting from regulatory restrictions, debt covenants, operating difficulties or other limitations, could have a negative effect on the cash flow, financial condition, and results of operations of SMC.

SMC maintains a policy wherein subsidiaries declare a maximum level of dividends to the Parent Company, taking into consideration the funding requirements of the subsidiaries for its operations and expansion programs.

Dependence on trademarks and proprietary rights

The SMC Group uses various brand names and trademarks, including San Miguel, Ginebra San Miguel, Purefoods, Monterey, Magnolia, Star, Dari Créme, B-Meg, Petron, Gasul, Fiesta Gas, Energen, Eagle Cement and other intellectual property rights to prepare, package, advertise, distribute and sell its products for its various businesses.

Protection of those brands and intellectual property rights is important to maintaining the distinctive corporate and market identities of the SMC Group. If third parties sell products which use counterfeit versions or otherwise look confusingly similar to SMC Group brands, consumers may mistake products of the Company with those that they consider to be inferior. This could negatively affect the brand image and sales of the SMC Group, particularly in the food and beverage businesses. In addition, the SMC Group has been granted numerous trademark registrations covering its brands and products, and has filed, and expects to continue to file, trademark applications seeking to protect newly developed brands and products.

There is no assurance that third parties will not challenge, violate or attempt to infringe any existing or future trademarks issued to, or licensed by, the SMC Group. Any failure to protect the proprietary rights of the SMC Group could severely harm its competitive position, which could materially and adversely affect the business, financial condition, results of operations, and prospects, as well as the reputation, of the SMC Group. In addition,

certain intellectual property rights used by the SMC Group are licensed and there is no assurance that the relevant licensors will agree to renew the licenses on terms acceptable to the SMC Group or at all. The failure to renew one (1) or more of its material licenses could have a material adverse effect on the ability of the SMC Group to market certain products and on the results of operations of the SMC Group.

SMC closely monitors products released in the market that may mislead consumers as to the origin of products and attempt to ride on the goodwill of its brands and other proprietary rights. The Company has also retained independent external counsels to alert the Company of any such attempts and to enjoin third parties from the use of colorable imitations of its brands and/or marked similarities in general appearance or packaging of products, which may constitute trademark infringement and unfair competition.

Compliance with and renewal of licenses, permits and other authorizations

The SMC Group is required to maintain licenses, permits, and other authorizations for the operations of its businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the SMC Group fails to meet the terms and conditions of any of SMC's licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While the Company believes that it has, at all relevant times, materially complied with all the requirements of its licenses, permits and other authorizations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in the Company having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities to comply with additional requirements that may be prescribed under its licenses and permits, or being subject to fines and penalties. The measures implemented by SMC to comply with its licenses, permits and authorizations may also be deemed insufficient by governmental authorities. If the Company fails to comply, or is deemed to be non-compliant with any of its licenses, permits and authorizations, the SMC Group may be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings, the costs of which could be material. In the event that the Company becomes involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect its business, financial condition, and results of operations.

There can be no assurance that the SMC Group will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If the Company is unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the Company's business, financial condition, and results of operations.

The SMC Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits, and approvals are anticipated and obtained in a timely manner. The Office of the Compliance Officer of the Company monitors, reviews, evaluates, and ensures compliance by the Company with the rules and regulations and all governance issuances of regulatory agencies. The Office of the Compliance Officer also identifies, monitors, and controls compliance risks and possible areas of compliance issues. Further, the SMC Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

Training and replacement of key personnel

Any loss of key personnel, inability to replace such personnel, and failure to train and retain replacement personnel could materially and adversely affect the ability of the SMC Group to provide products and services

to its customers. Key personnel are those employees who possess a level of technical skill and expertise that are very important to the Company's businesses, particularly in the aspect of research and development, technical operations, product development, sales and marketing, and safety and quality assurance, as well as the senior management team. These individuals are trained and highly competent and provide a significant contribution to our businesses and supported by the Company's employees. Continued resignation of key personnel could also result in the SMC Group incurring additional expenses in hiring and training replacement personnel in a competitive job market, and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel being replaced. If any key personnel are unable or unwilling to continue in their present positions, the SMC Group may not be able to replace them easily, and its business may be significantly disrupted. Any of the foregoing could have a material adverse effect on the businesses of the SMC Group.

SMC Group strives to strengthen the competencies of its employees, specifically those in the succession pipeline of key personnel. The subsidiaries of SMC have established employee training programs such as the Brewing School for SMB that trains brewmasters, the San Miguel Pure Foods University and the Leadership Enrichment and Development Program of Petron, management training programs in partnership with Harvard Business Publishing and John Clements Consultants that prepare their employees to take on higher responsibilities. SMC also pursues strategic hiring for identified critical positions.

Labor disruptions

As of December 31, 2023, approximately 10.96% of the employees of the SMC Group were parties to various collective bargaining agreements and there are 35 recognized labor unions within the businesses of the SMC Group. The SMC Group maintains good labor relationships and a constant line of communication with its employees. SMC also engages its employees through employee relations programs to maintain a high level of employee satisfaction.

Other than the January 4, 2020 strike staged by the Bataan Refiners Union of the Philippines at the Petron Limay Refinery, which was declared illegal by the Department of Labor and Employment ("**DOLE**") in June 2021, the SMC Group has not experienced any other strikes, work stoppages or other labor disruptions since 2003. However, there is no assurance that the SMC Group will not experience future labor disruptions to its operations due to disputes or other issues with employees, which could materially and adversely affect its business, financial condition, and results of operations.

The SMC Group maintains good labor relationships and a constant line of communication with its employees. SMC also engages its employees through employee relations programs to maintain a high level of employee satisfaction.

Uninsured losses

The SMC Group ensures that its facilities are adequately covered by insurance policies against certain business risks. However, the SMC Group may not be fully insured against, and insurance may not be available for, unexpected losses caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses. Any unexpected losses caused by such events against which it is not fully insured could have a material adverse effect on its businesses, financial condition and results of operations. Any accident at the facilities of the SMC Group, which is not adequately covered by insurance, could result in significant losses. It could suffer a decline in production, receive adverse publicity and be forced to invest significant resources in addressing such losses. Such events could materially and adversely affect its financial condition and results of operations.

The Company believes that it can withstand such events with its business strategies in place. The Company also has a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives. For further discussions on the business strategies of the Company, please refer to page 147 of this Offer Supplement.

Outsourcing risk

The Company outsources certain beverage, food and packaging manufacturing and distribution operations to third-party contractors. To ensure the timely production and distribution of its products, the SMC Group continuously monitors the efficiency and manufacturing capabilities of the relevant production facilities. However, any of the third-party contractors may experience operational issues that could cause production shortages and distribution delays. If one (1) or more of the contract manufacturers, facility operators or distributors of the SMC Group fails to or is unable to manufacture, produce or distribute products in a timely manner, in sufficient quantities or at satisfactory quality levels, then its ability to bring products to the market and its reputation could suffer, and these could have a material adverse effect on the businesses, financial performance, and prospects of SMC. In addition, there is no assurance that it will continue to find new contract manufacturers or distributors in line with increased customer demand in the future, which could materially and adversely affect the business and prospects of SMC.

Outsourcing also carries with it certain inherent risks. These include potential actions from employees of SMC's third-party service providers who may claim an employee-employer relationship with SMC and the risk that SMC's third-party contracting arrangements may be found by the DOLE to be "labor-only contracting", which could have a significant impact on labor costs. In addition, a labor dispute involving a substantial number or all of its employees may harm the Company's reputation, disrupt operations and reduce revenues, while the resolution of disputes may increase costs.

The SMC Group continuously monitors the efficiency and manufacturing capabilities of the production facilities of its various contractors.

Disruption of operations

The SMC Group's facilities and operations could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, public epidemics, pandemics (such as the recent COVID-19 Pandemic), outbreak of diseases, and other unforeseen circumstances and problems.

The COVID-19 Pandemic, or the future outbreak of any other highly contagious and infectious diseases, could materially and adversely affect the Company's business, results of operations and financial conditions. Further, the impact of such pandemic is highly unpredictable and uncertain, and may cause disruptions in the Philippines and global economy and financial markets, as well as the Company's financial performance, among others. While the Company may implement initiatives to mitigate the adverse effects of a pandemic, the duration and extent of these effects are beyond the control of the Company.

The Philippines has experienced a number of major natural catastrophes over the past years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. In the past, these events have affected SMC's operating results. For example, the Japanese government banned the entry of any Philippine poultry products after the avian influenza outbreak in August 2017 and as a result, SMFB's customers in Japan cancelled their orders. In addition, in September 2019, the Philippine Department of Agriculture confirmed the outbreak of African Swine Fever across several regions in the Philippines and restrictions have been imposed by some local government units on movements of hogs across provinces. A fire that occurred last February 1, 2020 in Pandacan, Manila damaged the storage and handling area for the plastic pallets of SMYPC as well as a portion of SMYPC's Manila plastics plant, which resulted in the suspension of operations at the plant. Said fire also damaged approximately 300 meters of a portion of the Skyway Stage 3 Project. There is no assurance that insurance coverage for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes. The Company's business, financial condition and results of operations may be materially and adversely affected by any disruption of operations, whether at its own facilities or that of its suppliers, including those due to any of the events mentioned above.

The SMC Group undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices including regular monitoring of operations, scheduled maintenance of facilities and equipment, and continuous training of safety and maintenance personnel.

Performance of information technology systems

The SMC Group relies on its information technology systems to effectively and efficiently manage business data, communications, supply chain, order entry and fulfilment, and other business processes. The failure of such information technology systems to perform as anticipated could disrupt business operations, and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, affecting the business generally and causing results of operations to suffer. In addition, the SMC Group's information technology systems may be vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, power outages, systems failures, security breaches, cyber-attacks, and viruses. Any such damage or interruption could have a material adverse effect on the Company's businesses, financial condition, and results of operations.

To mitigate this risk, the Company invests in an up to date and integrated information technology systems with demonstrated capabilities. The Company also engages reputable third-party service providers for web services requirements and online platform.

Legal and other proceedings

The SMC Group may, from time to time, be involved in disputes with various parties in the operations of its businesses, including those relating to commercial or contractual matters, and may be subject to investigations by regulatory and administrative bodies. Regardless of the outcome, these disputes and investigations may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management's attention. In addition, the Company and its subsidiaries may also have disagreements with regulatory bodies in the course of operations, which may subject the Company to administrative proceedings and decisions that may result in penalties or other liabilities. Any of these outcomes could materially and adversely affect the Company's business, financial condition, and results of operations. See "*The Company—Legal Proceedings*" on page 274 of this Offer Supplement.

In the event that the SMC Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Company endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

The risk involving related party transactions

The Company, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. To safeguard the interests of the Company as well as the minority shareholders and other stakeholders, all related party transactions must be done on an arm's length basis. Transactions with related parties are made at normal market prices and terms. 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.

In compliance with SEC Memorandum Circular No. 10, series of 2019, the Company adopted a Policy on Material Related Party Transactions which was unanimously approved by the Board of Directors on August 8, 2019 (the "**Material RPT Policy**").

Under the Material RPT Policy, related party transactions amounting to at least ten percent (10%) of the Company's total consolidated assets as of its latest audited financial statements (including transactions with non-related parties that subsequently become a related party) shall be covered by the Material RPT Policy.

Moreover, under Section 50 of the Tax Code, in the case of two (2) or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business. On January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "**Transfer Pricing Regulations**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines in addressing Base Erosion and Profit Shifting. The Transfer Pricing Regulations are

applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines "related parties" as two (2) or more enterprises where one (1) enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party, such that if two (2) related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR pursuant to the BIR Commissioner's authority to distribute, apportion or allocate gross income or deductions between or among two (2) or more businesses owned or controlled directly or indirectly by the same interests (if such is necessary in order to clearly reflect the income of such business), may make the necessary transfer pricing adjustments to the taxable profits of the related parties to ensure that taxpayers clearly reflect income attributable to controlled transactions and to prevent the avoidance of taxes with respect to such transactions. Although the Company has instituted internal policies with respect to related party transactions, including establishing a board committee to oversee such matters, adopting a Material RPT Policy, and believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms and documented pursuant to the Transfer Pricing Regulations, there can be no assurance that the BIR may confirm these transactions as arm's length on the basis of the Transfer Pricing Regulations and there can be no assurance that any transfer pricing adjustments by the BIR will not have a material adverse effect on the Company's business, financial condition, and results of operations.

For more information on the Company's related party transactions, see "*Certain Relationships and Related Party Transactions*", Note 33 to the Company's audited consolidated financial information.

RISKS RELATING TO THE FOOD AND BEVERAGE BUSINESS

Price sensitive market

The market for beverages, such as beer and spirits, is price-sensitive. At the same time, demand for many products is closely linked to consumers' purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines. While SMFB endeavors to increase prices at reasonable levels, the increase in price could cause sales volumes to decline and may affect its ability to pass on increases in excise taxes, raw material costs or other expenses, which may negatively affect revenues and results of operations.

SMFB's beverage business implements campaigns as well as consumer and trade programs designed to strengthen brand equity, which have been successful in increasing consumption of its products.

Increases in excise tax

In the Philippines, excise tax represents a significant component of production costs of alcoholic beverages. The Philippine Tax Code provides for the excise taxes on alcohol products, including fermented liquors, such as beer, and distilled spirits such as gin. The BIR requires entities subject to such taxes, such as SMFB, to obtain a permit to manufacture such products to enforce the collection and payment thereof.

Under the Philippine Tax Code, excise tax on fermented liquor is determined per liter of volume capacity in relation to the net retail price (excluding the excise tax and value added tax thereon) and is payable by the producer. The tax rate varies depending on the type of alcoholic beverage being produced, with more expensive products being subject to higher rates. Excise tax accounts for a significant portion of SMB's production costs. On January 22, 2020, President Duterte signed Republic Act No. 11467, which amended certain provisions of the Philippine Tax Code and sets additional excise tax on alcoholic beverages. Effective January 1, 2020, the new excise tax rates for fermented liquor is ₱35.00 per liter. The excise tax will then increase to ₱37.00 per liter in 2021, ₱39.00 per liter in 2022, ₱41.00 per liter in 2023, and ₱43.00 per liter in 2024. Effective January 1, 2025, the excise tax rate will be increased by 6% every year thereafter.

For distilled spirits, an additional *ad valorem* tax of 22% of the net retail price (excluding excise tax and VAT) shall be assessed and collected. In addition to the *ad valorem* tax, a specific tax at the following rates shall be

collected: ₱42.00 per proof liter effective January 1, 2020, ₱47.00 per proof liter in 2021, ₱52.00 per proof liter in 2022, ₱59.00 per proof liter in 2023, and ₱66.00 per proof liter in 2024. The specific tax will be increased by 6% every year thereafter, effective January 1, 2025, through revenue regulations to be issued by the Secretary of Finance. The sale of beer and non-alcoholic beverages in the Philippines is also subject to VAT and withholding tax, when applicable.

The beverage business has put in place an effective price management program to manage effects of taxes on both its sales volume performance and profit margins.

Production and supply difficulties

Although SMB continuously seeks to enhance the efficiency and manufacturing capabilities of its production facilities, SMB may, from time to time, experience production difficulties that may cause shortages and delays in deliveries, as is common in the manufacturing industry. If SMB will be unable to increase the efficiency and manufacturing capabilities of its production facilities in line with increased customer demand in the future, this may adversely and materially affect its business and operations. Furthermore, SMB may have to incur significant additional capital expenditures in the future to be able to meet increasing demand for its products. SMFB believes this risk can be managed through strengthening sustainable business strategies in all its operations and in adopting world-leading practices.

The company believes this risk can be managed through strengthening sustainable business strategies in all its operations and in adopting world-leading practices. For a more detailed discussion, please refer to the company's strategies on page 147 of this Offer Supplement. However, there is no assurance that the company can provide an effective mitigation to such risk.

Outbreak of diseases of livestock and poultry

SMFB's Food Division is subject to risk of losses caused by outbreaks of disease at any of the hog or poultry farms it owns or has contracted. The livestock and poultry industries in the Philippines have experienced outbreaks of disease in the past. African swine fever ("**ASF**"), which started in July of 2019 in Luzon provinces, reduced the hog population inventory by at least 25% and continues to hamper efforts to rebuild hog population back to its pre-ASF level. The disease has been detected in all the regions of the country, and is currently active in Western and Central Visayas, with sporadic resurgence of cases in Luzon and Mindanao. SMFB's hog population is currently maintained in South Luzon and South Mindanao. The industry is cautiously hopeful that the use of a new vaccine against the disease, which is yet to be marketed in the Philippines, will be able to sustain repopulation efforts. Avian influenza, on the other hand, threatens the poultry industry, both globally and locally. The H5N1 subtype of influenza A again became the predominant virus circulating globally, affecting Europe, Asia, North America, and very recently, South America. After the detection of this strain in Region 3 (Central Luzon) during the first quarter of 2022, there have been isolated breaks in other provinces of the country, likely originating from poultry flocks sourced from Central Luzon. These potential outbreaks of contagious diseases in the Philippines could have a material adverse effect on SMFB's financial condition and results of operations. In particular, any outbreak of contagious diseases could adversely affect the general level of economic activity in the Philippines, including consumer demand for SMFB's products, and SMFB's ability to adequately staff operations and distribution networks. There can be no assurance that the policies and controls for outbreak prevention and disease recurrence, including bird proofing to prevent the entry of migratory birds into SMFB's poultry facilities, strict visitor screening and sanitation procedures for entrance to any of SMFB's facilities, will be successful in preventing disease outbreaks or recurrences or that any actual or suspected outbreak of bird flu or any other contagious disease affecting our livestock production in the Philippines or elsewhere will not occur. SMFB cannot assure its prospective investors that any future outbreak of contagious diseases will not have a material adverse effect on SMFB's business, financial condition, and results of operations.

Moreover, there can be no assurance that SMFB's internal controls and policies will be fully effective in preventing all food and beverage safety issues concerning the products SMFB sells, including any occurrences of foodborne illnesses such as salmonella, e. coli, and hepatitis A. Particularly for the Food Division, selling conditions in the trade, especially in wet markets, make fresh food vulnerable to the risk of foodborne illness. New illnesses resistant to SMFB's current precautions may develop in the future, or diseases with long

incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of food and beverage safety or a foodborne illness related to SMFB's products could negatively affect our sales. This risk exists even if it were later determined that the illness was wrongly attributed to our products. The occurrence of a food and beverage safety or a foodborne illness incident, or negative publicity or public speculation about an incident, could have a material adverse effect on SMFB's business, financial condition, and results of operations.

SMFB has adopted strict bio-security measures in its facilities to prevent the outbreak or recurrence of diseases, including the separation of its hog breeding from growing operations, bird proofing to prevent the entry of other birds into its poultry farms and implementation of strict visitor screening and sanitation procedures for entry into its poultry and hog facilities.

Product liability claims

The success of the food and beverage business depends largely upon consumers' perception of the reliability and quality of its products. Any event or development that detracts from the perceived reliability or quality of SMFB's products could materially reduce demand. For example, a contamination of Beer and NAB Division's or Food Division's products by bacteria or other external agents, such as Listeria monocytogenes, Salmonella or E. coli, whether arising accidentally or through deliberate third-party action, could potentially result in product liability claims. Improper storage and handling may result in spoilage, defects, recalls, or complaints that may be encountered by the Food Division for temperature-sensitive products. Product liability claims, whether or not they are successful, could adversely affect the reputation of the company's brands which may result in reduced sales and profitability. In particular, there is little, if any, control over handling procedures once SMFB's products have been dispatched for distribution and are, therefore, particularly vulnerable to problems in this phase. Even an inadvertent distribution of contaminated products may constitute a violation of law and may lead to increased risk of exposure to product liability claims, product recalls, increased scrutiny and penalties, including injunctive relief and plant closures by regulatory authorities, and adverse publicity, which could aggravate the associated negative consumer reaction. While no material product liability claim has been filed against SMFB, there is no assurance that any such product liability claims will not be filed against us in the future, and any such product liability claim, whether or not successful, could damage the company's reputation and that of its products, and could have a material adverse effect on SMC's financial condition and results of operations.

Competition in the food and beverage industry

SMFB operates in a highly competitive market and faces competition from domestic or local producers, which sell their own brands and/or foreign brands produced under license, and from foreign producers or imported products. Such competition could result in a loss of market share or reduce operating margins, which could adversely affect SMFB's results of operations and financial condition.

In the food and beverage industry, competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, customer service and the ability to respond effectively to shifts in consumer tastes and preferences. SMFB also competes with other discretionary items, including other food and beverage products and other goods and services. While SMFB seeks to continuously develop new and innovative products to meet its customers' demands and to maintain its customer base and market share, if its competitors are able to develop more innovative or better-quality products or less expensive products of similar quality, SMFB may not be able to maintain its competitive edge or market share.

In addition, consolidation among competitors, the entry of new, larger competitors into the Philippine food and beverage market or actions by competitors, such as unanticipated pricing of products at below-market prices or unconventional promotional activities, could exert downward pressure on prices of its products or cause our market share to decline.

Any failure to successfully compete with SMFB's competitors or maintain its customer base and market share could have a material adverse effect on its business, financial condition, results of operations, and prospects.

SMFB continues to actively invest in market research. For more information on the efforts to address these risks, please refer to the discussion on "*Powerful consumer insights drive growth, innovation, and new product development*" on page 163 of this Offer Supplement.

Importation of lower-priced products

The Food Division may face increased competition from less expensive product imports to the Philippines as import duties on those products are decreased or eliminated. In particular, the Philippines is a signatory to several free trade agreements—the ASEAN Trade in Goods Agreement, the ASEAN Free Trade Agreement, the ASEAN- China Free Trade Agreement, the ASEAN-Korea Free Trade Area Agreement, the ASEAN-Korea Comprehensive Economic Cooperation Agreement, the Japan-Philippines Economic Partnership Agreement, the ASEAN People's Republic of China Comprehensive Economic Cooperation Agreement, the ASEAN-Japan Comprehensive Economic Partnership, the ASEAN-Australia-New Zealand Free Trade Area Agreement, the Philippines-European Free Trade Association Free Trade Agreement, the ASEAN-India Comprehensive Economic Cooperation Agreement, the ASEAN-India Free Trade Area Agreement, the ASEAN Trade in Goods Agreement ("**ATIGA**"), the European Free Trade Association ("**EFTA**"), and the ASEAN-Hong Kong, China Free Trade Agreement—each of which may lead to increasingly lower-priced imported products entering the Philippine market. For example, with the coming into force of ATIGA, the Philippines eliminated intra-ASEAN import duties on 99.56% of its tariff lines including poultry, meat of bovine animals, flour, sausage, prepared or preserved meat, cereals, bread, pastry, cakes, biscuits, fruit juices, coffee, tea or maté, sauces and preparations, ice cream, beer, certain spirits, liqueurs, and spirituous beverages.

SMFB's Food Division has already experienced the effects of increased competition as a result of the elimination of these import duties, and expect that competition from imported products will continue to increase. In addition, any reduction in tariffs on imports from other ASEAN countries, such as Thailand and Vietnam, and from other countries party to a Free Trade Agreement with the Philippines, such as China and Japan, could give rise to increased competition for products.

Moreover, the Food Division faces competition from other countries. The Protein segment competes with the import of chicken leg quarters from U.S. and Brazil; the flour milling business competes with imported flour sourced from Turkey, Vietnam, and Indonesia; and the Prepared and Packaged Food segment faces challenges from imports of butter, corned beef, luncheon meat, cheese, and milk, partly due to a decrease of the tariffs imposed on specific products under the free trade agreements. If SMFB is unable to compete effectively with lower-priced imports, its market share and sales may decrease, and its business, financial condition, results of operations, and prospects could be materially and adversely affected.

To mitigate this risk, SMFB plans to invest in tailored brand building and marketing campaigns as well as pursue targeted new product development ("**NPD**") strategies in each product category. SMFB also undertakes to enhance profitability through cost-saving initiatives. For more information on the efforts to address these risks, please refer to the discussion on "*Maintain market leadership positions in core categories while growing the total addressable market through marketing initiatives and new product development*" on page 165 and "*Continued enhancement of profitability through cost-saving initiatives*" on page 165.

Derivative and hedging transactions

From time to time, SMFB enters into various commodity derivative instruments, such as forward purchases, caps and collars for wheat and soybean meal, to manage price risks on strategic commodities. For hedging transactions, if prices decrease, hedging positions may result in mark-to-market losses, which are, in turn, expected to be offset by lower raw material costs. SMFB generally tends to hedge up to 20% of its wheat and soybean meal requirements. As hedging transactions are mark-to-market, to the extent that the market price of the raw materials subject to such hedging transactions falls below the fixed price under futures contracts, net income will be lower than it would be had such transactions not been entered into. Consequently, the financial performance of SMFB could be adversely affected during periods in which prices of raw materials are volatile.

To mitigate this risk, SMFB exercises prudent financial risk management and has an established system to regularly monitor its derivative and hedging transactions.

Implementation of expansion strategy

SMFB intends to increase sales volume through, among others, the introduction of new products and entry into new categories to broaden its product offering, expansion of its distribution network, and possible acquisitions of, or joint ventures with, other food and beverage businesses in the Philippines and in other countries. The expansion strategy will allow SMFB to expand production and generate additional value for SMFB and may be financed by a combination of additional borrowings and equity. The implementation of this expansion strategy may face uncertainties and risks and there can be no assurance that SMFB will be successful in implementing these initiatives or the implementation of any growth plans would result in an increase in income. There is also no assurance that acquisitions made or joint ventures entered into as part of these expansion plans would be successfully integrated into SMFB's operations or may result in possible contingent liabilities or other financial or legal exposure which were not sufficiently quantified during the due diligence prior to the acquisition, joint venture or other investment. As a result, these may have a material adverse effect on SMFB's liquidity, financial condition, and results of operations.

SMFB believes this risk can be managed through the implementation of strategies which further strengthen and solidify its position as the leading food and beverage company in the Philippines, and consistently expand its business to meet rapidly growing consumer demand. For a more detailed discussion, please refer to the company's Strategies on page 147 of this Offer Supplement. However, there is no assurance that SMFB can provide an effective mitigation to such risk.

International and export operations

SMFB exports products and maintains international operations in certain countries outside of the Philippines, with plans for further international expansion. Expansion in international markets may be affected by the respective domestic economic and market conditions, as well as social and political developments in these countries, and there is no guarantee that the existing business and export operations as well as expansion plans will be successful in those countries. SMFB's business, financial condition, prospects, and results of operations could be adversely affected if it is not successful in the international markets in which it has operations or if exports of products to these international markets are affected by changes in political, economic and other factors, over which it has no control.

SMFB believes this risk can be managed through continued execution of regionally tailored strategies, leveraging on SMFB's unique understanding of consumers.

Price monitoring by the Government

Basic necessities, such as bread, fresh pork, beef and poultry meats, fresh eggs, milk, coffee and cooking oil, and prime commodities, such as flour, processed meats, other dairy products and swine and poultry feeds may be made subject to price monitoring by the Government. Under the Philippine Republic Act No. 7581 (the "**Price Act**"), as amended by Republic Act No. 10623, the President of the Philippines may impose a price ceiling on basic necessities and prime commodities in the event of a calamity, an emergency, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. In addition, the DTI issues a "Suggested Retail Price" list for certain prime commodities, which includes some of the Food Division's products. The DTI should be informed of any price movement in these products prior to implementing the same.

The Price Act imposes an automatic price control on the prices of basic commodities in areas declared as disaster areas, under emergency or martial law or in a state or rebellion or war. Unless sooner lifted by the President of the Philippines, prices shall remain frozen for a maximum of 60 days, except for price control on basic necessities that are wholly imported and deregulated. The President of the Philippines may likewise impose a price ceiling on basic necessities and prime commodities in cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. The implementing government agencies of the Price Act are also given the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of concerned trade, industry and consumer sectors. Any resulting price control may have a material adverse effect on SMFB's business, financial condition, and results of operations.

SMFB believes this risk can be managed by leveraging on the company's strengths and strategies, specifically under the subheading "*Identify and pursue synergies across businesses through vertical integration, platform matching and channel management*" on page 152 of this Offer Supplement. However, there is no assurance that SMFB can provide an effective mitigation to such risk.

RISKS RELATING TO THE PACKAGING BUSINESS

Handling of products

While the Packaging Group strictly implements product safety policies, there is no assurance that products packaged by the Packaging Group would not be contaminated during manufacturing, distribution, or retail process. Lack of care in the handling or storage by distributors of products produced by the customers of the Packaging Group, tampering, vandalism, or terrorist activities could result in the contamination or adulteration of the finished products. Any lack of care or tampering of such products, especially in instances where it is not readily capable of detection, could negatively impact the reputation of the Packaging Group and may have a material adverse effect on its business, financial performance, and results of operations.

The Packaging Group is committed to providing products and services that secure the satisfaction of its customers. It adheres to various management systems, including food safety and quality, to prevent or minimize the contamination of packaging products during manufacturing, distribution, or retail process.

Competition and challenges in product development and production processes

One of the success factors of the Packaging Group is its ability to identify, adapt to, and meet changing customer requirements and trends in the industry. Any failure to timely develop and introduce new products or enhance existing products in response to changing customer requirements or industry standards could have a material adverse effect on its business, financial condition, and results of operations.

In addition, new technology or production methods require significant capital investments and could take substantial amount of time to implement. There is no assurance that the Packaging Group will successfully develop the technology and production methods that will be accepted by existing customers or attract new customers, which could have a material adverse effect on its business, financial condition, and results of operations.

The Packaging Group continues to develop and implement product innovations and improve its production technology, processes, and efficiencies in order to compete in the packaging industry.

RISKS RELATING TO THE FUEL AND OIL BUSINESS

Volatility in the price of crude oil and petroleum products

Petron's financial results are primarily affected by the relationship, or margin, between the prices for its refined petroleum products and the prices for crude oil that is the main raw material for these refined petroleum products. Crude oil accounted for approximately 37%, 39%, and 45% of Petron's total cost of goods sold in 2021, 2022, and 2023, respectively.

Many factors influence the price of crude oil, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions, domestic and foreign governmental regulation, price wars among oil producers, and other factors over which Petron has no control.

Russia-Ukraine War

In February 2022, Russia launched a large-scale military action against Ukraine, causing oil supply issues and an ongoing humanitarian crisis in Europe. In response to the Russian military action against Ukraine, the European Union, United States, United Kingdom, and other jurisdictions have imposed, and may further impose, financial

and economic sanctions and export controls against Russia. This has significantly disrupted global commodity and financial markets, leading to high volatility in prices with Dubai averaging $113/bbl in June 2022, a $44/bbl increase in just six (6) months. The increase in prices of energy, oil, gas, and raw materials resulted in high inflation and interest rates, threatening global economic activity and oil demand. These economic concerns resulted in a drop in crude prices in the second semester of 2022, with Dubai falling by more than $30/bbl to $77/bbl in December. As of December 2023, Dubai prices are still averaging at $77/bbl.

On the other hand, volatility of product cracks may arise from changes in the supply and demand balance due to seasonal effects, disruptions in global refinery runs due to natural calamities or unplanned shutdowns, slower demand recovery or growth, geopolitical and other macro-economic factors, and changes in price trends of fuel substitutes such as coal or natural gas vs diesel. In 2022, similar to crude, product cracks have also been volatile due to the Russia-Ukraine war, with diesel being particularly affected as Russia is a major exporter. Product cracks rose to historical highs in the first half of 2022, with gasoline and diesel cracks peaking at $42/bbl and $64/bbl, respectively. However, the reduced economic activity in the second half capped the gains on prices with gasoline cracks crashing to as low as $4/bbl in October 2022 and diesel cracks easing to $37/bbl in December 2022.[10] As of December 2023, gasoline is now averaging $14/bbl, while diesel is now averaging $22/bbl.

An escalation of the conflict between Russia and Ukraine or other global developments that will threaten supply and demand situation for oil will continue to impact global markets and prices of oil and affect Petron's financial performance.

Historically, Petron holds approximately two (2) months and approximately one (1) month of crude oil and finished petroleum products inventory in the Philippines and Malaysia, respectively. Accordingly, since Petron accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices could adversely affect Petron, as it may require Petron to sell its refined petroleum products produced with higher-priced crude oil at lower prices. Petron may not be able to pass crude oil price fluctuations along to its consumers in a timely manner, or at all, due to regulatory restrictions or social and competitive concerns. The Philippine government has historically intervened to restrict increases in the prices of petroleum products in the Philippines from time to time. Petron, fully cognizant of its social responsibilities, heeds the government's calls for such price restraints. Price interventions from the government have historically arisen only in rare instances, such as in the aftermath of severe natural disasters, and last only for a limited period. The national government has likewise been supportive and understanding of Petron's financial well-being, knowing the importance of Petron being able to carry out its mandate to ensure stable and efficient energy supply for the country. Any inability to pass on fluctuations in the price of crude oil may have a material adverse effect on Petron's business, results of operations and financial condition. Moreover, even if Petron were able to pass on increases in the price of crude oil to its customers, demand for its products may decrease as a result of such price increases.

Furthermore, a sharp rise in crude oil prices would increase Petron's requirements for short-term financing for working capital and may result in higher financing costs for Petron. Any difficulties in securing short-term financing for working capital, or unfavorable pricing terms, may have a material adverse effect on Petron's financial condition and results of operations.

To minimize Petron's risk of potential losses due to volatility of international crude and product prices, Petron enters into commodity hedging for crude and petroleum products. A hedging policy developed by Petron's Commodity Risk Management Department is in place. Hedges are intended to protect crude inventories from risks of downward price movements and margin contractions. Decisions are guided by the conditions set and approved by management.

[10] Gasoline and diesel cracks pertain to the price differential of these products between MOPS and Dubai.

Outbreak of any other highly infectious or contagious disease

Infectious disease outbreaks, such as the COVID-19 pandemic in 2020, have created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted and may continue to impact the company's businesses. While the company has numerous initiatives in place to mitigate the adverse impact of a pandemic, the duration and extent of the impact are beyond the control of the company.

Due to numerous uncertainties and factors beyond the company's control, it may be difficult to predict the impact of global disease to the company, its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of any pandemic, including whether there are subsequent waves or other additional periods of increases or spikes in the number of cases in future periods in areas in which the company operates;
- the extent and timeliness of the national and local government's response;
- restrictions on business operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or other measures;
- the health of, and effect of any pandemic on, the company's personnel and the company's ability to maintain staffing needs to effectively sustain its operations;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts – financial, operational or otherwise – on the company's supply chain, including suppliers and third-party contractors;
- volatility in the credit and financial markets;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties or the company's actions in response thereto; and
- the pace of recovery.

The above factors and uncertainties, or others of which the company is not currently aware, may result in adverse impacts to the company's businesses, results of operations, cash flows, and financial condition due to, among other factors:

- increased volatility in international crude and product prices and foreign exchange rates;
- decline in consumer demand due to the general decline in business activity and more permanent behavioral and work policy changes, such as increased use of online channels for shopping, payments and social gatherings and wider acceptance of work-from-home arrangements;
- further destabilization of the markets and decline in business activity negatively impacting customers' ability to pay for the company's products and services;
- government moratoriums or other regulatory or legislative actions that limit changes in pricing;
- delays or inability to access equipment or the availability of personnel to perform planned and unplanned maintenance, which can, in turn, lead to disruption in operations;
- delay or inability to receive the necessary permits for the company's development projects due to delays or shutdowns of government operations;
- deterioration of economic conditions, demand and other related factors resulting in impairments to goodwill or long-lived assets; and
- delay or inability in obtaining regulatory actions and outcomes that could be material to the company's business.

To mitigate the adverse impact of oil price volatility and other market developments in the company's operations, the company is implementing various initiatives such as:

- Continuous assessment and recalibration of refinery utilization based on prevailing refining margins and domestic demand;

- Prudent and judicious expense management by re-prioritizing capital expenditures and operating expenses to critical and necessary;
- Sustained implementation of dealer sales support programs;
- Continued tight implementation of collections and receivables; and
- Enhanced hedging programs to limit crude oil price volatility and foreign exchange risk.

The extent to which any future outbreak of any other contagious disease will impact the company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of the pandemic, in the Philippines, Malaysia and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. To the extent that a pandemic adversely affects the business and financial results of the company, it may also have the effect of heightening many of the other risks described in this Offer Supplement.

Dependence on a number of suppliers for a significant portion of its crude oil requirements in each of the Philippines and Malaysia

Petron acquires crude oil for the Petron Bataan Refinery primarily through its arrangements with its wholly-owned subsidiary Petron Singapore Trading Pte. Ltd. ("**PSTPL**"), which in turn obtains crude oil from different sources, through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco, KPC, and Abu Dhabi National Oil Company for year 2023 to purchase various crudes. The pricing and payment mechanisms under these contracts are consistent with international market practice for Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks. The contracts are either automatically renewed or negotiated annually. Particularly for Saudi Aramco, the contract is automatically renewed annually unless either Petron or Saudi Aramco decides to terminate the contract upon at least 60 days' written notice prior to its expiration date. As of the date of this Offer Supplement, neither Petron nor Saudi Aramco has terminated the contract.

The supply of crude oil by Saudi Aramco, KPC, Abu Dhabi National Oil Company and several other suppliers on a spot basis is subject to a variety of factors beyond Petron's control, including geopolitical developments in and the stability of the oil-producing countries, government regulations with respect to the oil and energy industry in those regions, weather conditions and overall global economic conditions.

Petron acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. Petron has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") for a period of 2 years which commenced on April 1, 2024 until March 31, 2026, with an option to renew for 1 year supplemented by other short-term supply contracts and spot crude purchases. The Port Dickson Refinery is able to source suitable crude oil blend to meet monthly optimal crude run. Currently, about 47% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Productions are supplemented by imports and local purchases of finished products to meet domestic sales demand for LPG, gasoline and diesel through term and spot arrangements.

A disruption in the operations of Saudi Aramco, EMEPMI, and/or other suppliers or a decision by any of them to amend or terminate their respective contracts with Petron, could impact Petron's crude oil supply. If Petron's supply of crude oil were disrupted, Petron would be required to meet any consequent supply shortfall through other suppliers or spot market purchases. Depending on market conditions at the time and timing of the disruption, such purchases from other suppliers or the spot market could be at higher prices than Petron's purchases from Saudi Aramco, EMEPMI, or other suppliers which would adversely affect Petron's financial condition and results of operations.

The Petron Bataan Refinery is capable of processing various types of crude oil. Petron's crude oil optimization strategy includes the utilization of various types of crude oil ranging from light and sweet crude to heavier, more

sour alternative crude, to provide additional value to Petron.

The completion of the second phase of Petron's Refinery Master Plan project at the Petron Bataan Refinery ("**RMP-2**") has given the Petron Bataan Refinery greater flexibility to use heavier, more sour alternative crude.

The Port Dickson Refinery is designed to process sweet crude oil. Petron's crude oil optimization strategy for the Port Dickson Refinery includes diversification in processing different types of local as well as regional sweet crude oil. A new diesel hydrotreater process unit was completed in the second quarter of 2021 and allows the Port Dickson Refinery to process other higher sulfur Malaysian and regional crude oils.

If Petron is unable to obtain an adequate supply of crude oil or is only able to obtain such supply at unfavorable prices, its margins and results of operations could be materially and adversely affected.

Petron maintains sufficient inventory that provides ample lead time to source for supply and meet the needs of its clients, based on projected demand.

Intense competition, increasing presence of electric vehicles (Evs), and cyclicality in global and regional refining capacities.

Petron faces intense competition from many multinational and local competitors in the sale of petroleum and other related products in the markets in which it operates. Because of the commodity nature of oil products, competition in the Philippine and international markets for refined petroleum products is largely driven by price as adjusted to account for differences in product specifications and transportation and distribution costs. Participants in the retail fuel and LPG sectors in the Philippines continue to rely on aggressive pricing and discounting to expand their market share. On the other hand, Petron's Malaysian operations are mostly subject to government price controls and quotas. As a result, competition in these market sectors is based primarily on product quality, operational cost efficiency, supply chain reliability and customer value creation.

Petron's competitiveness hinges on its ability to manage costs, improve the productivity of its service station network, increase and maintain efficiency at its refineries and terminal operations, effectively hedge against fluctuations in crude oil prices, maximize utilization of its assets and operations and comply with and obtain additional quotas from the Malaysian government. If Petron is unable to compete effectively, its financial condition and results of operations, as well as its business prospects, could be materially and adversely affected.

In addition, the Philippine oil industry is affected by ongoing smuggling and illegal trading of petroleum products. These illegal activities have resulted in decreases in sales volume and sales price for legitimate oil market participants in the Philippines. Petron's ability to compete effectively will depend to a degree on the proper enforcement of Philippine regulations by the Philippine government, which is beyond its control.

The growing popularity and rising pressure to increase the presence of Evs all over the world also pose a risk to the oil refining business. Several countries have already implemented policies and programs to encourage and incentivize the use of Evs, and transition away from the use of fossil fuels and traditional vehicles. This could result in reduced demand for Gasoline and Diesel, which will adversely impact Petron's revenues. While it may take a longer time for Evs to proliferate in the Philippines and Malaysia due to infrastructure limitations, Petron continues to monitor market developments, pursue and evaluate investments in EV charging stations, and strengthen Petron's non-fuel businesses, to mitigate potential impact of increasing fleet share of Evs in the industry.

Furthermore, the global and regional refining industry has historically experienced periods of tight supply, resulting in increased prices and margins, as well as periods of substantial capacity additions, resulting in oversupply and reduced prices and margins. Any downturn in prices or margins resulting from existing or future excess industry capacity could have a material adverse impact on Petron's business, financial condition and results of operations.

Petron strengthens and expands its distribution network to improve its presence in both growing and high potential markets. In addition, Petron continues to invest in building brand equity to ensure consistent market recognition.

Any significant disruption in operations or casualty loss at refineries

Petron's operation of its refineries and implementation of its expansion plans could be adversely affected by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, fires, explosions, release of toxic fumes, engineering and environmental problems, natural disasters and other unforeseen circumstances and problems. For example, on April 22, 2019, about a week before its scheduled total plant maintenance shutdown, the Petron Bataan Refinery had an emergency total plant shutdown due to loss of power and steam when an earthquake triggered the safety interlock system of its Refinery Solid Fuel-Fired Boilers and caused power loss from the Luzon power grid. After power from the grid was restored and the boilers were restarted, the Petron Bataan Refinery continued to conduct safe shutdown activities and process unit preservations and proceeded with scheduled maintenance activities These types of disruptions could result in product run-outs, facility shutdowns, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of Petron.

Petron has insurance policies that cover property damage, marine cargo, third-party liability, personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption to mitigate the potential impact of these risks. However, these policies do not cover all potential losses, and insurance may not be available for all risks or on commercially reasonable terms. Petron self-insures some risks which have a low probability of occurring and for which insurance policies are not readily available or are priced unreasonably high.

There can be no assurance that operational disruptions will not occur in the future or that insurance will adequately cover the entire scope or extent of the losses or other financial impact on Petron.

Effect of Malaysian government policies and regulations relating to the marketing of fuel products

As in many countries, the fuel business in Malaysia is regulated by the government. The Malaysian government regulates the retail pricing structure through the automatic pricing mechanism ("**APM**"), pursuant to which it mandates (i) the prices of certain refined petroleum products, and (ii) the product cost built-up. The Malaysian government may subsidize fuel prices so that increases in international crude oil and finished products prices are not borne fully by Malaysian consumers. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore ("**MOPS**"). If government mandated prices are lower than the fuel products' total built-up cost per the APM, Petron receives subsidies from the Malaysian government. Conversely, if government mandated prices are higher than the fuel products' total built up cost per the APM, Petron pays duties to the Malaysian government. The pump price is determined on a weekly basis under the APM policy. The compliance, enforcement and monitoring is under Regulation 12A of the Control and Supply Regulations 1974 (Control of Supplies Act 1961). A substantial portion of Petron's revenue has been derived from sales of refined petroleum products in Malaysia that are subject to price controls.

In addition, the sale of retail and partial commercial diesel in Malaysia is subject to a quota system that applies to oil companies and eligible users and customers to ensure that subsidized diesel is not sold illegally to customers who are not entitled to the subsidies. Diesel sales that exceed the volumes permitted under Petron's or its customers' quotas are not eligible for government subsidies. There can be no assurance that the Malaysian government will increase quotas corresponding to fuel demand growth, grant applications or not decrease Petron's quotas or those of any of its customers in the future.

Petron keeps itself updated on government policies and regulations pertaining to the oil industry in Malaysia in order to identify potential regulatory risks and proactively respond to these risks.

Compliance with and renewal of licenses, permits and other authorizations and continued compliance with safety, health, environmental and zoning laws and regulations

Petron is required to maintain licenses, permits, and other authorizations for the operations of its businesses. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If Petron fails to meet the terms and conditions of any of the licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

Petron currently leases foreshore areas in Rosario, Cavite; Alangan, Limay, Bataan; Maunlad, Puerto Princesa; La Paz, Iloilo; and Bacong, Negros Oriental, whose applications are all pending with the DENR. Petron continues to enjoy possession and use of the foreshore areas and has been paying the occupancy fees to the DENR. However, there is no assurance that the applications for the foreshore lease agreements would be approved by the DENR and the company will be able to use the premises. To mitigate this risk, Petron is working with the DENR to process the applications of the foreshore lease and, in the interim, and is annually paying occupancy fees.

There can be no assurance that Petron will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If Petron is unable to obtain or renew them or is only able to do so on unfavorable terms, this could have an adverse effect on Petron's business, financial condition, and results of operations.

While Petron believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in Petron having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties.

Petron has incurred, and expects to continue to incur, operating costs to comply with applicable safety, health, environmental and zoning laws and regulations. Programs were implemented to comply with government-mandated health and safety regulatory guidelines, such as: (a) Project TRACIE (Tracking and Recognizing All COVID-19 Infection in the workplace Environment), which was launched as part of compliance with DOLE and DTI Interim Guidelines on Workplace Prevention and Control of COVID-19; (b) compliance by the Petron Bataan Refinery, terminal operations, and Petron's headquarters with Republic Act No. 11058 Occupational Safety and Health ("**OSH**") Compliance Binder; and (c) compliance with mandatory eight (8)-hour OSH seminars, among others. In addition, Petron has made, and expects to continue to make, capital expenditures on an ongoing basis to comply with safety, health, environmental and zoning laws and regulations. The submission of technical position paper and the lobbying efforts of CTSG-Environment though Technical Working Groups of Industry Association have contributed to the issuance of Department Administrative Order No. 2021-19 relaxing the effluent standards for parameters of concern: Ammonia, Sulfate, Phosphate, Boron, Dissolved Copper and Fecal Coliform. Wastewater discharge from Petron Bataan Refinery is compliant with Clean Water Act effluent standards without the need to upgrade its wastewater treatment facility. There can be no assurance that Petron will be in compliance with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental and zoning matters, the costs of which could be material.

In addition, safety, health, environmental and zoning laws and regulations in the Philippines and Malaysia have become increasingly stringent. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result

in Petron being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities. For example, the implementation of Euro IV standards in the Philippines in 2016 and of various Euro 4M and Euro 5 standards phased from 2015 through 2027 in Malaysia require Petron to make capital expenditures to meet these standards. Petron has complied with the Euro IV standards in the Philippines and has completed the construction of a new diesel hydrotreater process unit in the Port Dickson Refinery to comply with Euro 5 diesel regulations, as mandated by the Malaysian government beginning April 1, 2021. If Petron fails to complete its planned refinery upgrades or enhancements on time, it may have to import additional products in the spot market to blend with its own production to ensure compliance with the relevant standards, which could have a material adverse effect on Petron's financial condition and results of operations.

In addition, if the measures implemented by Petron to comply with applicable laws, regulations and standards are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates, and expose Petron to potential liabilities, including administrative penalties. If Petron fails to meet safety, health and environmental requirements, it may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against Petron and damage to its reputation, as well as orders that could limit or affect its operations. There is no assurance that Petron will not become involved in future litigation or other proceedings relating to safety, health and environmental matters. Litigation or other proceedings are inherently unpredictable and may be time-consuming and disruptive to Petron's business and operations, regardless of the merits of the claims. There is no assurance that Petron will not be held responsible in any such future litigation or other proceedings, the costs of which could be material. Environmental compliance and remediation costs at sites on which Petron's facilities are located or other locations and related litigation and other proceedings could materially and adversely affect Petron's financial condition and results of operations.

Petron maintains a strong compliance culture and monitors government policies and regulations to enable Petron to identify potential regulatory risks and proactively respond to such risks.

Failure to respond quickly and effectively to product substitution or government-mandated product formulations

Any potential increase in oil prices and environmental concerns could make it more attractive for Petron's customers to switch to alternative fuels such as compressed natural gas and electric vehicles for transport and liquefied natural gas for power. Additionally, increasing biofuels content in gasoline and diesel effectively displaces refinery-produced products.

For instance, the Philippine government pushed for the increase of coco methyl ester ("**CME**") content of biodiesel from 2% to 5% by 2020. Implementation, however, was delayed due to the COVID-19 pandemic and concerns over potential increase in pump prices, at a time when the oil market is highly volatile and economic activity and demand is threatened. In addition, the government targets to increase ethanol content in gasoline from the current 10% to 20% by 2040.

In Malaysia, palm oil methyl ester ("**PME**") content in diesel was increased from 10% to 20% in Langkawi, Labuan and Sarawak in 2020. Planned increase from 10% to 20% in Sabah and Peninsular Malaysia was temporarily put on hold from previous timeline of 2021 due to the pandemic.

If Petron does not respond quickly and effectively to product substitutions or government mandated product formulations in the future, its business and prospects may be adversely affected.

To ensure adherence to government product substitution requirements, Petron monitors developments in government policies and coordinates with regulators.

Reliance on significant capital expenditures and financing

Petron's business is capital intensive. Specifically, the processing and refining of crude oil and the purchase, construction and maintenance of machinery and equipment require substantial capital expenditures. Petron's ability to maintain and increase its sales, net income and cash flows depends upon the timely and successful completion and execution of its planned capital expenditure projects. Specifically, Petron intends to (i) reap the full benefits of its completed investments such as the new powerplant in the Petron Bataan Refinery, Diesel Hydrotreater and Marine Import Facility in the Port Dickson Refinery, (ii) continue investment in the Petron Bataan Refinery facilities to (a) ensure reliability and efficiency of critical refinery processes, and (b) maximize production of higher-value products; (iii) continue to build service stations in high-growth or high-volume sites and expand its retail network for its LPG, lubes, and non-fuel segment; (iv) expand and upgrade its logistics capacity and tank truck fleet, and (v) expand Malaysia operations with new service stations and facilities improvements in the Port Dickson Refinery and construction of new terminals to increase market reach in compliance with applicable regulations.

If Petron fails to complete its planned capital expenditure projects on time or within budget or at all, or to operate its facilities at their designed capacity, it may be unable to achieve the targeted growth in sales and profits, and its business, results of operations and financial condition could be adversely affected. Furthermore, there can be no assurance that the Petron Bataan Refinery will run at the expected capacity or achieve the expected production profile, or that there will be sufficient demand and logistical support for Petron's production. Any of the foregoing factors could adversely affect Petron's business, financial condition and results of operations.

In addition, Petron has incurred a substantial amount of indebtedness to finance its capital expenditure projects. Petron's ability to complete its planned capital expenditure projects and meet its debt servicing obligations will depend in part on its ability to generate sufficient cash flows from its operations and obtain adequate additional financing. There can be no assurance that Petron will be able to generate sufficient cash flows from its operations or obtain adequate financing for its planned capital expenditure projects or to meet its debt servicing obligations, on acceptable terms or at all. Failure by Petron to finance and successfully implement its planned capital expenditure projects could adversely affect its business, financial condition and results of operations.

Petron judiciously monitors its capital expenditure projects and ensures costs are within budget and progress is on track. Petron likewise practices prudent financial management.

Changes in applicable taxes, duties and tariffs

Petron's operations are subject to various taxes, duties and tariffs.

The tax and duty structure of the oil industry in the Philippines has undergone some key changes in recent years. For example, duties for the import of crude oil and petroleum products into the Philippines were increased on January 1, 2005 from 3% to 5%, and these duties were subsequently reduced to 0% with effect from July 4, 2010 (except for certain types of aviation gas). Furthermore, the Philippine government imposed an additional 12% VAT on the sale or importation of petroleum products in 2006.

On January 1, 2018, Republic Act No. 10963, also known as the TRAIN Law, took effect. The TRAIN Law is the first package under the CTRP of the Philippine government. The TRAIN Law imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three (3)-year period was ₱2.65- ₱2-₱1 per liter ("/li") per year for premium unleaded gasoline, ₱2.50-₱2-₱1.50/li per year for diesel and fuel oil, ₱1.00- ₱1.00-₱1.00/kg per year for LPG, and ₱0.33-₱0-₱0/li per year for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative means of transportation. The TRAIN Law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. The cost for the fuel marker

was subsidized by the government in the initial year of implementation and eventually passed on to oil companies effective September 2020.

The second package of the tax reform program, also known as the CREATE Act, was passed by both the House of Representatives and Senate of the Philippines on February 3, 2021, and signed into law by the President of the Philippines on March 26, 2021 as Republic Act No. 11534. The CREATE Act took effect on April 11, 2021, fifteen (15) days after its publication in a newspaper of general circulation last March 27, 2021. In approving the CREATE Act, the President of the Philippines vetoed certain provisions including, among others, provisions relating to entitlement of domestic market enterprises with an investment capital of ₱500 million and domestic market enterprises engaged in activities that are classified as "critical" to a special corporate income tax. The CREATE Act lowers the corporate income tax and provides for rationalization of fiscal incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan) to qualified registered business enterprises. Under the CREATE Act, the corporate income tax rate for domestic corporations and resident foreign corporations shall be reduced to 25% effective July 1, 2020 and effective on January 1, 2021 for non-resident foreign corporations; domestic corporations, resident foreign corporations no longer have an option to be taxed at 15% on gross income; and the rate of the MCIT is lowered to 1% from July 1, 2020 to June 30, 2023.

As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person shall be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, shall be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the BOC and the BIR to ensure that crude oil shall not be lifted from the refinery without payment of appropriate duties and taxes.

On November 14, 2022, the House of Representatives approved HB 4339 representing the fourth package of the CTRP. HB 4339 has been transmitted to the Senate of the Philippines for its concurrence and remains pending with the Senate of the Philippines as of the date of this Offer Supplement. Based on the version of HB 4339 approved by the House of Representatives, the proposed law includes the following tax reforms, among others: imposes a final tax of 20% on interest income earned from currency bank deposits, deposit substitutes, trust funds or similar arrangements; harmonizes the tax rates on interest, royalties, dividends and capital gains to a standard 15%; a single gross receipt tax rate of five (5) percent will likewise be imposed on banks, quasi-banks and other non-bank financial intermediaries; shares of stock of a domestic corporation listed and traded in any foreign stock exchange will be subjected to the lower stock transactions tax instead of the 15% capital gains tax to allow Petron to expand its sources of capital.

On June 1, 2018, the Malaysian government withdrew the Goods and Services Tax ("**GST**"). The GST was replaced with a Sales and Services Tax ("**SST**") on September 1, 2018.

Under the GST tax mechanism, businesses charged and collected GST on all taxable goods and services supplied to consumers and subsequently claimed the amount of GST paid on the business inputs by offsetting against the output tax.

Under the SST tax regime, however, selected operating expenses are subject to SST with no claiming mechanism. This could therefore increase operation cost. Petron has thus applied for some exemption (importation of machinery and selected raw materials) under the Sales Tax Exemption Order to reduce such cost.

There can be no assurance that any future tax changes in the Philippines or Malaysia would not have a material and adverse effect on Petron's business, financial condition and results of operations. Petron maintains a strong compliance culture and monitors government policies and regulations to enable Petron to identify potential regulatory risks and proactively respond to such risks.

RISKS RELATING TO THE ENERGY BUSINESS

Increased competition in the Philippine power industry

The Government has sought to implement measures designed to enhance the competitive landscape of the power market, particularly for the unregulated sectors of the industry. These measures include the privatization of National Power Corporation of the Philippines ("**NPC**") -owned and -controlled power generation assets, the establishment of the Philippine Wholesale Electricity Spot Market ("**WESM**"), the start of the Retail Competition and Open Access ("**RCOA**"), implementation of mandatory competitive selection process ("**CSP**") for distribution utilities, the implementation of the green energy option, which allows contestable customers to directly contract with a renewable energy supplier, the implementation of the Renewable Portfolio Standards ("**RPS**"), which mandates electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy ("**RE**") resources, and the establishment of the Renewable Energy Market ("**REM**"), a venue for the trading of Renewable Energy Certificates ("**RECs**") and for the compliance of electricity suppliers with their RPS obligations. Further, Republic Act No. 10667 or the Philippine Competition Act was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities, prevent economic concentration which will manipulate or constrict the discipline of free markets, and penalize all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources and may have more extensive experience than San Miguel Global Power, giving them the ability to respond to operational, technological, financial and other challenges more quickly than San Miguel Global Power. These competitors may therefore be more successful than San Miguel Global Power in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities, or in successfully bidding at CSPs conducted by distribution utilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. In addition, other sources for the provision of ancillary services may arise, including technological developments or establishment of new market regimes, which may increase competition and reduce prevailing prices for these services. Moreover, a decline in oil and gas prices, which reduces the cost of producing electricity from fossil fuels, could make energy storage solutions integrated with renewable energy sources less competitive against other solutions including conventional generation. San Miguel Global Power may therefore be unable to meet the competitive challenges it will face.

As a result of increased competition, San Miguel Global Power could also come under pressure to review or renegotiate the terms of existing offtake agreements with customers, which may lead to a downward adjustment of tariffs, and could adversely affect the business, financial performance and results of operations of San Miguel Global Power. To the extent that distribution utilities or industrial offtakers agree to purchase from other generation companies instead of purchasing from San Miguel Global Power, or San Miguel Global Power is unable to participate or otherwise successfully compete in bids for supply contracts, the ability of San Miguel Global Power to increase its sales and sell additional electricity to distribution utilities or industrial offtakers through its generation facilities would be adversely affected.

San Miguel Global Power through its subsidiaries, has a diversified portfolio which allows it to be more competitive with its supply offers. It is also managed by an experienced management team composed of experts with extensive knowledge of the Philippine power industry. Coupled with the strong shareholder support from SMC, this will enable San Miguel Global Power to sustain its position as one of the major players in the industry.

Moreover, San Miguel Global Power also continues to engage and cultivate its good working relationship with its offtakers which ensures continuity of its customer base.

Suspension of issuance and renewal of Retail Electricity Supplier ("RES") licenses

In June 2015, the DOE through its Department Circular ("**DC**") No. 2015-06-0010 enjoined the ERC to immediately issue the supporting guidelines including the revised rules for issuance of RES licenses. In compliance with the DC, the ERC issued the following resolutions to govern the issuance of new RES licenses and renewal of existing RES licenses and the registration of retail customers (collectively, the "**2016 ERC RES Issuances**"):

- Resolution No. 5, Series of 2016, entitled "A Resolution Adopting the 2016 Rules Governing the Issuances of the Licenses to Retail Electricity Suppliers and Prescribing the Requirements and Conditions Therefore" (the "**RES License Guidelines**");
- Resolution No. 10, Series of 2016, entitled "A Resolution Adopting the Revised Rules for Contestability";
- Resolution No. 11, Series of 2016, entitled "A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market"; and
- Resolution No. 28, Series of 2016, entitled "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016 Entitled Revised Rules for Contestability".

However, in February 2017, the Philippine Supreme Court ("**SC**"), acting on a petition filed by certain entities, issued a temporary restraining order on the implementation of DC 2015-06-0010 and the 2016 ERC RES Issuances. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC 2017-12-0013 and DC 2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA. In 2019, the DOE issued DC 2019-07-0011, amending various issuances on the implementation of the RCOA. DC 2019-07-0011 provides that registration of contestable customers as trading participant in the WESM shall be on a voluntary basis and that contestable customers shall source its electricity supply requirements from ERC-licensed/authorized suppliers. In the light of the TRO issued by the SC, the ERC resumed the issuance of RES licenses using ERC Resolution No. 1, Series of 2011 (the "**2011 RES Licensing Rules**") in 2020.

On March 2, 2021, the SC promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06- 0010 and the 2016 ERC RES Issuances, void for being bereft of legal basis (the "**SC RES Decision**"). As a result, the temporary restraining order issued by the SC in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the SC also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014. Per the 10th recital of ERC Resolution 9, Ser. 2021, the ERC, in a regular commission meeting, approved the resumption of Resolution 1, Series of 2011 or the original RES Licensing Rules. Since 2021, the ERC has resumed their RES Licensing process.

The two (2) RES licenses issued to San Miguel Global Power, through Limay Power Inc. (formerly known as SMC Consolidated Power Corporation and hereinafter referred to as "**LPI**") and Masinloc Power Co. Ltd. (formerly known as Masinloc Power Partners Co. Ltd. And hereinafter referred to as "**MPCL**"), have a term of five (5) years each and are valid until September 29, 2028. The ability of San Miguel Global Power to directly contract with contestable customers may be limited if (a) the existing RES licenses are not timely renewed, or (b) the authority of the ERC to issue ERC licenses on the basis of the 2011 ERC Resolution, and the RES licenses issued and renewed by the ERC on such basis, are questioned.

Such limitation on the ability of San Miguel Global Power to directly contract with contestable customers could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

San Miguel Global Power is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner.

Further, San Miguel Global Power maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

Disruptions and fluctuations in fuel supply

The operations of the Sual Power Plant, Ilijan Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant and Davao Greenfield Power Plant depend on the availability of fuel, in particular coal and natural gas. San Miguel Global Power, through its subsidiaries, is responsible, at the cost of the latter, for supplying the fuel requirement of the Sual Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Ilijan Power Plant. San Miguel Global Power, through its subsidiaries, has entered into fuel supply agreements for its power plants and, subject to regulatory approval, is able to pass on the fuel cost to its customers particularly for distribution utilities and electric cooperatives.

There is no assurance that there will not be any interruption or disruption in, or change in terms of, the fuel supplies to these power plants, or that there will be sufficient fuel in the open market at competitive prices or sufficient transportation capacity available to ensure that these power plants receive sufficient fuel supplies required for their operations on a timely basis or at all. Moreover, the recent geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, changes in foreign policy or regulatory requirements, trade restrictions, higher tariffs and changes to existing tariffs, or the imposition of additional regulations relating to the import or export of products such as fuel supplies could impact global trade and supply chains and adversely affect San Miguel Global Power ability to access fuel supplies at competitive prices or in sufficient amounts for the operations of its power plants.

San Miguel Global Power is implementing price risk mitigation measures to counter the impact of rising indices, primarily for coal fuel, through the fuel price pass-through mechanism or the periodic tariff rate review allowed under its Power Supply Agreements ("**PSAs**") or retail supply contracts with most of its offtakers. It also has supply-side risk mitigation, including among others, maintaining a pool of international and local sources of coal fuel which provide a certain level of fuel price risk mitigation and more importantly, fuel supply security. In the future and should there be a need to further mitigate fuel supply risk in the event of further escalation of events in Europe, San Miguel Global Power could consider operationalizing its coal mining assets in southern Mindanao.

There is also no assurance that San Miguel Global Power, through its subsidiaries, will be able to purchase all of its required fuel supplies from its regular suppliers that produce fuel of acceptable and known quality. Consequently, San Miguel Global Power could experience difficulties ensuring a consistent quality of fuel, which could negatively affect the stability and performance of these power plants.

For example, the Ilijan Power Plant sourced natural gas for its operations from the Malampaya gas facility in Palawan ("**Malampaya**") during the term of the IPPA agreement. In 2022, prior to turnover of the Ilijan Power Plant, frequent and extended occurrences of gas supply restrictions of the Malampaya gas fields were experienced. San Miguel Global Power believes that it is well placed to secure access to alternative sources of fuel, and has executed a binding agreement covering the use of the Batangas LNG Terminal, which is composed of onshore regasification units and onshore and offshore storage technologies, being constructed in Ilijan, Batangas and which is expected to allow San Miguel Global Power to receive, store, and process LNG from the global market. Alternatively, the Ilijan Power Plant may also be reconfigured to be a diesel or an LNG-type facility in the future. There can be no assurance that the planned Batangas LNG terminal will be completed within the expected time frame or at all, or that San Miguel Global Power will be able to access natural gas it requires for its operations.

San Miguel Global Power has invested in circulating fluidized bed ("**CFB**") or supercritical power plants (for the Limay Greenfield Power Plant, Davao Greenfield Power Plant, and Units 3, 4 and 5 of the Masinloc Power Plant, and Mariveles Greenfield Power Plant) that can use low-grade coal and has retrofitted its existing pulverized coal ("**PC**") power plants (Masinloc Units 1 and 2) to use low-grade coal, which is also less expensive and relatively more abundant compared to high-grade coal (i.e., coal of 6,000 kcal upwards). There can be no assurance that San Miguel Global Power will be able to obtain the quality of coal in such quantities that it requires for its operations.

The Indonesian government imposed a coal export ban in January 2022 which was gradually lifted as its domestic power plants stock-piled their coal inventories. While coal sourced from Indonesia accounts for approximately 80% to 90% of San Miguel Global Power's coal supply, the ban did not adversely impact plant operations. San Miguel Global Power has a contract with an international trader-supplier that can source coal supply from other countries such as Australia, if needed. Coal inventory levels during the period runs at about one (1) to one and a half (1 ½) months. If necessary, inventory from the portfolio if its power plants can be allocated to those plants urgently needing replenishment. San Miguel Global Power also sourced domestic suppliers to potentially cover its coal requirements to mitigate the impact of the restriction. Reduced supply of high-grade coal may also cause disruptions in San Miguel Global Power's fuel supply. Following recent developments and easing of the coal export ban, San Miguel Global Power has received certain Indonesian coal shipments from its suppliers to date. San Miguel Global Power has been able to pass-through the increase in coal prices in the majority of its contracted capacity.

Such factors, which may include events which are beyond the control of San Miguel Global Power, could affect the normal operation of these power plants or incur significant costs to source replacement power or to reconfigure its plants, which could have material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

San Miguel Global Power, through its subsidiaries, has fuel supply agreements with reputable and reliable international coal suppliers, such as but not limited to, Vitol, Banpu, Bayan and KPC, for its power plants. The diversity of coal suppliers of San Miguel Global Power provides assurance of fuel supply limiting any issues with any specific region or supplier. SPPC has entered and intends to also enter into various supply agreements with international suppliers for the supply of LNG for the Ilijan Power Plant.

San Miguel Global Power also believes that the size and diversity of the fuel supply of its power portfolio reduces the exposure of San Miguel Global Power and its customers to fuel-type specific risks such as variations in fuel costs, and regulatory concerns that are linked to any one (1) type of power plant or commodity price.

Reliance on IPPs for the operation and maintenance of the IPPA Power Plants

Power generation involves the use of highly complex machinery and processes and the success of San Miguel Global Power depends on the effective maintenance of equipment for its power generation assets. IPPs associated with the respective IPPA Power Plants are responsible for the operation and maintenance of their respective IPPA Power Plants.

Although the energy conversion agreements ("**ECA**") for Sual and San Roque contains bonus and penalty provisions, and San Miguel Global Power monitors the IPPs' adherence to the minimum operating protocols specified in the IPPA and ECAs, there is still a risk that the IPPs will fail to satisfactorily perform their respective operations and maintenance obligations. Any failure on the part of such IPPs to properly operate and/or adequately maintain their respective power plants could have a material adverse effect on the business, financial condition, and results of operations of San Miguel Global Power

In addition, if San Miguel Global Power, through its subsidiaries, fails to generate or deliver electricity beyond contractually agreed periods due to the failure of the IPPs to operate and maintain the power facilities, the counterparties of San Miguel Global Power in its PSAs may have a right to terminate those contracts for outages beyond applicable outage allowances in the PSAs, and replacement contracts may not be entered into on comparable terms, or at all. Any of the foregoing could have a material adverse effect on the financial and operating performance of San Miguel Global Power.

San Miguel Global Power leverages on the strengths and track record of its world-class IPP partners in operating its existing power portfolio while monitoring their adherence to the minimum operating protocols specified in the IPPA and ECAs in line with international best practices.

Market limitations under the EPIRA

Based on the total installed generating capacities reported in the ERC Resolution on Grid Market Share Limitation, San Miguel Global Power believes that its combined installed capacity comprises approximately 20%

of the National Grid, 25% of the Luzon Grid, 4% of the Visayas Grid and 8% of the Mindanao Grid, in each case as of March 31, 2024. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of National Grid, Luzon Grid, Visayas Grid, or Mindanao Grid 25,567,270 kW, 17,961,724 kW, 3,417,708 kW, and 4,187,838 kW respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation. The EPIRA limits the market share of a participant to 30% per grid and 25% of the National Grid by installed capacity. Even though San Miguel Global Power is currently within its market share cap (taking into account the greenfield power plants and expansion projects under construction), it may not receive permission to increase its capacity and market share further if this would result in exceeding the permitted capacity or market share prescribed by the EPIRA. Such inability to expand and grow the power business could materially and adversely affect the business prospects of San Miguel Global Power.

San Miguel Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the growth of the Philippine power industry. Pursuant to the EPIRA limits, San Miguel Global Power may still expand by as much as 1,579.0 MW nationwide, but limited to the following capacities per grid: 937.8 MW in Luzon, 949.3 MW in Visayas and 965.4 MW in Mindanao. In implementing the foregoing expansion targets, San Miguel Global Power shall take into account, and shall ensure compliance with, any and all applicable market share or market capitalization restrictions. At the current levels, San Miguel Global Power is within the market share capitalization even with the addition of its greenfield power projects under construction today.

Development of greenfield power projects and expansion projects of existing plants involves substantial risks

The development of greenfield power projects and expansion projects of existing power plants involves substantial risks that could give rise to delays, cost overruns or unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operations, and future growth prospects of San Miguel Global Power.

Project risks could emanate from various sources such as poor project planning, execution and contractor/subcontractor issues. If not addressed in a timely manner, these issues may negatively impact the project, which would ultimately affect San Miguel Global Power's financial condition and results of operations, such as revenue loss resulting from delay in commercial operations.

Further, any delay in the receipt of the relevant permits will also delay the completion of a project. Any of these project risks could have a material adverse effect on the business, financial condition, results of operations, and future growth prospects of San Miguel Global Power.

To manage these risks, San Miguel Global Power has strong credit lines to avail external financing and sufficient internally generated funds to finance its projects. Also, San Miguel Global Power intends to enter into offtake agreements with various distribution utilities and industrial users to be able to substantially contract the projects' commercial capacity.

San Miguel Global Power has contracted world-class and industry-leading Engineering, Procurement and Construction ("**EPC**") contractors to construct its projects. Under the EPC contracts, San Miguel Global Power will be indemnified in the event of delay and/or default of the EPC contractor. To ensure timely delivery and performance, the EPC contracts provide for a schedule of payments of the contract price based on agreed milestones. San Miguel Global Power checks on the accomplishments of the EPC contractor prior to the release of the corresponding payment per milestone.

Adverse effect of WESM price fluctuations

From the time the WESM for Luzon began operating in June 2006, market prices for electric power have fluctuated substantially. Unlike many other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances. Long-term and short-term power prices may also fluctuate substantially due to other factors outside of the control of San Miguel Global Power, including:

- increases and decreases in generation capacity in the markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation power plants or expansion of existing power plants or additional transmission capacity;
- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- electric supply disruptions, including power plant outages and transmission disruptions;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;
- the authority of the ERC to review and, if warranted under applicable circumstances, adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks, and other catastrophic events;
- availability of competitively priced alternative power sources;
- development of new fuels and new technologies for the production of power; and
- changes in the power market and environmental regulations and legislation.

These factors could have a material adverse effect on the business, financial condition, and results of operations of San Miguel Global Power.

On March 3, 2014, the ERC issued an order declaring the prices in the WESM for the November and December 2013 billing months, as null and void, and ordered the Philippine Electricity Market Corporation ("**PEMC**"), the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "**March 3, 2014 ERC Order**"). Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, the "**2014 ERC Orders**"). Certain parties including Sual Power Inc. (formerly known as "**San Miguel Energy Corporation**" and hereinafter referred to as "**SPI**"), SPPC, San Roque Hydropower Inc. (formerly known as "**Strategic Power Development Corporation**" and hereinafter referred to as "**SRHI**") and MPCL filed a request with the ERC for the reconsideration of the 2014 ERC Orders. Other generators also requested the SC to stop the implementation of the 2014 ERC Orders. On June 26, 2014, certain parties including SPI, SPPC and SRHI filed with the Court of Appeals ("**CA**") a Petition for Review of these orders. On the other hand, MPCL filed its Petition for Review with the CA on December 12, 2014. After consolidating the cases, the CA, in its decision dated November 7, 2017, granted the Petition for Review filed by SPI, SPPC, SRHI and MPCL declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months November to December 2013. The CA affirmed this decision in its March 29, 2019 Omnibus Resolution. The ERC appealed the decision and resolution of the CA, which nullified and set aside the 2014 ERC Orders declaring the WESM prices for November and December 2013 void. On August 3, 2021, a decision was rendered by the Supreme Court En Banc in a separate case declaring the March 3, 2014 ERC Order as null and void. Though the special interest groups and the ERC sought reconsideration of the SC Decision by filing separate Motions for Reconsideration, these motions were denied with finality by the SC En Banc in its resolution dated October 11, 2022. The relevant subsidiaries of San Miguel Global Power may now file a claim for refund with the Independent Electricity Market Operator of the Philippines Inc. ("**IEMOP**") for an amount of up to ₱2,322 million, plus interest.

The strategy of San Miguel Global Power is to source majority of its revenues from bilateral offtake agreements. This ensures cash flows while minimizing the exposure of San Miguel Global Power to any unfavorable fluctuations in WESM prices. Revenue from bilateral contracts with offtakers contributed 92%, 90%, and 86% of total revenue for the years ended December 31, 2021, 2022, and 2023, respectively.

Non-renewal of or non-compliance with offtake agreements

San Miguel Global Power, through its subsidiaries, has offtake agreements with various distribution utilities, electric cooperatives, and large industrial and commercial users. In respect of the IPPA Power Plants, some offtake agreements will expire before the termination of the applicable IPPA Agreement, although they may be renewed by mutual agreement of the parties. The IPPA Agreements provide that the amounts of payment obligations of San Miguel Global Power will increase over time. While San Miguel Global Power intends to renew the offtake agreements upon expiration to provide stable and predictable revenue streams, there is no assurance

that San Miguel Global Power will be able to renew or enter into new offtake agreements for similar volumes or at similar prices, or that San Miguel Global Power will be able to enter into new offtake agreements. If San Miguel Global Power is unable to enter into new offtake agreements, San Miguel Global Power will be further exposed to fluctuations in electricity prices in the WESM, which could materially and adversely affect the profitability of San Miguel Global Power.

When the current offtake agreements with Meralco expire or are otherwise renegotiated, they may be renewed for lower electricity volumes than in the past or on different terms, including under different pricing terms. In addition, there can be no assurance that Meralco and other offtakers will be able to meet their future payment obligations under their agreements with San Miguel Global Power. For San Miguel Global Power's greenfield power plants, there is no assurance that San Miguel Global Power, through its subsidiaries, will be awarded contracts pursuant to any CSP conducted by Meralco or other distribution utilities or electric cooperatives, or will successfully negotiate with various contestable customers or RES.

The business, cash flows, earnings, results of operations, and financial condition of San Miguel Global Power could be materially and adversely affected if San Miguel Global Power is unable to successfully participate and bid for supply contracts with Meralco and other offtakers under favorable terms, or at all, or if Meralco and other offtakers are unable to meet their payment obligations under existing agreements, and San Miguel Global Power is unable to find new customers to replace Meralco and other offtakers.

In a CSP conducted by Meralco on January 5 and January 23, 2024, EERI, MPGC and SPPC emerged among the lowest bidders and are therefore set to supply 2,700 MW out of the 3,000 MW power requirement of Meralco with 1,200 MW, 300 MW and 1,200 MW in offered capacity, respectively[11] [12] [13]. The contracts are for a term of 15 years[14] and have full fuel pass-through scheme.

In another CSP conducted by Meralco on February 26, 2024, Limay Power Inc. emerged as the winning bidder for the latter's 400 MW power requirement[15]. The contract is for a term of one (1) year and has full fuel pass-through scheme.

San Miguel Global Power manages a large, reliable and diverse portfolio of power plants that allows it to supply at competitive rates and terms. Considering the increasing electricity requirements of the country underpinned by a strong GDP and population growth rate, San Miguel Global Power believes that its bilateral offtake agreements will be renewed or it will be able to expand its customer base. Further, San Miguel Global Power has an experienced sales and marketing team that actively markets to its existing and new financially capable prospective customers and intends to continuously participate in CSPs to be conducted by distribution utilities. In addition, San Miguel Global Power maintains good working relationships with its offtakers and has cultivated a long history of reliability and good customer service.

Administration of the output of San Miguel Global Power's power portfolio necessarily involves significant risks

The administration of the output of power generation facilities necessarily involves significant risks, including:

- breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;
- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;

[11] https://www.bworldonline.com/corporate/2024/01/08/567234/3-gencos-to-supply-meralcos-1800-mw-power-requirement/
[12] https://powerphilippines.com/meralco-names-lowest-bids-for-1800-mw-supply-requirements/
[13] https://mb.com.ph/2024/1/23/smc-unit-submits-best-bid-for-meralco-s-power-supply
[14] https://company.meralco.com.ph/csp/ongoingbids
[15] https://www.philstar.com/business/2024/02/28/2336572/meralco-secures-400-mw-supply-requirement-smcs-limay-power

- industrial actions affecting power generation assets owned or managed by the subsidiaries of San Miguel Global Power or its contractual counterparties;
- pollution or environmental contamination affecting the operation of power generation assets;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- inability to obtain or the cancellation of required regulatory, permits and approvals;
- opposition from local communities and special interest groups; and
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods, and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage, and plant destruction.

There is no assurance that any event similar or dissimilar to those listed above will not occur or will not significantly increase costs or decrease or eliminate sales derived by San Miguel Global Power from its power generation assets. While the IPPA Agreements of San Miguel Global Power provide certain reliefs in the event the IPPA Power Plants cannot produce or dispatch electricity, if any of the power generation assets of San Miguel Global Power is unable to generate or deliver electricity to customers for an extended period of time which may be due to the aforementioned risks, its customers may be exempt from making certain payments so long as any such events continue. In addition, if the subsidiaries of San Miguel Global Power fail to generate or deliver electricity beyond the contractually agreed outage periods, its counterparts in its PSAs may have a right to terminate those contracts, and replacement contracts may not be entered into on comparable terms. Any of the foregoing could have a material adverse effect on the financial and operating performance of San Miguel Global Power.

San Miguel Global Power leverages on the strengths and track record of its partners in operating its existing power portfolio by monitoring their adherence to the minimum operating protocols specified in their respective IPPA Agreements or operations and maintenance agreements in line with international best practices.

Operating risks leading to network failures, breakdowns, or outages

Power generation is vulnerable to human error in operation, equipment failure, catastrophic events, natural disasters, sabotage, terrorist attacks or other events which can cause service interruptions, network failures, breakdowns or unplanned outages. There is no assurance that accidents will not occur with San Miguel Global Power's power plants or that the preventive measures taken by San Miguel Global Power will be fully effective in all cases, particularly in relation to external events that are not within its control. Moreover, any loss from such events may not be recoverable under San Miguel Global Power's insurance policies. San Miguel Global Power's income and cash flows will be adversely affected by any disruption of operations of its plants due to any of the foregoing risks. Any unplanned plant shutdowns for an extended period of time will have a material adverse effect on San Miguel Global Power's ability to sell power and San Miguel Global Power's results of operations could suffer. In the event of a service disruption, San Miguel Global Power would typically seek to purchase replacement power, which may be at a significantly greater cost than power generated by it or than it is able to recover. San Miguel Global Power is also entitled to reduction in the IPPA payments to Power Sector Assets and Liabilities Management Corporation ("**PSALM**") for fixed and generation fees of the IPPA Power Plants that will compensate it for any loss in margins from prolonged outages. Nevertheless, any of these factors may be beyond San Miguel Global Power's control, and their occurrences could have a material adverse effect on San Miguel Global Power's business, financial condition or results of operations.

San Miguel Global Power undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices. The repairs and maintenance of the power plant assets under the IPPA agreements are handled by the respective IPP, while the repairs and maintenance of the power plants owned by San Miguel Global Power are maintained by the operation & maintenance ("**O&M**") subsidiaries. An annual preventive maintenance is conducted for all the power plants that normally lasts for 30 days while a 60-day major preventive maintenance is conducted every five (5) years to maintain the operation and improve the efficiencies of the power assets.

Insufficient insurance coverage for generation plants

The IPPs of the IPPA Power Plants are responsible for maintaining insurance for all of the facilities, equipment and infrastructure for those power plants, with the exception of the dam and spillway of the San Roque Power Plant, for which NPC is obligated to maintain insurance coverage. The IPPA of these IPPA Power Plants, namely SPI and SRHI, however, are not beneficiaries of any of these insurance policies. These IPPAs have no business interruption insurance coverage and are therefore uninsured for liabilities or any direct or indirect costs and losses which may be incurred, as a result of any business interruption that their respective IPPA Power Plant may experience. San Miguel Global Power believes that there is no business interruption insurance available for the IPPA business model under which its IPPA subsidiaries are currently operating. Accordingly, any uninsured liabilities or direct or indirect losses, including any third-party claims that result from an interruption to the business of these IPPAs could have a material adverse effect on its financial condition and results of operations.

For the power plants of San Miguel Global Power, SPPC for Ilijan Power Plant, LPI, Malita Power Inc. ("**MPI**", formerly known as San Miguel Consolidated Power Corporation) and MPCL, the insurance coverage includes industrial all risks, business interruption, marine cargo insurance, sabotage and terrorism, physical material loss or damage caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses. However, the business interruption insurance policies of these entities do not cover any declines in production or adverse publicity that LPI, MPI, or MPCL may experience or incur in their operations, as well as any significant resource that LPI, MPI or MPCL may invest to address such losses.

In addition, there is no assurance that San Miguel Global Power will be able to renew these policies on similar or otherwise acceptable terms, or at all, or that San Miguel Global Power will not experience a material increase in the premiums payable under its insurance policies. If one (1) or more of San Miguel Global Power's power projects were to incur a serious uninsured loss, a loss that significantly exceeds the limits of its insurance policies or any unexpected losses against which these subsidiaries are not fully insured, this could have a material adverse effect on their businesses, financial condition and results of operations.

While San Miguel Global Power has not experienced any major downturn in the operations of the IPPA Power Plants brought about by unexpected losses caused by natural disasters or other events that could affect its facilities, San Miguel Global Power believes that it can withstand such events with its business strategies in place. San Miguel Global Power also has a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives.

No direct contractual and operational relationship with Independent Power Producers

San Miguel Global Power is dependent on the operators of the IPPA Power Plants to generate power from the IPPA Power Plants, and for the IPPs to comply with their contractual obligations to NPC under their IPP Agreements. San Miguel Global Power does not have a direct contractual relationship with the IPPs and cannot directly enforce the IPP Agreements against the IPPs. Failure by an IPP to comply with its obligations under its IPP Agreement may significantly reduce or eliminate power generation volumes or increase costs, thereby decreasing or eliminating revenues that the IPPA subsidiaries of San Miguel Global Power can derive from selling the power generated by the IPPA Power Plants. Any claims for damages for breach, or other entitlement, benefit or relief under the IPPA Agreement arising from the breach, by the IPP, of its IPP Agreement obligations must be claimed by San Miguel Global Power against PSALM through specified claim mechanisms. The IPPA Agreements do not permit set-off of claims, and the IPPA subsidiaries of San Miguel Global Power are only entitled to payment of their claim after PSALM has received payment from the IPP of its corresponding claim. Accordingly, the IPPA subsidiaries of San Miguel Global Power bear the risks associated with the lack of direct recourse against the IPPs, delays in the enforcement of their claims and other risks related to pursuing claims or legal proceedings against a state-owned entity such as PSALM. Any of these factors could have a material adverse effect on the business, financial condition, and results of operations of San Miguel Global Power.

San Miguel Global Power believes this risk can be managed by leveraging on its strengths and strategies.

Variations in hydrological conditions and irrigation requirements

Hydroelectric generation is dependent on the amount and location of rainfall and river flows, which vary widely from quarter to quarter and from year to year. NPC owns and operates the dam and the dam-related facilities of the San Roque Power Plant and has obtained a water permit allowing it to use the water flow from the Agno

River to generate power from the San Roque Power Plant with an allowable volume dictated by downstream irrigation requirements set by the National Irrigation Administration ("**NIA**").

The facilities of AHEPP are located within the Angat Watershed Reservation, which is managed by and is under the jurisdiction of NPC. NPC was issued a water permit dated November 28, 1979 by then National Water Resources Council, pursuant to which NPC has authority to extract water from the Angat River for power generation purposes. In a resolution dated April 4, 2016, the NWRB granted KWPP Holdings Corporation's ("**KWPP**") petition for the transfer of the said water permit to itself and authorized its lease to Angat Hydropower Corporation ("**AHC**"). The water discharged by the AHEPP is used for the following purposes: (i) the water outflow of the three (3) auxiliary units of 6 MW capacity each flows to the Ipo Dam and is conveyed by Metropolitan Waterworks and Sewerage System ("**MWSS**") to Metro Manila for domestic use; and (ii) the water outflow of the four (4) main units of 50 MW capacity each flows to the Bustos Dam and is conveyed by NIA to the province of Bulacan for irrigation purposes.

The levels of hydroelectric production can therefore vary from period to period depending on the water levels in the reservoir and downstream irrigation and water supply requirements. In years of less favorable hydrological conditions, such as periods of drought or when the El Niño weather phenomenon occurs, the reservoir has low water levels, which reduces the amount of power that the San Roque Power Plant and the AHEPP are able to generate. This could reduce the revenues from the sale of power from the San Roque Power Plant and the AHEPP, which could have a material adverse effect on San Miguel Global Power's business, financial condition, and results of operations. Conversely, if too much rainfall occurs at any one (1) time, such as during a typhoon, water may flow too quickly and at volumes in excess of the water intake capacity of the San Roque Power Plant and AHEPP, which may cause release of water using the spillway.

San Miguel Global Power, through its subsidiaries, actively manages the water supply of the hydro power plants to optimize generation while ensuring that the irrigation supply requirements are met in coordination with the relevant government agencies.

Challenges in successfully implementing San Miguel Global Power's growth strategy

Implementing the growth strategy of San Miguel Global Power involves: (i) substantial investments in new power generation facilities, such as LNG power plants and expansion of existing power generation facilities; (ii) acquisitions of existing power generation capacity; (iii) entering into alliances with strategic partners; (iv) entering into new and developing technologies and services, such as energy storage solutions, particularly BESS and ancillary services, such as frequency regulating reserves; and (v) targeting new markets, such as the renewable energy market. The success in implementing the strategy of San Miguel Global Power will depend on, among other things, its ability to identify and assess investment and acquisition opportunities as well as potential partners, its ability to successfully finance, close and integrate investments, acquisitions and relevant technologies for the production of power, its ability to manage construction of planned greenfield and expansion power projects within technical, cost and timing specifications, its ability to establish BESS projects and integrate these with the grid and support renewable energy sources, its ability to secure offtake agreements through CSP, its ability to control costs and maintain sufficient operational, financial and internal controls, the strength of the Philippine economy (including overall growth and income levels), the growth of the relevant target markets, and the overall levels of business activity in the Philippines.

San Miguel Global Power is also contemplating several additional potential investments and acquisitions but has not entered into any definitive commitment or agreement for any such contemplated investment or acquisition. If general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, San Miguel Global Power may decide to delay, modify or forego some of its planned or contemplated projects or alter aspects of its growth strategy, and its future growth prospects could be materially and adversely affected. For example, San Miguel Global Power may consider alternative technologies for planned power projects that will improve efficiencies and lower emissions.

The growth strategy of San Miguel Global Power will also place significant demands on its management, financial and other resources. In particular, continued expansion will increase the challenges for financial and technical management, recruitment, training and retention of sufficient skilled technical and management personnel and developing and improving its internal administrative infrastructure. In addition, expansion into new markets will

necessitate recruitment and development of expertise in new technologies, including natural gas and BESS technologies. Any inability to meet these challenges could disrupt the business of San Miguel Global Power, reduce its profitability and adversely affect its results of operations and financial condition.

To manage these risks, San Miguel Global Power: (i) maintains a highly experienced management team composed of experts with extensive knowledge of the Philippine power industry; (ii) has in place a system of financial prudence and corporate governance; and (iii) strengthens the competencies of its employees specifically those in the succession pipeline of key personnel, provides training to prepare employees to take on higher responsibilities, and pursues strategic hiring for identified critical positions.

San Miguel Global Power also undertakes prudent review and due diligence and evaluates the viability of any acquisition or investment. In addition, San Miguel Global Power is guided by metrics when assessing possible investments, which include, but are not limited to, financial returns and possible synergies, with an overall objective of maximizing returns.

Interest rate risk

While San Miguel Global Power intends, whenever appropriate, to enter into hedging transactions which may mitigate its interest rate exposure, any such hedging policy may not adequately cover its exposure to interest rate fluctuations and such fluctuations may result in a high interest expense and an adverse effect on its business, financial condition and results of operations.

Availability of financing

San Miguel Global Power expects to fund its expansion and growth plans through a combination of internally generated funds and external financing. The continued access to debt and equity financing of San Miguel Global Power is subject to factors, many of which are outside of the control of San Miguel Global Power. Political instability, economic downturn, social unrest, or changes in the Philippine regulatory environment could increase the cost of borrowing, decrease the price of its securities, or restrict the ability of San Miguel Global Power to obtain debt or equity financing. In addition, recent disruptions in global capital and credit markets may continue indefinitely or intensify. Disruptions in the global capital and credit markets, including as a result of geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, rising tensions between Russia and the European Union and the U.S., as well as the potential for the continuation of global trade wars between key economic powers could adversely affect San Miguel Global Power's ability to access the liquidity needed to maintain its business and pursue its growth plans.

Other factors affecting the ability of San Miguel Global Power to borrow include (i) Philippine regulations limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) compliance by San Miguel Global Power with existing debt covenants, which include debt to equity ratio and debt service coverage ratio covenants; (iii) the ability of San Miguel Global Power to service new debt; and (iv) policy, regulatory changes, and market and economic responses relating to climate change including restrictions on development and expansion of power plants using coal as fuel. The inability of San Miguel Global Power to obtain financing from banks and other financial institutions or from capital markets would adversely affect its ability to execute its expansion and growth strategies and have a material adverse effect on the business, financial condition, and results of operations of San Miguel Global Power. In addition, San Miguel Global Power has significant long-term debt, finance lease obligations, and perpetual capital securities.

There is no assurance that San Miguel Global Power will be able to refinance or obtain additional financing when needed on commercially acceptable terms or at all. Any additional debt financing may place restrictions on San Miguel Global Power, which may, among others:

- increase vulnerability to general adverse economic and industry conditions;
- limit ability to pursue growth plans;
- limit ability to raise additional financing and access credit or equity markets to satisfy its repayment obligations as they become due on favorable terms, or at all;

- require San Miguel Global Power to dedicate a substantial portion of cash flow from operations to payments on debt and capital securities, thereby reducing the availability of its cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and/or
- limit its flexibility in planning for, or reacting to, changes in its business and its industry, either through the imposition of restrictive financial or operational covenants or otherwise.

San Miguel Global Power employs a system of financial prudence and good corporate governance to manage the risks relating to debt and equity financing. San Miguel Global Power can also rely on its strengths to navigate and have continual access to financing.

Dependence on the existence of transmission infrastructure

The transmission infrastructure in the Philippines continues to experience constraints on the amount of electricity that can be delivered from power plants to customers, as well as limited interconnectivity between the Luzon- Visayas grid and the lack of any interconnectivity between the Visayas-Mindanao grid.

San Miguel Global Power and its subsidiaries are in constant consultation and communication with National Grid Corporation of the Philippines ("**NGCP**") and other relevant government institutions to address the transmission infrastructure requirements of San Miguel Global Power and its subsidiaries. The DOE is mandated by law to prepare a Transmission Development Plan to be implemented by NGCP which aims to address projected infrastructure limitations and interconnectivity of sub-grids.

If these transmission constraints continue, the ability of San Miguel Global Power to supply electricity from the IPPA Power Plants of its subsidiaries and its operating and planned greenfield power projects, as well as the ability of San Miguel Global Power to increase its geographical reach, will be adversely affected. This could have a material adverse effect on the business and revenue growth of San Miguel Global Power from the sale of power.

Changes in taxation and certain tax exemptions and tax incentives

The CREATE Act, signed into law on March 26 2021, introduced to the corporate income tax and incentives systems. Effective July 1, 2020, corporate income tax rate on domestic corporations has been reduced from 30% to 25%, while domestic corporations with net taxable income not exceeding ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million are subject to 20% corporate income tax. The CREATE Act further enhanced certain incentives that investment promotion agencies may grant to business enterprises, such as additional deductions, increased net-operating loss carry-over, VAT exemption on importation and VAT zero-rating of local purchases of goods and services directly and exclusively used in the registered project or activity, among others. In view of the effectivity of the CREATE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday ("**ITH**") prior to the effectivity of the law shall be allowed to continue to avail of the ITH for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the ITH but have not yet availed of such incentive upon the effectivity of the law may use the ITH for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an ITH prior to the effectivity of the law and that are entitled to the 5% tax on gross income earned incentive after the ITH shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit provided under the CREATE Act; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue to avail of such tax incentive for 10 years.

Registered subsidiaries of San Miguel Global Power with incentives granted prior to the effectivity of the CREATE Act may continue to avail of the same, subject to the rules prescribed under the said law. One of the incentives retained is the continued use of ITH for the original periods specified in the terms and conditions of their respective registrations. However, the entitlement to 5% gross income tax after the ITH (granted to Mariveles Power Generation Corporation ("**MPGC**") by the Authority of the Freeport Area of Bataan subject to the ten (10)-year limit for both incentives reckoned from the effectivity of the CREATE Act, instead of the original period of twenty-one years.

As of December 31, 2023, certain subsidiaries of San Miguel Global Power, namely, LPI for the Limay Greenfield Power Plant, MPI for the Davao Greenfield Power Plant, MPCL for the Masinloc Power Plant and Masinloc BESS, EERI for the Batangas Combined Cycle Power Plant, SMGP Kabankalan Power Co. Ltd. (formerly known as SMCGP Philippines Energy Co. Ltd.) for the Kabankalan BESS and SMGP BESS Power Inc. (formerly known as Universal Power Solutions Inc.) for the various BESS projects were registered with the Board of Investments ("**BOI**") as new operators with pioneer status and non-pioneer status for its greenfield projects. BOI-registered entities are granted certain tax exemptions and tax incentives, deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

For those plants currently availing of these incentives, if these tax exemptions or tax incentives expire, are revoked, or are repealed, the income from these sources will be subject to 25% regular corporate income tax of net taxable income, or 1.5% minimum corporate income tax of the gross income, whichever is higher, as of December 31, 2023. As a result of a loss in any tax exemptions or tax incentives, the tax expense of San Miguel Global Power would increase and its profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, and any associated impact on San Miguel Global Power, could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power. Furthermore, there can be no assurance that any pending tax legislation or future changes in the tax regime, including changes in fiscal incentives, in the Philippines would not have a material and adverse effect on San Miguel Global Power's business, financial condition, and results of operations.

San Miguel Global Power believes this risk can be managed by leveraging on its strengths and strategies.

Compliance with and renewal of licenses, permits and other authorizations

San Miguel Global Power and its subsidiaries are required to maintain licenses, permits, and other authorizations for the operations of their respective businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits, and other authorizations contain various requirements that must be complied with or renewed periodically to keep the same valid. If San Miguel Global Power and its subsidiaries fail to meet the terms and conditions of any of their respective licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While San Miguel Global Power believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in San Miguel Global Power having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties. The measures implemented by San Miguel Global Power and its subsidiaries to comply with laws and regulations may also be deemed insufficient by governmental authorities. If San Miguel Global Power and/or its subsidiaries fail to comply, or is deemed to be non-compliant with any applicable laws or regulations, San Miguel Global Power and/or its subsidiaries, as the case may be, may be subject to penalties, which could disrupt their operations and have a material adverse effect on their businesses and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that San Miguel Global Power and its subsidiaries will not become involved in future litigation or other proceedings or be held

responsible in any such future litigation or proceedings, the costs of which could be material. In the event that San Miguel Global Power and its subsidiaries become involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect the business, financial condition, and results of operations of San Miguel Global Power and its subsidiaries.

There can be no assurance that San Miguel Global Power and its subsidiaries will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If San Miguel Global Power and its subsidiaries are unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the business, financial condition, and results of operations of San Miguel Global Power and its subsidiaries.

San Miguel Global Power and its subsidiaries are in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The relevant compliance officers of San Miguel Global Power and its subsidiaries monitor, review, evaluate, and ensure compliance by each of San Miguel Global Power and its subsidiaries with the rules and regulations and all governance issuances of regulatory agencies. Such compliance officers also identify, monitor, and control compliance risks and possible areas of compliance issues. Further, SMGP and its subsidiaries maintain a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

Climate change policies

San Miguel Global Power is currently invested in certain coal-fired power plants in the Philippines. Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect San Miguel Global Power's business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal and available financing arrangements for coal-related projects. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal-generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt San Miguel Global Power's operations. As a result of the above, San Miguel Global Power's business, financial condition, results of operations and prospects may be materially and adversely affected.

SMGP continues to pursue a diversified power portfolio which includes renewable energy plants and is confident that it can leverage on its existing network of partners should the need arise to source energy from eligible renewable energy sources.

ERC Regulation of electricity rates of distribution utilities

The imposition of more stringent regulations and similar measures by the ERC could have a material adverse effect on the business, financial conditions and results of operations of San Miguel Global Power.

Sales to distribution utilities account for majority of the consolidated sales volume of San Miguel Global Power for the year ended December 31, 2023. While rates charged by San Miguel Global Power through its subsidiaries under their offtake agreements, including those with distribution utilities, are not regulated by the ERC, the rates that distribution utility customers charge to their customers are subject to review and approval by the ERC. Accordingly, the ability of distribution utility customers to pay the subsidiaries of San Miguel Global Power largely depends on their ability to pass on their power costs to their customers. There is also no assurance that the current laws, regulations, and issuances affecting the industry, particularly the EPIRA and the issuances of the ERC, will not change or be amended in the future.

There is no assurance that the ERC will permit the distribution utility customers of the subsidiaries of San Miguel Global Power to pass on or increase their rates or that subsequent reviews by the ERC will not result in the cancellation of any such increases or require such distribution utility customers to refund payments previously received from their customers. In addition, there is no assurance that any rate increases approved by the ERC will not be overturned by Philippine courts on appeal.

In May 2019, the Supreme Court issued a ruling in respect of the following ERC resolutions:

- Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply to the Captive Market" ("**CSP Guidelines**"); and
- Resolution No. 1, Series of 2016, entitled "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015" ("**ERC Clarificatory Resolution**")

The CSP Guidelines and the ERC Clarificatory Resolution were issued by the ERC to implement the CSP, pursuant to the DOE's Department Circular No. DC 2015-06-0008 mandating all distribution utilities to undergo CSP in securing power supply agreements.

In its decision, the SC, acting on a petition filed by certain entities, declared as void the first paragraph of Section 4 of the CSP Guidelines and the ERC Clarificatory Resolution. Consequently, all PSAs filed with the ERC on or after June 30, 2015 were directed to comply with the CSP in accordance with prevailing rules and regulations. The power purchase cost resulting from the CSP (the "**CSP Power Purchase Cost**") would be the generation cost which the relevant distribution utility may pass on to its customers commencing on June 30, 2015. In a resolution dated July 23, 2019, the Supreme Court denied with finality all motions for reconsideration filed by various parties. In consideration of the foregoing, the PSA between Meralco and MPGC, and the PSA between Meralco and CLPPC, were voluntarily terminated by mutual agreement of the relevant parties. San Miguel Global Power intends to participate in the power supply requirements of Meralco estimated to be up to 4,200 MW and for which bidding is expected over the next few years, following the CSP bidding of 1,800 MW in greenfield capacity in January 2021 in which the entire 1,800 MW was awarded to San Miguel Global Power's subsidiaries, EERI and MPCL. The notices of award were issued on February 6, 2021 and the PSAs with Meralco were executed on March 2, 2021. As ERC approvals on these PSAs remain pending to date, the PSAs were terminated by San Miguel Global Power effective April 1, 2023.

Further, as a result of the decision, the ERC released orders to the joint applicants of various PSA applications (the "**Joint PSA Applications**") filed during the affected period requiring them to comply with the CSP requirements under DOE Circular No. DC 2018-02-0003 (the "**DOE CSP Policy**") and to submit the necessary DOE certifications attesting their compliance to the said circular (the "**2019 ERC Orders**"). The lack of the necessary DOE certifications could result in the dismissal of the relevant Joint PSA Applications.

In October 2019, San Miguel Global Power, together with certain distribution utilities and electric cooperatives, filed motions for reconsideration of the 2019 ERC Orders claiming that the DOE CSP Policy should not apply to such Joint PSA Applications primarily on the ground that these were entered into before the implementation of the DOE CSP Policy in 2018. As of December 31, 2023, some of the motions for reconsiderations filed by the subsidiaries of San Miguel Global Power and its respective counterparty dUs were decided against the Company to which the relevant subsidiaries of San Miguel Global Power has filed its respective Petitions for Review with Prayer for the Urgent Issuance of a temporary Restraining Order. These cases remain pending to date.

In a CSP conducted by Meralco on January 5 and January 23, 2024, EERI, MPGC and SPPC emerged among the lowest bidders and are therefore set to supply 2,700 MW out of the 3,000 MW power requirement of Meralco with 1,200 MW, 300 MW and 1,200 MW in offered capacity, respectively[16] [17] [18]. The contracts are for a term of 15 years[19] and has full fuel pass-through scheme.

[16] https://www.bworldonline.com/corporate/2024/01/08/567234/3-gencos-to-supply-meralcos-1800-mw-power-requirement/
[17] https://powerphilippines.com/meralco-names-lowest-bids-for-1800-mw-supply-requirements/
[18] https://mb.com.ph/2024/1/23/smc-unit-submits-best-bid-for-meralco-s-power-supply
[19] https://company.meralco.com.ph/csp/ongoingbids

In another CSP conducted by Meralco on February 26, 2024, Limay Power Inc. emerged as the winning bidder for the latter's 400 MW power requirement[20]. The contract is for a term of one (1) year and explicitly provides for a full fuel pass-through scheme.

The ERC in the exercise of its regulatory powers may also impose fines, penalties, or sanctions on San Miguel Global Power in appropriate cases. Any such fines, penalties, sanctions or restriction on the ability of distribution utilities and/or generation companies to pass on such costs or any intervention in such rates could have a material adverse effect on the business, financial conditions and results of operations of San Miguel Global Power.

SMGP continues to engage in comprehensive discussions and maintains good working relationship with the ERC to obtain proper resolution of its pending applications for tariff approval.

Trading on the WESM is affected by market volatility

While the subsidiaries of San Miguel Global Power only sell a small amount of power through the WESM, volatile market conditions on the WESM may nevertheless pose risks to San Miguel Global Power regardless of whether there is a shortage or a surplus of energy available. When the WESM experiences a shortage, there is little risk to suppliers in terms of their value-position being destroyed. However, such a suppliers' market exposes these suppliers to the risk that regulatory agencies may intervene (directly or indirectly) to dictate prices and dispatch of power plants. Consumer outrage, triggered by high prices, could precipitate attempts to suspend the WESM and return to subsidized rates regimes. Regardless of whether such a suspension ultimately comes to pass, market anticipation of such an occurrence could lead to value-destructive market distortions. On the other hand, a surplus market tends to cause spot market prices to reflect the marginal cost of producing power. One of the main features of the WESM is a merit-order dispatch scheme wherein the cheapest sources of power, such as power produced from geothermal and hydroelectric energy, are dispatched first, before the more expensive power providers. While a supplier can mitigate its exposure to surplus risks by contracting the bulk of its capacity to offtakers to protect against low spot prices, as the subsidiaries of San Miguel Global Power have done, this also caps a supplier's ability to take advantage of price spikes caused by temporary market shortages.

As of December 31, 2023, the ERC has maintained a reduced primary bid cap of ₱32,000 per MWh. In addition, a permanent secondary price cap limits spot prices to ₱6,245 per MWh for as long as cumulative spot prices breach a certain threshold. Prices are automatically capped at ₱6,245 per MWh for hours where the average price for the last 72-hours exceeds ₱9,000 per MWh.

The occurrence of such events could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

Majority of the capacity of the subsidiaries of San Miguel Global Power is contracted through PSAs with various offtakers. In addition, San Miguel Global Power continues to engage in comprehensive discussions and maintains good working relationship with the PEMC to align its trading strategies with reasonable and acceptable standards and best practices.

San Miguel Global Power is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. San Miguel Global Power also continues to engage in comprehensive discussions and maintains good working relationship with its employees and other contractual counterparties. Further, San Miguel Global Power maintains a strong compliance culture and has processes in place in order to manage adherence to laws, regulations and contractual commitments.

RISKS RELATING TO THE INFRASTRUCTURE BUSINESS

Completion of infrastructure projects

SMC may not be able to fully realize the benefits of pursuing its diversification strategy through its Infrastructure

[20] https://www.philstar.com/business/2024/02/28/2336572/meralco-secures-400-mw-supply-requirement-smcs-limay-power

business as the completion of Infrastructure projects is subject to various risks, uncertainties, and limitations including:

- the need to procure materials, equipment, and services at reasonable costs and in a timely manner;
- reliance on the performance of third-party providers and consultants which have an impact on the overall operating performance of the Infrastructure business; the possible need to raise additional financing to fund Infrastructure projects, which SMHC may be unable to obtain on satisfactory commercial terms or at all;
- deficiencies or delays in the design, engineering, construction, installation, inspection, commissioning, management or operation of projects, where applicable;
- penalties if concession requirements are not satisfied;
- the timely delivery by the Government of any rights of way for its projects;
- its ability to complete projects according to budgeted costs and schedules;
- market risks;
- environmental or weather disturbances and other force majeure events that can delay project construction and slow down daily operations;
- non-implementation of toll or fare adjustments provided under its concession;
- regulatory risks; and
- delays in Government undertakings and/or denials of required approvals, including required concessional and environmental approvals.

Occurrence of the aforementioned events could result in delays, cost overruns, unsatisfactory construction or development, or the total or partial loss of the interest of SMHC in the relevant project and have a material adverse effect on the business, financial condition, results of operation, and future growth prospects of SMHC.

SMHC continuously undertakes prudent review and due diligence in the construction of its projects. SMHC also has well-equipped technical people who monitor daily construction activities and the overall progress of the projects. Backed by strong shareholder support from SMC, a sustainable stream of cashflows, experienced management team, and good relationship with government agencies and contractors, SMHC believes that it can withstand such events to see through the completion of such projects.

Enforceability of concession agreements

The continuity of operations of the Infrastructure business is highly dependent on the validity and enforceability of the applicable concession agreements which contain all the obligations and responsibility of the concessionaire and grantor over the relevant concession period.

There is no assurance that the Government will not push for the renegotiation of the terms of other concession agreements or similar agreements which it deems to be onerous, disadvantageous or inequitable. Any such compulsory renegotiation of signed agreements may create uncertainty or instability in the business environment in the Philippines which, in turn, could have a material impact on the Infrastructure's business, financial position, and results of operations.

The Infrastructure business has been compliant with and continues to perform its obligations under the applicable concession agreements which include (but not limited to) constructing, designing, and financing its various Infrastructure projects.

Inability to secure tariff increases

The commercial success of the Infrastructure business depends in part on its ability to implement tariff increases. While tariff increases are permitted contractually pursuant to pricing formulas set forth in the applicable concession agreements, these may be subject to the approval of relevant government and regulatory agencies. Any delay or constraint on the ability to increase tariffs could have a material adverse effect on business, financial condition, and results of operations of the Infrastructure business.

SLEX, formerly South Luzon Tollway Corporation, has filed five (5) petitions for periodic toll rate adjustment with the TRB from 2012 to 2022. On June 21, 2023, TRB issued its Notice of Consolidated Resolution for the approval

of the 2012 and 2014 periodic toll rate adjustment petitions, to be implemented on a staggered basis. SLEX still has three (3) pending petitions for periodic toll rate adjustments which were submitted on September 28, 2018, September 30, 2020 and September 30, 2022, respectively.

SLEX continues to engage in comprehensive discussions and good working relationship with the TRB to obtain a proper resolution of the pending toll rate adjustments. In addition, the administration under President Ferdinand R. Marcos Jr. has given focus and aims to increase Infrastructure spending to 5-6% of GDP and has provided great optimism to the Infrastructure sector. This is a positive indication that long delayed Public Private Partnership ("**PPP**") Projects will be implemented, including the approvals of pending toll rate adjustments.

Star Infrastructure Development Corporation ("**SIDC**") also submitted a letter dated October 28, 2014 requesting the TRB to approve the implementation of the toll rate increase for the additional works for Stage 2 Phase 2. SIDC has already provided all the required certificates and requirements needed by TRB for the approval of implementation of adjusted toll rate. On November 2017, the TRB implemented 50% of the approved increase in toll rate of ₱1.361/km. On October 24, 2018, the TRB Board issued that the approved ₱0.674/km is permanent and final. SIDC submitted an Appeal Memorandum to the Office of the President last January 20, 2020 to reverse the TRB's resolution and grant SIDC the right to collect the full toll rate of ₱1.361/km at STAR without need of publication.

On June 29, 2020, TRB issued a Consolidated Resolution related to the Petition for Approval of the Periodic Toll Rate Adjustment filed by SIDC on September 26, 2011 and September 30, 2014, respectively, approving and allowing the new authorized toll rates for the STAR to be implemented at ₱2.477762/km. After complying with all the requirements, TRB issued the Notice to Start collection on July 3, 2021 which was implemented by SIDC on July 15, 2021.

SIDC has three (3) pending petitions for the Approval of Periodic Toll Rate Adjustment: (i) the 2017 petition for the Periodic Toll Rate Adjustment of 2018 to 2020 which was submitted last October 2, 2017, (ii) the 2020 petition for the Periodic Toll Rate Adjustment of 2021 to 2023 that was submitted last September 30, 2020, and (iii) the 2023 petition for the Periodic Toll Rate Adjustment of 2024 to 2026 which was submitted last October 2, 2023.

The Infrastructure business continues to engage in comprehensive discussions and has good working relationships with the relevant government and regulatory agencies to obtain proper resolutions to the pending tariff increases.

Decrease in utilization of projects

The commercial success of the Infrastructure business depends in part on the ability to maintain or increase utilization of its Infrastructure facilities. External events may decrease the number of vehicles, airplanes or passengers that utilize the Infrastructure facilities such as rising oil prices which may result in fewer passenger vehicle journeys and increase in cost of airfares. Any decrease in utilization or any factor that would decrease patronage could have a material adverse effect on the financial condition and results of operations of the Infrastructure business.

The Infrastructure business continually adopts efficiency improvement programs (such as implementation of the Radio Frequency ID system for its toll road systems) and regular improvements and maintenance of the facilities that would improve utilization while providing convenience to motorists.

Obtaining new concessions or projects

SMHC's plans in relation to the Infrastructure business contemplate the continued acquisition of new concessions and projects, successful participation in bids for projects as well as exploring opportunities in other sectors. SMHC's ability to expand its business and increase operating profits is dependent on many external factors and events that are outside its control, including changes in governmental laws and policies.

RISKS RELATING TO THE CEMENT BUSINESS

Cost to Produce, Environmental Considerations, and Unabated Entry of Imported Cement

While the Cement businesses of SMC rely on their own mining permits to provide a source for primary raw materials and requirements, the cement manufacturing process, particularly, the use of kilns for pyro-processing, is still heavily reliant on coal procured from external sources. The cement industry thus remains sensitive to the price changes in the coal market. Furthermore, the cement manufacturing process is an energy-intensive industry which likewise makes the cement dependent on the rising cost of energy. Cement manufacturing plants are classified by the government as environmentally critical activities which results to its heavy regulations, where any violations could potentially cause the suspension or closure of operations of cement plants. The cement business is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the cement business maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. Even with safeguard measures and dumping duties imposed by the government, this did not discourage importers from aggressively flooding the domestic market with lower-priced cement. This results to a lower demand in domestic cement Rising costs and decreased demand may potentially result to suspension of cement plant operations. Nonetheless, reducing energy costs and compliance with environmental regulations go hand in hand. Reduction of energy usage through improved process efficiency, or use of alternative fuels lessen not only the cost to produce, but also emissions, which is made possible through the investment of cement businesses to modern, state-of-the-art equipment.

The Cement business believes the future growth of imported cement may be restricted due to limitations in port capacity and infrastructure in or near major areas of economic activity which constitute a significant demand for cement. In addition, the unloading of imported cement is not currently considered a first priority by port authorities.

Entry of new players and increasing cement importers in the market

The cement industry in the Philippines is highly competitive given the number of multinational cement companies with an array of high brand equity product offerings. New market entrants, and increasing clinker and cement imports in the country may also pose competition risk for the Cement business. Competition often involves aggressive pricing strategies to gain or protect market share. In addition to domestic competition, the Cement business may also lose market share or experience a decline in revenue growth in the event it is unable to compete effectively against imports.

The Cement business' model and end-to-end production strategy provide effective cost management in every production process allowing higher efficiency, profitability, and operating synergy to compete in the industry. Given its key strengths and track record to date, the Cement business believes it can continue to compete strongly against new and existing players and cement importers in the industry.

Aggressive price competition from an un-curtailed level of cement importation by other players

The cement industry in the Philippines is highly competitive given the number of multinational cement companies with an array of product offerings with high brand equity as well as the recent entry of imported clinker and cement in the country. Competition often involves aggressive pricing strategies to gain or protect market share. In addition to domestic competition, the cement business may also lose market share or experience a decline in revenue growth in the event it is unable to compete effectively against imports.

As an efficient cement producer, aggressive competition is welcomed by the cement business as it allows them to place amongst the top market players. To support this, in a short space of time, the cement business has risen to become one (1) of the four (4) strong players in terms of market share despite the limited track record relative to its competitors who have already established a strong presence both locally and internationally for many years. Because of its strengths, the cement business is able to price its products competitively against other market players. The cement business will continue to capitalize and improve on these strengths to be a market mover in the cement industry.

The Cement business may also face tighter competition due to un-curtailed cement importation by foreign players or independent traders at substantially lower prices. The entry of imported cement priced at a discount

to market may result in a significant decrease of cement prices affecting the profitability of all domestic manufacturers. Countries with excess cement supply may potentially export cement products to the Philippines, including Vietnam, Indonesia, Thailand, and China. The Cement Manufacturers Association of the Philippines ("CEMAP") recorded that total imports increased by 14% year-on-year from 6.25MT of cement in 2023, while imports from Vietnam increased by 20% year-on-year from 5.4MT. The executive director of CEMAP said that imports of cement rose by 64% year-on-year to 1.74MT in the first quarter of 2019 from 1.06MT in the same period in 2018 despite the provisional safeguard measure being in place.

The Cement business believes the future growth of imported cement may be restricted due to limitations in port capacity and infrastructure in or near major areas of economic activity which constitute a significant demand for cement. In addition, the unloading of imported cement is not currently considered a first priority by port authorities.

The business, prospects, financial condition and results of operations of the cement business depend on the ability to compete effectively and maintain or increase market share. In the relatively consolidated cement industry, the cement business primarily competes based on product quality, market coverage, distribution network, product offerings, marketing strategy, brand equity and pricing.

Non-compliance with the Government's environmental standards

The businesses and operations of the cement business are subject to a number of health, safety, security and environment laws, rules and regulations governing the cement industry in the Philippines. These laws and regulations impose requirements relating to raw materials sourcing, cement manufacturing, and other aspects of the business of the cement business. In particular, the cement business is subject to extensive regulation by the Department of Environment and Natural Resources ("DENR"), Department of Energy ("DOE"), and local government units ("LGU").

In particular, raw material sourcing and cement manufacturing are considered environmentally critical activities for which an Environmental Impact Study ("EIS") and an Environmental Compliance Certificate ("ECC") are mandatory. Environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations as well as any costs related to fines and penalties.

While the cement business believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has all the applicable and material permits and licenses necessary to operate its businesses as currently conducted. There is no assurance that changes in laws, rules or regulations or the interpretation thereof of relevant government agencies, may not adversely impact the business operations, financial condition and results of operations of the cement business. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the cement business, including the revocation or suspension of the licenses or operation of its facilities, all of which could adversely impact the business, prospects, financial condition, and results of operation of the cement business.

The cement business owns Mineral Production Sharing Agreements ("MPSAs") which provide access to substantial limestone reserves. Given the reliance of the cement business on such mineral deposits to produce cement, the cement business is hence exposed to possible unfavorable findings of the DENR and may run the risk of being subject to penalties or worse, the revocation of any or all of its MPSAs. The cement business benefits from its own limestone reserves which the MPSAs provide and as such, is able to price competitively relative to other cement manufacturers. Should the MPSAs of the cement business be revoked, the cement business may resort to importation of clinker which is subject to price volatilities, thereby potentially reducing its margins.

The cement business is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the cement business maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

The conditions under MPSA and relevant environmental laws and regulations require cement businesses to implement its approved work programs. The cement business demonstrates its commitment to adhere with these provisions by setting aside funds to implement the Environmental Protection and Enhancement Program, and by employing best practices in environmental management and mining methods to reduce the impact of mining in the environment such as maximizing the contract areas and improving the best use of mineral commodities through technological efficiency. The cement business also has a dedicated compliance team which monitors changes in environmental laws and ensures that all plants and mining sites are in compliance with relevant environmental regulations. For example, the renewal of the MPSA of NCC for another twenty-five years is a testament to an excellent culture of compliance exhibited by the cement business.

Prolonged or major disruption of operations in any of the cement business's main manufacturing plants

The cement business owns and operates two (2) fully-integrated cement production facilities in Sison, Province of Pangasinan (NCC) and in Barangay Akle, San Ildefonso, Province of Bulacan (Eagle Cement), a cement grinding plant Santa Cruz, Province of Davao Del Sur (SCII), a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant in San Ildefonso, Bulacan (Eagle Cement), and a grinding and packaging facility in Limay, Bataan (Eagle Cement). As a whole, the cement business has a total annual rated cement production capacity of approximately 17.53 million MTPY of finished cement.

The plants of the Cement business, are subject to risks present in manufacturing plants such as equipment breakdowns, labor-related disruptions, natural calamities, ordinances or directives from Government agencies and power interruptions. The cement business plants are exposed to periodic repair, maintenance or servicing, plant breakdowns, industrial accidents, government action, equipment failure, human error, any sustained disruptions in the supply of raw materials and utilities such as water or electricity, natural calamities or communal unrest or acts of terrorism which may affect the normal operations of the cement business. Any prolonged major disruption caused by any of the above will cause damage to cement plants or inventories and as such may impact negatively on the financial condition and business operations of the cement business.

In any given year, the production lines of the business' cement plants are typically shut down for a period of 30 days in aggregate for major maintenance and repair and an additional 20 days in aggregate for minor maintenance works. The business' grinding plants also has shutdown period for maintenance and repairs. The shutdowns of the production lines are scheduled in intervals to ensure that the plant remains operational and in good condition. This operational flexibility is improved by the recent completion of Line A of Pangasinan Plant of NCC, and will be further enhanced with the completion of Line 3 of Bulacan Plant of Eagle Cement, and Line B of Pangasinan Plant of NCC. Furthermore, the Cement business has also procured the necessary insurances in line with industry practice which help mitigate certain risks such as business disruptions, natural calamities and third-party liabilities.

Growth slowdown in certain key industries in the Philippines

Historically, the performance of the cement industry is primarily driven by the growth in the construction, real estate, and infrastructure industries. Growth in these key industries may be affected by certain factors including market trend, overall economic growth and government policy.

The Cement business primarily serves the construction industry and by extension the infrastructure and real estate sectors. Despite the strong consumption of cement shown by the cement industry in recent years, it may still be affected should there be a national economic downturn leading to the delay of construction projects and real estate developments. A change in government policy and lowered budget spending on infrastructure may also lead to lower sales growth expectations.

There is no assurance that the construction industry and real estate and infrastructure sectors will continue to experience significant growth in the future. Any unforeseen decline in cement demand from these industries may adversely affect the business, prospects, financial condition and results of operation of the cement business.

The Cement business has been optimizing its synergy within the SMC Group capitalizing on its strength being the only Filipino-owned cement companies who understand and is responsive to the Philippine Setting with abundant mineral reserves that are more than sufficient to support both the current operations and the expansion plans of its business. It has also been maximizing its material sourcing, operational improvements, to be the lowest cost-producer of cement in the country. We integrate raw material sourcing with modern manufacturing and technology which results in one of the most efficient and high-quality cement manufacturing operators. The Cement business' end-to-end production strategy allows us to achieve healthy margins against our peers.

SMC believes its cement business can leverage on the opportunities within the SMC Group to promote growth and strengthening its distribution reach specifically in Luzon. The Cement business also maintains its strong presence in key areas with the highest economic activities in the Philippines.

RISKS RELATING TO THE PHILIPPINES

Concentration of SMC's operations and assets in the Philippines

Historically, the financial condition and results of operations of SMC have been influenced to a significant degree by the general state of the Philippine economy and the overall levels of business activity in the Philippines, and the Company expects that this will continue to be the case in the future. The Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso, and the imposition of exchange controls. The Company cannot assure prospective investors that one (1) or more of these factors will not negatively impact the purchasing power of the Philippine consumers. Demand for many of the products of SMC is tied closely to domestic consumer purchasing power and disposable income levels. In addition, as the businesses expand their product and brand portfolios in higher-priced Premium market segments in their respective industries, their businesses and prospects will be increasingly affected by any deterioration in consumer purchasing power. Any decrease in consumer purchasing power and disposable income levels could have a material adverse effect on the business, operations, and financial condition of SMC.

The Philippines experienced slower GDP growth in 2023, at 5.5%, relative to the previous year's expansion of 7.6%. Nonetheless, 4Q2023 growth marked the 11th consecutive quarterly expansion since the country's initial recovery from the pandemic, while full-year 2023 growth beat the median projection of 5.3% by firms surveyed by Bloomberg and marked expansion that outpaced other major economies in Asia, such as China (5.2%), Vietnam (5.0%) and Malaysia (3.8%).

While the Philippines is still poised for economic growth in the year ahead, outlook on expansion has been tempered on account of domestic and global development. The World Bank (as of April 2024 through their report, East Asia and Pacific Economic Update), as well as reports from the International Monetary Fund and the Asian Development Bank, expects the Philippine economy to grow between 5.8% to 6.2% by this year, and between 5.9% to 6.2% in 2025. This is below the Department of Budget and Coordination Committee's (DBCC) 2024 GDP target which, previously set at 6.5% to 7.5%, was revised downward by the DBCC in April 2024 to a range of 6.0% to 7.0%.

In 2023, domestic inflation remained elevated at 6.0%, compared to 5.8% the prior year. The BSP raised the overnight reverse repurchase rate by a total of 100 bps in 2023, including a 25 bps off-cycle hike in October 2023 as the Monetary Board recognized 'the need for urgent monetary action to prevent supply-side pressures from inducing additional second-round effects and further dislodging inflation expectations'. Since then, rates have been kept steady with the overnight reverse repurchase facility at 6.50%, and the overnight deposit facility and overnight lending facility at 6.00% and 7.00%, respectively.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to grow its energy portfolio, and its ability to implement the Company's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

Factors that may adversely affect the Philippine economy include: decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally; scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally; exchange rate fluctuations and foreign exchange controls; rising inflation or increases in interest rates; levels of employment, consumer confidence and income; changes in the Government's fiscal and regulatory policies; Government budget deficits; adverse trends in the current accounts and balance of payments of the Philippine economy; public health epidemics or outbreaks of diseases, such as re-emergence of Middle East respiratory syndrome-corona virus, severe acute respiratory syndrome, avian influenza (commonly known as bird flu) or H1N1, and the recent novel Coronavirus (COVID-19), or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia; natural disasters, including but not limited to tsunamis, typhoons, volcanic eruptions, earthquakes, fires, floods and similar events; political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and other regulatory, social, political or economic developments in or affecting the Philippines.

SMC is one of the largest and most diversified conglomerates in the Philippines by revenue and total assets. Nonetheless, any downturn in the Philippine economy may have a negative impact on consumer sentiment and general business conditions in the Philippines, which may materially reduce the revenues, profitability and cash flows of the Company. Moreover, there is no assurance that current or future government policies would continue to be conducive to sustaining economic growth.

Political instability in the Philippines

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two (2) former presidents, two (2) chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of SMC.

A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's businesses prospects, financial condition, and results of operations.

Acts of terrorism, clashes with separatist groups and violent crimes

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("**ISIS**"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, while the state of national emergency was lifted on July 25, 2023.

An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

Territorial disputes

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine (9)-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("**UNCLOS"**). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine (9)-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine Peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect SMC's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

Natural catastrophes

SMC's business and operations could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, public epidemics, outbreak of diseases, and other unforeseen circumstances and problems. The Philippines has experienced a number of major natural catastrophes over the past years, including typhoons, , such as super typhoon Rolly in late October 2020, super typhoon Betty in late May 2023, volcanic eruptions such as the Taal Volcano eruption in January 2020, earthquakes such as the 7.0-magnitude earthquake in Tayum, Abra in July 2022, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. Natural catastrophes may materially disrupt and adversely affect the business, operations, and financial condition of SMC. There is no assurance that the insurance coverage SMC maintains for these risks will adequately compensate it for all damages and economic losses resulting from natural catastrophes.

Downgrade of Philippine credit rating

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are residents in the Philippines, such as SMC. Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Since December 31, 2019, the Philippines' long-term foreign-currency denominated debt was rated Baa2 by Moody's, BBB+ S&P Global Ratings, and BBB by Fitch (no update on this as of 2024). As of November 2023, Fitch Ratings affirmed its stable outlook and long-term foreign currency issuer default rating at 'BBB'. Likewise the Japan Credit Rating Agency' report last March 6, 2024 affirmed the stable outlook with an investment-grade credit rating at 'A-'. The ratings mainly reflect the country's high and sustained economic growth supported by solid domestic demand, a low level external debt, its resilience to external shocks supported by accumulated foreign exchange reserves, and its solid fiscal base. However, no assurance can be given that Fitch, Moody's, S&P Global Ratings or any other international credit

rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Company. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including SMC, to raise additional financing, and will increase borrowing and other costs.

Corporate governance, disclosure and financial reporting standards

There may be less publicly available information about Philippine public companies, including SMC, than is regularly made available by public companies in other countries. In addition, although the Company complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. The Philippine SEC considers as best practice for public companies such as SMC, to have at least three (3) independent directors, or such number as to constitute one-third (1/3) of the board, whichever is higher. While SMC has adopted the recommended best practices of the Philippine SEC and is compliant with Philippine laws, rules and regulations, a greater number of independent directors may be required in other jurisdictions.

Foreign exchange controls

Generally, the Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, has the statutory authority to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

SMC purchases certain critical key inputs from abroad and requires foreign currency to make these purchases. There is no assurance that the Philippine government will not impose economic restrictions or regulatory controls that may restrict free access to foreign currency. Any such restrictions could severely curtail the ability of SMC to pay for certain key inputs or to meet its foreign currency payment obligations, which could materially and adversely affect its financial condition and results of operations.

RISKS RELATED TO THE OFFER

The Offer Bonds may not be a suitable investment for all investors

Each potential investor of the Offer Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Offer Bonds, the merits and risks of investing in the Offer Bonds and the information contained in this Offer Supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Bonds and the impact the Offer Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Offer Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic conditions, interest rate, foreign exchange rate, Issuer's credit risk, and other factors that may affect its investment and its ability to bear the applicable risks.

Each investor should have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Bonds.

An active or liquid trading market for the Offer Bonds may not develop

The Offer Bonds are a new issue of securities for which there is currently no trading market. Even if the Offer Bonds are listed on the PDEx, trading in securities such as the Offer Bonds may be subject to extreme volatility

at times, in response to fluctuating interest rates, developments in local and international capital markets, and the overall market for debt securities among other factors, which may affect liquidity. Although the Offer Bonds are intended to be listed on PDEx as soon as reasonably practicable, no assurance can be given that an active trading market for the Offer Bonds will develop and, if such a market were to develop, the Joint Lead Underwriters and Bookrunners are under no obligation to maintain such a market. The liquidity and the market prices for the Offer Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company, and other factors that generally influence the market prices of securities.

The Company has no control over this risk as active trading of the Offer Bonds is highly dependent on the Bondholders.

The Issuer may be unable to redeem the Offer Bonds

Upon maturity, the Issuer will be required to redeem all of the Offer Bonds. At such event, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Offer Bonds in time, or on acceptable terms, or at all. The ability to redeem the Offer Bonds in such event may also be limited by the terms of other debt instruments. The failure by the Issuer to repay, repurchase or redeem tendered Offer Bonds would constitute an event of default under the Offer Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer.

The Issuer has a very strong business franchise in the Philippines. It has a robust recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Issuer believes that it has sufficient resources which will allow it to service the principal and interest of the Offer Bonds.

Holders of the Offer Bonds may not be able to reinvest at a similar return on investment

Prior to the relevant maturity dates of the Offer Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Offer Bonds on the relevant Optional Redemption Dates (see "*Description of the Offer Bonds*" on page 45 of this Offer Supplement). Subject to the specific terms and conditions of the Offer Bonds, in the event that the Company exercises this early redemption option, all Offer Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed Offer Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

The Bondholder may face possible gain or loss if the Offer Bonds are sold at the secondary market

As with all fixed income securities, the Offer Bonds' market values move (either up or down) depending on the change in interest rates. The Offer Bonds when sold in the secondary market are worth more if interest rates decrease since the Offer Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Offer Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Offer Bonds.

The Offer Bonds may not be able to retain its credit rating

There is no assurance that the rating of the Offer Bonds will be retained throughout the life of the Offer Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

The Offer Bonds have no preference under Article 2244(14) of the Civil Code

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Offer Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or Bondholder hereinafter have a preference or priority over the Offer Bonds as a result of notarization, then the Issuer shall, at the Issuer's option,

either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Offer Bonds as may be practicable.

There can be no guarantee that the Offer Bonds will be listed on the PDEx

Purchasers of the Offer Bonds will be required to pay for such Offer Bonds prior to the listing date of the Offer Bonds. There can be no guarantee that listing will occur on the anticipated listing date. Delays in the admission and the commencement of trading of the Offer Bonds in the PDEx may occur. If the PDEx does not admit the Offer Bonds, the market for the Offer Bonds will be illiquid and bondholders may not be able to trade the Offer Bonds. This may materially and adversely affect the value of the Offer Bonds.

Risks Related to Statements Made in this Offer Supplement

Certain statistics in this Offer Supplement relating to the Philippines, the industries and markets in which the business of the Company operates, including statistics relating to market size and market share, are derived from various government and private publications, including those produced by industry associations and research groups. This information has not been independently verified and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines.

CAPITALIZATION

The following table sets forth the audited consolidated short-term and long-term debt and capitalization of SMC as of December 31, 2023. This table should be read in conjunction with the more detailed information and reviewed and audited financial statements, including notes thereto, found in Appendix A of this Offer Supplement.

(in ₱Millions)	As at December 31, 2023	Adjustments	Notes	As adjusted for Base Offer Size of ₱15 billion	As adjusted for maximum Offer Size of ₱20 billion
Current Liabilities					
Loans payable	214,881			214,881	214,881
Accounts payable and accrued expenses	223,055			223,055	223,055
Lease liabilities – current portion	19,631			19,631	19,631
Income and other taxes payable	46,254			46,254	46,254
Dividends payable	4,605			4,605	4,605
Current maturities of long-term debt – net of debt issue cost	236,798			236,798	236,798
Total Current Liabilities	745,224			745,224	745,224
Noncurrent Liabilities					
Long term debt – net of current maturities and debt issue costs	953,786	14,807	*1a*	968,593	973,536
		4,943	*1b*		
Lease liabilities – net of current portion	36,941			36,941	36,941
Deferred tax liabilities	29,503			29,503	29,503
Other noncurrent liabilities	28,745			28,745	28,745
Total Noncurrent Liabilities	1,048,975			1,063,782	1,068,725
Equity Attributable to Equity Holders of the Parent Company					
Capital stock – common	16,443			16,443	16,443
Capital stock – preferred	10,187			10,187	10,187
Additional paid-in capital	177,468			177,468	177,468
Capital securities	24,211			24,211	24,211
Equity reserves	7,354			7,354	7,354
Retained earnings					
Appropriated	87,170			87,170	87,170
Unappropriated	103,151			103,151	103,151
Treasury Stock	(109,763)			(109,763)	(109,763)
	316,221			316,221	316,221
Non-controlling interests	**348,945**			**348,945**	**348,945**
Total Equity	**665,166**			**665,166**	**665,166**
Total Capitalization	**2,459,365**		*2*	**2,474,172**	**2,479,115**

[1] Adjusted amount as of December 31, 2023 includes proceeds of (a) ₱15 billion base offer size with an (b) oversubscription of ₱5 billion, after deduction of fees, commissions and expenses.
[2] Total capitalization is the sum of debt and equity.

USE OF PROCEEDS

SMC expects to raise ₱15,000,000,000 as gross proceeds from the Base Offer. The Company estimates that the net proceeds from the Base Offer, after deducting expenses payable by the Company, will be approximately ₱14,806,830,370.00, estimated as follows:

Particulars	Total (Php)
Estimated proceeds from the Base Offer	15,000,000,000.00
Less: Estimated fees, commissions and expenses	
*Gross Underwriting Fees**	60,000,000.00
Documentary Stamp Taxes to be paid by the Company	112,500,000.00
SEC Registration Fee, SEC Legal Research and DST	5,049,630.00
PDEx Listing Application Fee	200,000.00
Listing and Maintenance Fee	300,000.00
Legal Fees	4,000,000.00
Other Professional Fees	2,000,000.00
Rating Fee	4,000,000.00
Trustee Fees	120,000.00
Registry and Paying Agency Fees	2,000,000.00
Other expenses for publication, marketing, and out of pocket expenses of the underwriters and professional advisers, excluding the legal fees of the underwriter's counsel	3,000,000.00
Total estimated fees, commissions, and expenses	193,169,630.00
Estimated net proceeds	14,806,830,370.00

** The underwriting fees and any selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.40% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners and any commissions to be paid to the Selling Agent.*

Assuming full exercise of the Oversubscription Option, the Company estimates that the net proceeds from the full exercise of the Oversubscription Option shall amount to approximately ₱4,942,500,000.00, after deducting the following fees, commissions and expenses:

Particulars	Total (Php)
Estimated proceeds from the Oversubscription	5,000,000,000.00
Less: Estimated fees, commissions, and expenses	
Gross Underwriting Fees	20,000,000.00
Documentary Stamp Taxes to be paid by the Company	37,500,000.00
Total estimated fees, commissions, and expenses	57,500,000.00
Estimated net proceeds	4,942,500,000.00

Aside from the foregoing one (1)-time costs, the Issuer expects the following annual expenses related to the Offer Bonds:

1. the Issuer will be charged by the PDEx for the first annual maintenance fee in advance upon approval of the listing and thereafter, the Issuer will pay PDEx an annual maintenance listing fee amounting to approximately ₱450,000.00;
2. the Issuer will pay an annual retainer fee to the Trustee amounting to approximately ₱120,000.00;

3. after the Issue Date, a Paying Agency fee amounting to approximately ₱100,000.00 will be paid by the Issuer every Interest Payment Date. The Issuer will pay a monthly maintenance fee charged by the Registrar based on the face value of the Offer Bonds and number of Bondholders; and
4. the Issuer will pay an annual monitoring fee of approximately ₱560,000.00 to PhilRatings.

USE OF PROCEEDS

The entire net proceeds for this Offer will be used for the Redemption of the Series I Bonds as a result of the Put Option Exercise of its bondholders, investments in MIA and other airport related projects in Bulakan, Bulacan, and repayment of Series F Bonds.

Investments in MIA and Other Airport Related Projects in Bulakan, Bulacan

The Company intends to use up to ₱6.07 billion from the net proceeds of the Offer to invest in the Airport and other airport-related projects, by way of equity, debt, or other instruments, within twenty-four (24) months from the Issue Date.

As discussed on page 83 of the Prospectus dated June 17, 2021, on September 18, 2019, San Miguel Aerocity Inc. ("**SMAI**"), signed a concession agreement with the Department of Transportation to construct and operate MIA that is envisioned to be an aerotropolis, fill the gap and set the standard for a modern, world-class international airport that will address today's and future capacity requirements for air travel in the Philippines. SMAI is 100% controlled by San Miguel Holdings Corp., which is a wholly-owned subsidiary of SMC.

The proceeds from the Offer will be utilized by the Company through direct or indirect investments in SMAI or such other infrastructure subsidiaries of the Company as it may deem appropriate in furtherance of the completion of such projects subject to and in compliance with existing laws, rules and regulations.

Redemption of Series I Bonds as a result of the Put Option Exercise of its Bondholders

The Company will use up to ₱11.24 billion from the net proceeds of the Offer to fund the redemption of the Series I Bonds as a result of the Put Option that may be exercised by Series I bondholders.

On July 8, 2021, the Company issued ₱30,000,000,000.00 Series I Fixed Rate Bonds with an interest of 3.3832% p.a. due 2027 (the "**Series I Bonds**"). Under the terms of the Series I Bonds, bondholders shall have the right, but not the obligation, to require the Company to redeem all or a portion of the Series I Bonds on the third anniversary of the Series I Bonds on July 8, 2024 (the "**Put Option**").

On March 21, 2024, SMC issued a notice to all Series I bondholders to seek confirmation on whether they will exercise the Put Option. Series I bondholders who intend to exercise the Put Option are required to deliver their Series I Put Option Notice to RCBC Trust Corporation, the trustee for the Series I Bonds, during the period commencing April 8, 2024 to May 2, 2024. On May 13, 2024, the trustee for the Series I Bonds submitted the final list of Series I bondholders who have exercised the Put Option in the aggregate amount of P11,239,810,000.00. On July 8, 2024, SMC shall redeem the Series I Bonds from these relevant bondholders.

Repayment of Series F Bonds

Up to ₱2.44 billion from the net proceeds of the Offer will be used for the repayment of the Company's Series F Bonds issued on March 19, 2018, with a total outstanding amount of ₱2,438,500,000.00 and annual interest rate of 6.625%, maturing on March 19, 2025. The repayment of Series F Bonds will be made on March 19, 2025.

In summary, the net proceeds of the Offer shall be used as follows (listed below in the order of priority):

Purpose	Base Offer	Base Offer and Oversubscription Option*	Estimated Timing of Disbursement
Redemption of Series I Bonds	₱11.24 billion	₱11.24 billion	July 8, 2024
Investments in MIA and Other Airport Related Projects in Bulakan, Bulacan	up to ₱1.13 billion	up to ₱6.07 billion	within 24 months from Issue Date
Repayment of Series F Bonds	₱2.44 billion	₱2.44 billion	March 19, 2025
Total	**₱14.81 billion**	**₱19.75 billion**	

**Assuming full exercise of the Oversubscription Option*

Any shortfall from the net proceeds of the Offer allotted to any of the foregoing will be financed from the Company's internally generated funds.

The Company shall file the appropriate SEC Form 17-C with the SEC and the PSE upon making any disbursement of the proceeds of the Offer, for the aforementioned purposes.

UNDERTAKING ON THE USE OF PROCEEDS

Pending the above use of proceeds, the Company intends to invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn at prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

Except for the underwriting fees and expenses related to the Offer Bonds, no amount of the proceeds will be utilized to pay any other outstanding financial obligations to any of the Joint Lead Underwriters and Bookrunners. Please see section on "Plan of Distribution" on page 129 of this Offer Supplement.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's development plan, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC and the stockholders in writing at least 30 days before such deviation, adjustment or reallocation is implemented.

PLAN OF DISTRIBUTION

The Offer Bonds shall be issued in the aggregate principal amount of up to ₱20,000,000,000.00 fixed rate bonds, consisting of the Base Offer of ₱15,000,000,000.00 with an Oversubscription Option of up to ₱5,000,000,000.00. The Company shall issue the Offer Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. The Offer does not include an international offering. The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, may increase the Base Offer size of ₱15,000,000,000.00 by up to an additional ₱5,000,000,000.00 under the Oversubscription Option.

Joint Issue Managers

Bank of Commerce, BDO Capital & Investment Corporation, and China Bank Capital Corporation are the Joint Issue Managers for the Offer, and as such, manage and coordinate the various workstreams to ensure the successful execution of the Offer.

Joint Lead Underwriters and Bookrunners

The Joint Lead Underwriters and Bookrunners have agreed to distribute and sell the Offer Bonds at the Purchase Price, pursuant to an Underwriting Agreement with SMC dated June 13, 2024 (the "**Underwriting Agreement**"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Lead Underwriters and Bookrunners have committed to underwrite the following amounts on a firm basis:

Joint Lead Underwriters and Bookrunners	Underwriting Commitment
Bank of Commerce	₱2,748,750,000.00
BDO Capital & Investment Corporation	₱2,752,500,000.00
China Bank Capital Corporation	₱2,748,750,000.00
Asia United Bank Corporation	₱750,000,000.00
BPI Capital Corporation	₱1,125,000,000.00
Philippine Commercial Capital, Inc.	₱750,000,000.00
PNB Capital and Investment Corporation	₱1,500,000,000.00
RCBC Capital Corporation	₱1,125,000,000.00
SB Capital Investment Corporation	₱1,500,000,000.00
Total	**₱15,000,000,000.00**

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to SMC of the net proceeds of the Offer.

The allocation of the Oversubscription Option among the Joint Lead Underwriters and Bookrunners and the distribution of the Offer Bonds among Series O Bonds and Series P Bonds will be determined and finalized by the end of the Offer Period in the event the Oversubscription Option is exercised.

The underwriting fees and any selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.40% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners and any commissions to be paid to the Selling Agent.

The Joint Lead Underwriters and Bookrunners, except for Bank of Commerce, have no direct relation with SMC in terms of material ownership either by them or their respective major shareholder/s and have no right to designate or nominate any member of the Board of Directors of SMC. Bank of Commerce is an affiliate of the Company.

The Joint Lead Underwriters and Bookrunners have no contract or other arrangement with SMC by which they may return to SMC any unsold Offer Bonds.

For the purpose of complying with their respective commitments under the Underwriting Agreement, each Joint Lead Underwriter and Bookrunner may, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, particularly the underwriting commitment of the Joint Lead Underwriters and Bookrunners, enter into agreements with co-lead underwriters and co-underwriters, and appoint selling agents for the sale and distribution to the public of the Offer Bonds; provided, that the Joint Lead Underwriters and Bookrunners shall remain solely responsible to the Issuer in respect of their obligations under the Underwriting Agreement entered into by them with the Issuer, and except as otherwise provided in the Underwriting Agreement, the Issuer shall not be bound by any of the terms and conditions of any agreements entered into by the Joint Lead Underwriters and Bookrunners with any co-lead underwriters, co-underwriters, and selling agents.

The Joint Lead Underwriters and Bookrunners are duly licensed by the SEC to engage in the underwriting and distribution of the Offer Bonds. The Joint Issue Managers, Joint Lead Underwriters and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of their business, for SMC or any of its subsidiaries or affiliates.

AUB

Asia United Bank Corporation ("**AUB**") was granted the authority to operate as a commercial bank under the Monetary Board Resolution No. 1149 dated September 3, 1997 and commenced operations on October 31, 1997. In 2012, it obtained approval from the BSP to upgrade its license into expanded commercial banking status. In 2013, AUB was granted an authority to operate as a universal bank under Monetary Board Resolution No. 356 dated February 28, 2013. The universal banking license authorizes, AUB, in addition to its general powers as a commercial bank, to exercise, among others, powers of an investment house, including securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity securities, project finance and direct equity investment.

AUB is registered with the Securities and Exchange Commission (SEC) as an Underwriter of Securities engaged in dealing Government Securities (with Broker/Dealer of securities function) under Certificate of Registration No. 01 2008-00176 issued by the SEC on 13 October 2014. AUB's underwriting of securities, whether government or corporate, is done through its Investment Banking Group. AUB's Investment Banking Group offers financial advisory, arranging, and underwriting services for debt and equity fundraising requirements of corporate clients.

Bank of Commerce

An affiliate of SMC since 2008, Bank of Commerce is a publicly-listed universal bank focused on helping its clients, communities and conglomerate partners by delivering the best choice of financial services harnessing the strengths of the SMC Group. Bank of Commerce is identified by its logo bearing the SMC symbols of escudo and cloverleaf, and by the trademark license short name "BankCom" granted by the Intellectual Property Office (IPO) in 2020. BankCom traces its origins to the Overseas Bank of Manila which opened in Binondo, Manila in 1963.

BankCom received its authority to operate as a universal bank on 23 December 2021 under Monetary Board Resolution No. 1798. This allowed BankCom to engage in investment banking activities. BankCom then established its Investment Banking Group (IBG) to this end in March 2022. On 11 August 2022, BankCom received its secondary license from the Securities and Exchange Commission (SEC) to be an Underwriter of Securities (certificate of registration no. 01-2008-00179).

With the foregoing in place, BankCom's IBG could now undertake end-to-end publicly-listed capital markets transactions such as the arrangement, issue management, and underwriting of debt and equity securities for corporate and government issuers. IBG is likewise responsible for the arrangement, syndication, and placement of privately issued securities such as syndicated loans and project finance facilities. IBG may also engage in financial advisory activities such as restructuring, mergers, and acquisitions. For capital markets transactions, such as the underwriting of listed securities, IBG's role is to arrange, syndicate, and underwrite the transaction.

In addition, IBG coordinates on the distribution of the listed securities by IBG and other units of the bank including our trust, treasury, and branch banking units.

BDO Capital & Investment Corporation

BDO Capital & Investment Corporation ("**BDO Capital**") is the wholly owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999. As of December 31, 2023, it had total assets of ₱4.62 billion and a capital base of ₱4.45 billion.

BPI Capital Corporation

BPI Capital Corporation ("**BPI Capital**") is a Philippine corporation organized in the Philippines as a wholly owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of December 2023, its total assets amounted to ₱3.83 billion and its capital base amounted to ₱3.61 billion. It has an authorized capital stock of ₱506.44 million of which approximately ₱260.36 million represents its paid-up capital.

China Bank Capital Corporation

China Bank Capital Corporation ("**Chinabank Capital**") is the wholly owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house on November 27, 2015, with SEC Company Registration No. CS201522558 and SEC Investment House License No. CR 01-2015-00279 (renewed on 18 November 2022), as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. Its services include arranging, managing, and underwriting debt and equity transactions, such as bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. Chinabank Capital also provides financial advisory services, such as deal structuring, valuation, and execution of mergers, acquisitions, divestitures, JVs, and other corporate transactions. As of December 31, 2023, it has total assets of ₱3.62 billion and a capital base of ₱3.54 billion.

Philippine Commercial Capital, Inc.

Philippine Commercial Capital, Inc. ("**PCCI Capital**") was incorporated on July 25, 1980 and is one of the oldest investment banks in the country. PCCI Capital has established a solid track record and expertise in the Philippine capital markets and consequently obtained a license to operate as a trust entity, investment house and securities dealer. PCCI Capital obtained its investment house license on July 31, 1986. PCCI Capital, which obtained its investment house license on 31 July 1986, boasts a wide-ranging portfolio, excelling in the buy and sell activities of government securities and those of other corporations, participating in syndicate undertakings, and is identified by CR number 01-2008-00232. PCCI Capital maintains its prominence in the financial industry, underlined by its latest Investment House-Government Securities Eligible Dealer (IH-GSED) license renewed on 23 November 2023, making it a seasoned and trusted expert in the public bond and preferred shares market.

PNB Capital and Investment Corporation

PNB Capital and Investment Corporation ("**PNB Capital**") is a wholly-owned subsidiary of the Philippine National Bank, and offers a spectrum of investment banking services, including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers and acquisitions. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997. PNB Capital is licensed by the SEC to operate as an investment house with a non-quasi-banking license. As of December 31, 2023, it had an authorized capital of ₱2.00 billion and paid-up capital of ₱1.50 billion. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. As of December 31, 2023, total assets of PNB Capital were at ₱2.15 billion while total capital was at ₱1.94 billion.

RCBC Capital Corporation

RCBC Capital Corporation ("**RCBC Capital**") is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 50 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates. As of December 31, 2022, it has total assets of ₱3.2 billion and a capital base of ₱3.2 billion.

SB Capital Investment Corporation

SB Capital Investment Corporation ("**SB Capital**") is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally. As of December 31, 2022, its total assets amounted to ₱1.6 billion and its capital base amounted to ₱1.6 billion.

Selling Agent

The Offer Bonds will be offered to the public through Joint Issue Managers and the Joint Lead Underwriters, and Bookrunners that may be engaged by the Issuer for the Offer. The Joint Issue Managers and the Joint Lead Underwriters, and Bookrunners may appoint selling agents to assist in the sale and distribution of the Offer Bonds to the public. Any of the Joint Issue Managers, the Joint Lead Underwriters, and Bookrunners and the selling agents may acquire for their own account a portion of the Offer Bonds.

Sale and Distribution

The distribution and sale of the Offer Bonds shall be undertaken by the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners who shall sell and distribute the Offer Bonds to third party buyers/investors. Nothing herein shall limit the rights of the underwriters from purchasing the Offer Bonds for their own respective accounts.

There are no Persons to whom the Offer Bonds are specifically allocated or designated prior to the public offering thereof. The Offer Bonds shall be offered to the public at large and without preference.

The obligations of each of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. Unless otherwise expressly provided in the Underwriting Agreement, the failure by a Joint Issue Manager or a Joint Lead Underwriter and Bookrunner to carry out its obligations thereunder shall neither relieve the other Joint Issue Managers or other Joint Lead Underwriters and Bookrunners of their obligations under the same Underwriting Agreement, nor shall any Joint Issue Manager or Joint Lead Underwriter and Bookrunner be responsible for the obligation of another Joint Issue Manager or Joint Lead Underwriter and Bookrunner.

Offer Period

The Period shall commence at 9:00 a.m., Manila time, on June 18, 2024 and end at 5:00 p.m., Manila time, on June 24, 2024, or such other dates and time as may be mutually agreed by the Company, the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners.

Application to Purchase

The procedure set out in this section and the succeeding sections should be read together with the more detailed procedure and other conditions set out in the Application to Purchase.

Applicants may purchase the Offer Bonds during the Offer Period by submitting to the Joint Lead Underwriters and Bookrunners or the Selling Agent duly completed and signed Applications to Purchase, together with all applicable supporting documentation in the prescribed form and submitted in the prescribed manner, and the full payment of the Purchase Price of the Offer Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional Applicants must also submit the following, namely:

(a) an original notarized certificate of the corporate secretary or an equivalent officer of the Applicant setting forth resolutions of the Applicant's board of directors, partners or equivalent body:
  (i) authorizing the purchase of the Offer Bonds indicated in the Application to Purchase and
  (ii) designating the signatories, with their specimen signatures, for the said purposes;

(b) copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);

(c) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies);

(d) BIR Certificate of Registration showing the Applicant's Tax Identification Number ("**TIN**");

(e) identification document(s) ("**ID**") of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and

(f) such other documents as may be reasonably required by any of the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners, Selling Agent and the Registrar and Paying Agent in the implementation of their respective internal policies regarding "know your customer" and anti-money laundering and combating the financing of terrorism and countering proliferation financing.

Individual Applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments:

(a) ID of the Applicant which shall consist of any one (1) of the following valid identification documents bearing a recent photo, and which is not expired: Philippine Identification Card (PhilID), Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Integrated Bar of the Philippines ID, ID issued by government office and government-owned and controlled corporation (e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Philippine Health Insurance Corporation, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Maritime Industry Authority (MARINA)), company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);

(b) two (2) duly accomplished signature cards containing the specimen signature of the Applicant;

(c) valid TIN issued by the BIR; and

(d) such other documents as may be reasonably required by the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners, Selling Agent, or the Registrar and Paying Agent in the implementation of their respective internal policies regarding "know your customer" and anti-money laundering.

An Applicant who is claiming exemption from any applicable tax or entitlement to preferential tax rates shall, in addition to the requirements set forth above, be required to submit the following requirements to the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or Selling Agent (if any) (together with Application to Purchase), subject to acceptance by the Issuer as being sufficient in form and substance, namely:

(a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant Applicant or Bondholder, confirming its exemption or its entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief:

(i) a non-resident Bondholder may signify its intention to claim preferential tax rate under the relevant tax treaty by submitting to the Issuer the Application Form for Treaty Purposes (BIR Form 0901) and Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, and such other documentary requirements enumerated in BIR Revenue Memorandum Order No. 14-2021 in relation to BIR Revenue Memorandum Circular No. 77-2021. For the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Bondholder is entitled to the preferential tax treaty rate based on the documents submitted by the non-resident Bondholder, provided that all the conditions for the availment thereof, other than residency, have been satisfied;

(ii) in the event that the Issuer determines that the non-resident Bondholder is not entitled to the preferential tax treaty rate based on the documents submitted in item (i) above and determines that all conditions for the availment have not been satisfied, the Issuer shall apply the regular tax rates;

(iii) the non-resident Bondholder may apply for preferential tax treaty rate with the BIR in accordance with BIR Revenue Memorandum Order No. 14-2021;

(iv) the Issuer shall not apply for any confirmatory application of preferential tax rates with the BIR;

(v) should the BIR grant the application for tax treaty relief, it is the obligation of the nonresident Bondholder to apply for refund with the BIR. The Issuer shall not refund the non-resident Bondholder any amount as a result of the application of the higher tax rate;

(vi) the non-resident Bondholder must update its BIR Certificate annually, if applicable, as described in BIR Revenue Memorandum Order No. 14-2021. Expired BIR Certificates will not be accepted by the Issuer; and

(vii) the non-resident Bondholder shall submit its Tax Residency Certificate annually to the Issuer as continuing proof of its entitlement to the preferential tax treaty rate. Absent such updated Tax Residency Certificate, the Issuer shall apply the regular tax rate.

(c) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption or preferential rate treatment based on his official functions, if the Applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (ii) the trust officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Offer Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Bondholder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of the Offer Bonds, upon submission of the Application to Purchase to the Joint Issue Managers, Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, through the intermediary to the Registrar upon submission of the account opening documents.

Failure on the part of the Bondholder to submit the aforementioned document(s) within the time prescribed shall result in the application of the regular tax rates.

The Purchase Price for each Bond is payable in full upon submission of the duly executed Application to Purchase. Payments of the Purchase Price shall be made in the form of either:

(a) a Metro Manila clearing cashier's/manager's or corporate check or personal check drawn against a bank account with a BSP-authorized agent bank located in Metro Manila and dated as of the date of submission of the Application to Purchase covering the entire number of the Offer Bonds covered by the same Application;

(b) through the RTGS facility of the BSP to the Joint Lead Underwriter and Bookrunner or the Selling Agent to whom such Application was submitted; or

(c) via direct debit from their deposit account maintained with the Joint Lead Underwriter and Bookrunner or Selling Agent to whom such Application was submitted.

All payments must be made or delivered to the Joint Issue Manager, the Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) to whom the Application to Purchase is submitted.

Duly completed Applications to Purchase and corresponding payments must reach the Joint Issue Manager, the Joint Lead Underwriter and Bookrunner or the Selling Agent prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Issue Managers or the Joint Lead Underwriters and Bookrunners or the Selling Agent. Acceptance by the Joint Issue Manager, the Joint Lead Underwriter and Bookrunner or the Selling Agent of the completed Application to Purchase shall be subject to the availability of the Offer Bonds and the acceptance by SMC. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

Minimum Purchase

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

Allotment of the Offer Bonds

If the Offer Bonds are insufficient to satisfy all Applications to Purchase, the available Offer Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice and subject to the Joint Issue Managers' and the Joint Lead Underwriters' and Bookrunners' exercise of the right of rejection on behalf of the Issuer.

Acceptance of Applications

The Company, the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners reserve the right to accept or reject applications to purchase the Offer Bonds and allocate the Offer Bonds available to the Applicants in a manner they deem appropriate.

Rejection of Applications

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners shall accept, reduce or reject Applications to Purchase on behalf of the Issuer in accordance with the following provisions and the allocation plan. Reasons for rejection may include the following:

(a) Applications may be rejected if: (i) the Purchase Price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonoured upon first presentation; (iii) the Application to Purchase is not received by the Joint Issue Managers, the Joint Lead Underwriters and Bookrunners or the Selling Agent on or before the end of the Offer Period; (iv) the number of Offer Bonds subscribed is less than the minimum amount of subscription; (v) the applications do not comply with the terms of the Offer; or (vi) the applications do not have sufficient information or are not supported by the required documents.

(b) Applications may be reduced if the Offer is oversubscribed, in which case the number of Offer Bonds covered by the applications shall be reduced pro rata.

In the event an Application to Purchase is rejected or the amount of Offer Bonds applied for is scaled down for a particular Applicant, the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) shall notify the Applicant concerned that his/her application has been rejected or that the amount of Offer Bonds applied for is scaled down.

Refunds

If any application is rejected or accepted in part only, payments made by the Applicant or the appropriate portion thereof shall be returned without interest thereon to such Applicant by the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent to whom such Application to Purchase was submitted.

Refunds shall be made, at the option of each Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent, either (i) through the issuance of check(s) payable to the order of the relevant Applicant and crossed "Payees' Account Only," which shall be made available for pick up by the Applicants concerned at the office of the Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent to whom the rejected or scaled down Application to Purchase was submitted no later than three (3) Business Days after the Issue Date, and where any checks that remain unclaimed after the three (3) Business Day period shall be mailed or delivered, at the risk of the Applicant, to the address specified in the Application to Purchase; or (ii) through the issuance of instructions for automatic credit payments to the accounts of the relevant Applicants, as indicated in their respective Applications to Purchase.

Payments

The Registrar and Paying Agent shall open and maintain a Payment Account for each series of the Offer Bonds, which shall be operated solely and exclusively by the said Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement, provided that beneficial ownership of the Payment Accounts shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the principal, interest and other payments due on the Offer Bonds on the relevant Payment Date.

The Registrar and Paying Agent shall maintain the relevant Payment Account while the relevant series of the Offer Bonds are outstanding, and until six (6) months past the relevant Maturity Date or date of early redemption, as applicable. Upon closure of the Payment Accounts, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments and such other payments that are due on the relevant series of the Offer Bonds.

Unclaimed Payments

Any payment of interest on, the principal of, or all other amounts in respect of the Offer Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Registrar and Paying Agent for the Bondholders at the latter's risk and shall be dealt with in accordance with the relevant provisions of the Registry and Paying Agency Agreement.

Purchase and Cancellation

The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Offer Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

Secondary Market

The Company intends to list the Offer Bonds on the PDEx.

For a more detailed discussion, please refer to the section "*Description of the Offer Bonds – Secondary Trading of the Offer Bonds*" on page 48 of this Offer Supplement.

Registry of Bondholders

The Offer Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Series O Bonds and Series P Bonds sold in the Offer shall be issued in the name of the Trustee for the benefit of the Bondholders.

Legal title to the Offer Bonds shall be shown in the Registry of Bondholders to be maintained by the Registrar and Paying Agent. The names and addresses of the Bondholders and the particulars of the Offer Bonds held by them and all transfers of the Offer Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

For a more detailed discussion, please refer to the section "*Description of the Offer Bonds – Transfer of the Offer Bonds*" on page 46 of this Offer Supplement.

THE COMPANY

OVERVIEW

San Miguel Corporation ("**SMC**", the "**Company**", or the "**Issuer**"), together with its subsidiaries (collectively with the Company referred to as the "**SMC Group**") is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets.

Originally founded in 1890 as a single brewery in the Philippines, SMC today owns market-leading businesses and has investments in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, cement, property development and leasing, car distributorship and banking services. SMC has a portfolio of companies that is interwoven into the economic fabric of the Philippines, benefiting from, as well as contributing to the development and economic progress of the nation. The common shares of SMC were listed on the Manila Stock Exchange (now the Philippine Stock Exchange, Inc., the "**PSE**") on November 5, 1948 and as of December 29, 2023, SMC had a market capitalization of ₱243,396 million (USD4,396 million[21]), with a common share price of ₱102.10.

SMC, through its subsidiaries and affiliates, has become a market leader in its businesses in the Philippines with an extensive portfolio of products that include beer, spirits, non-alcoholic beverages, poultry, animal feeds, flour, fresh and processed meats, dairy products, coffee, various packaging products and a full range of refined petroleum products, most of which are market leaders in their respective markets. In addition, SMC contributes to the growth of downstream industries and sustains a network of hundreds of third-party suppliers.

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

The consolidated Sales, EBITDA, and Net Income of SMC for the year ended December 31, 2023 were ₱1,446,703 million, ₱205,346 million and ₱44,699 million respectively. EBITDA and Net Income recorded strong growth of 24% and 67% year-on-year, respectively.

SMC's six (6) key business groups, most of which are market leaders in their respective industries, include the following: (a) food and beverage; (b) packaging; (c) fuel and oil; (d) energy; (e) infrastructure; and (f) cement. In addition, SMC has investments in other businesses such as property development and leasing, car distributorship, banking services, and insurance.

[21] Foreign Exchange rates for market capitalization are based on current PHP/USD conversion rate of 55.37 as of December 29, 2023 (Source: Bankers Association of the Philippines)

The following table sets forth the contribution of each of the businesses of SMC to its revenues for the periods indicated:

	For the years ended December 31,					
	2021		2022		2023	
	Sales (in ₱ millions)	%	Sales (in ₱ millions)	%	Sales (in ₱ millions)	%
Food and Beverage.....	309,778	32.91	358,853	23.82	379,822	26.25
Packaging	33,703	3.58	37,039	2.46	38,379	2.65
Fuel & Oil.....	438,057	46.54	857,638	56.93	801,027	55.37
Energy	133,710	14.21	221,389	14.69	169,590	11.72
Infrastructure	19,690	2.09	29,008	1.92	34,006	2.35
Cement.....	7,533	0.80	8,984	0.60	37,231	2.57
Real Estate, and Others.....	51,750	5.50	64,415	4.28	64,292	4.44
Eliminations	(53,028)	(5.63)	(70,735)	(4.70)	(77,644)	(5.35)
Total	**941,193**	**100.00**	**1,506,591**	**100.00**	**1,446,703**	**100.00**

The following table sets forth the contribution of the percentage of consolidated sales and consolidated net income contributed by foreign sales for the periods indicated:

	% to Consolidated Sales			% to Consolidated Net Income		
Market	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Malaysia	15.95	20.65	19.25	8.74	17.52	8.65
Singapore	7.21	9.01	7.67	2.12	5.85	3.87
Australia	1.09	0.72	0.77	0.39	(2.71)	(0.55)
China	0.54	0.54	0.66	1.63	3.95	5.04
Indonesia	0.48	0.34	0.32	1.62	3.14	1.63
Vietnam	0.22	0.15	0.16	0.39	0.28	0.03
Others	0.24	0.14	0.16	(0.59)	6.35	1.23

Each of these key business groups and the primary entities through which such businesses are conducted are summarized below.

Food and Beverage

SMFB is a leading food and beverage company in the Philippines. The brands under which SMFB produces, markets, and sells its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include *San Miguel Pale Pilsen*, *San Mig Light*, and *Red Horse* for beer; *Ginebra San Miguel* for gin and *Vino Kulafu* for Chinese wine; *Magnolia* for chicken, dairy, ice cream, flour mixes and salad aids; *Monterey* for fresh and marinated meats; *Purefoods Tender Juicy* for hotdogs; *Purefoods* for branded processed meats, ready-to-eat meals and seafood line; *Veega* for plant-based protein products; *Star* and *Dari Crème* for margarine; and *B-Meg* for animal feeds.

SMFB has three (3) primary operating divisions—(i) beer and NAB through San Miguel Brewery, Inc. and its subsidiaries ("**SMB**" or the "**Beer and NAB Division**"), (ii) spirits through Ginebra San Miguel Inc. and its subsidiaries ("**GSMI**" or the "**Spirits Division**"), and (iii) food and animal nutrition through San Miguel Foods and its subsidiaries (the "**Food Division**"). SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to about 70 markets worldwide.

For each of the years ended December 31, 2021, 2022 and 2023, the food and beverage businesses had sales of ₱309,778 million, ₱358,853 million and ₱379,822 million; income from operations of ₱43,695 million, ₱48,711 million and ₱48,411 million; and net income of ₱31,417 million, ₱34,665 million, and ₱38,105 million, respectively.

The following table sets forth the contribution of the three (3) divisions to total sales for the periods indicated:

	For the years ended December 31,					
	2021		2022		2023	
Sales[1]	₱	%	₱	%	₱	%
Beverage Business	(in millions, except for percentages)					
Beer and NAB Division	₱116,280	37.6	₱136,230	38.0	₱147,341	38.8
Spirits Division	42,529	13.7	47,336	13.2	53,636	14.1
Food Division	150,969	48.7	175,287	49.0	178,845	47.1
Total	**₱309,778**	100.0	**₱358,853**	100.0	**₱379,822**	100.0

Note:
Represents the external sales of each division and excludes inter-division sales.

Selected operating data for the SMFB is provided below for the periods indicated:

	For the years ended December 31,		
	2021	2022	2023
	(in millions, except for percentages)		
	₱	₱	₱
Sales	309,778	358,853	379,822
Gross profit	90,472	97,373	100,600
Gross profit margin[1]	29.2%	27.1%	26.5%
EBITDA[2]	56,198	62,729	66,822
EBITDA margin[3]	18.1%	17.5%	17.6%
Net income before tax	40,802	45,769	49,878
Net income before tax margin[4]	13.2%	12.8%	13.1%

Notes:
(1) Calculated as gross profit divided by revenues.
(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.
(3) Calculated as EBITDA divided by revenues.
(4) Calculated as net income before income tax divided by revenues.

Packaging

The packaging business is a total packaging solutions business servicing many of the leading food, pharmaceutical, chemical, beverages, spirits, and personal care manufacturers in the region. The packaging business is comprised of SMYPC, SMYPIL, and their respective subsidiaries, SYFMC, CAI, Mincorr, and Wine Brothers Philippines Corporation, (collectively the "**Packaging Group**").

The Packaging Group has one of the largest packaging operations in the Philippines, producing glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging and other packaging products and services such as beverage toll filling for aluminum cans, glass and PET bottles as well as logistics services. As of December 31, 2023, the Packaging Group has 32 packaging facilities located across the Asia-Pacific Region and SMC's ownership interest in SMYPC was 65.00%.

Selected operating data for the Packaging business is provided below for the periods indicated:

	For the years ended December 31,		
	2021	**2022**	**2023**
	(in millions, except for percentages)		
	₱	₱	₱
Sales	33,703	37,039	38,379
Gross profit	8,194	9,472	9,719
Gross profit margin[(1)]	24.3%	25.6%	25.3%
EBITDA[(2)]	3,872	4,191	4,501
EBITDA margin[(3)]	11.5%	11.3%	11.7%
Net income before tax	(70)	(381)	277
Net income before tax margin[(4)]	(0.2%)	(1.0%)	0.7%

Notes:

(1) Calculated as gross profit divided by sales.

(2) EBITDA is calculated as (a) net income (excluding items between any or all of San Miguel Global Power and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss) and gain on sale of investment, in each case excluding amounts attributable to ring-fenced subsidiaries.

(3) Calculated as EBITDA divided by sales.

(4) Calculated as net income before income tax divided by sales.

Fuel and Oil

SMC operates its fuel and oil business through Petron Corporation, which is the only oil refining and the leading oil marketing company in the Philippines and is a strong third player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day and refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. In the Philippines, the Petron Bataan Refinery is the largest and one of the most modernized, which Petron believes supplies approximately 30% of the country's total fuel requirements as of December 31, 2023. The Petron Bataan Refinery has a crude oil distillation capacity of 180,000 barrels per day, processing crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene.

The common shares of Petron are listed for trading on the PSE under the symbol "PCOR". The market capitalization of Petron was ₱33,282 million, with a common share price of ₱3.55 as of December 29, 2023. As of December 31, 2023, SMC's direct and indirect ownership in Petron was 68.26%.

	For the years ended December 31,		
	2021	**2022**	**2023**
	(in millions, except for percentages)		
	₱	₱	₱
Sales	438,057	857,638	801,027
Gross profit	30,499	33,850	46,598
Gross profit margin[(1)]	7.0%	3.9%	5.8%
EBITDA[(2)]	27,198	33,061	44,945
EBITDA margin[(3)]	6.2%	3.9%	5.6%
Net income before tax	7,297	8,101	13,138
Net income before tax margin[(4)]	1.7%	0.9%	1.6%

Notes:

(1) Calculated as gross profit divided by revenues.

(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.

(3) Calculated as EBITDA divided by revenues.

(4) Calculated as net income before income tax divided by revenues.

Energy

San Miguel Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, with a total installed capacity of 5,057 MW, as of March 31, 2024. San Miguel Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and BESS. Based on the total installed generating capacities reported in the ERC Resolution on Grid Market Share Limitation, San Miguel Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 25% of the Luzon Grid, 4% of the Visayas Grid and 8% of the Mindanao Grid, in each case, as of March 31, 2024. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of National Grid, Luzon Grid, Visayas Grid or Mindanao Grid (25,567,270 kW, 17,961,724 kW, 3,417,708 kW and 4,187,838 kW, respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation).

As of December 31, 2023, SMC's ownership interest in San Miguel Global Power was 100%.

The table below sets forth the gross profit margin, EBITDA margin and net income before tax margin of San Miguel Global Power for the periods indicated:

	For the years ended December 31,		
	2021	**2022**	**2023**
	(in millions, except for percentages)		
	₱	₱	₱
Sales	133,710	221,389	169,590
Gross profit	41,549	23,018	38,599
Gross profit margin[(1)]	31.1%	10.4%	22.8%
EBITDA[(2)]	48,184	42,316	43,769
EBITDA margin[(3)]	36.0%	19.1%	25.8%
Net income before tax	17,878	4,168	15,063
Net income before tax margin[(4)]	13.4%	1.9%	8.9%

Notes:

(1) Calculated as gross profit divided by sales.

(2) EBITDA is calculated as (a) net income (excluding items between any or all of San Miguel Global Power and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss) and gain on sale of investment.

(3) Calculated as EBITDA divided by sales.

(4) Calculated as net income before income tax divided by sales.

Infrastructure

The infrastructure business, conducted through San Miguel Holdings Corp. ("**SMHC**"), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. The toll roads that are currently operating include the South Luzon Expressway ("**SLEX**"), Skyway Stage 1 & 2, Skyway Stage 3, the Southern Luzon Arterial Road tollway ("**STAR**"), the Tarlac-Pangasinan-La Union Expressway ("**TPLEX**"), and the Ninoy Aquino International Airport Expressway ("**NAIAx**").

Ongoing projects include Skyway Stage 4, SLEX – Toll Road 4 ("**SLEX-TR4**"), SLEX – Toll Road 5 ("**SLEX-TR5**"), Pasig River Expressway ("**PAREX**"), the Mass Rail Transit Line 7 ("**MRT-7**"), Northern Access Link Expressway ("**NALEX**"), Southern Access Link Expressway ("**SALEX**"), Cavite-Batangas Expressway ("**CBEX**"), Nasugbu-Bauan Expressway ("**NBEX**"), Pangasinan Link Expressway ("**PLEX**"), Marilao Access Link Expressway ("**MALEX"),** and MIA. SMHC also operates the Boracay Airport and has investments in Manila North Harbour Port, Inc. ("**MNHPI**") and Luzon Clean Water Development Corporation ("**LCWDC**") for the Bulacan Bulk Water Supply Project. As of December 31, 2023, SMC's ownership interest in SMHC was 100%.

Selected financial highlights for the Infrastructure business are provided below for the periods indicated:

	For the years ended December 31,		
	2021	2022	2023
	(in millions, except for percentages)		
	₱	₱	₱
Sales	19,690	29,008	34,006
Gross profit	10,019	17,684	21,663
Gross profit margin[1]	50.9%	61.0%	63.7%
EBITDA[2]	13,804	23,843	27,579
EBITDA margin[3]	70.1%	82.2%	81.1%
Net income before tax	2,998	11,538	14,163
Net income before tax margin[4]	15.2%	39.8%	41.6%

Notes:

(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.

(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.

(3) EBITDA margin is calculated by EBITDA divided by sales.

(4) Net income before tax margin is calculated by net income before income tax divided by sales.

SMHC believes that it has benefited from the economic growth of the Philippines as evidenced in the increasing traffic volume (AADT)[1] as set forth in the table below for the periods indicated.

	For the year ended December 31,		
	2021	2022	2023
SLEX TR 1, 2 & 3	335,901	376,268	351,722[3]
Skyway Stages 1 & 2	199,466	246,340	272,383
Skyway Stage 3[2]	78,479	120,954	154,736
STAR	61,609	69,790	76,775
TPLEX	17,484	26,510	29,744
NAIAx	52,883	94,482	123,977

Notes:

(1) AADT refers to the average number of vehicles per day counted per exit in a toll road. Data is sourced through the Accounts Management System of each of the toll roads and are monitored by the Toll Monitoring Department of SMHC.

(2) Skyway Stage 3 officially commenced its operations and started collecting toll fees on July 12, 2021.

(3) Slightly lower AADT in 2023 due to the Seamless Project implementation. The removal of the TR3 toll plaza, as part of SLEX Seamless Project, resulted in a shift to a more accurate SLEX traffic count of unique users by eliminating the previously double-counted exit transactions of TR3 users. This shift in AADT counting, however, has no impact on SLEX revenue.

Cement

SMC conducts the cement business through San Miguel Equity Investments Inc. ("**SMEII**"), which owns 100% of the common stock of Northern Cement Corporation ("**NCC**"), Southern Concrete Industries Inc. (SCII), and 99.96% of Eagle Cement Corporation ("**Eagle Cement**") as of December 31, 2023.

The cement business owns and operates (a) two (2) fully-integrated cement production facilities in Sison, Province of Pangasinan (NCC) and in Barangay Akle, San Ildefonso, Province of Bulacan (Eagle Cement), (b) a cement grinding plant in Santa Cruz, Province of Davao Del Sur (SCII), (c) a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant in San Ildefonso, Bulacan (Eagle Cement), and (d) a grinding and packaging facility in Limay, Bataan (Eagle Cement). As a whole, the cement business has a total annual rated cement production capacity of approximately 17.53 million metric tonnes per year ("**MTPY**") of finished cement as of end-2023.

As of December 31, 2023, SMC owns 100% of SMEII.

Selected financial highlights of each of the operating cement subsidiaries of SMEII are provided below:

Northern Cement Corporation

	For the years ended December 31,		
	2021	**2022**	**2023**
Sales	7,519	8,984	9,442
Gross profit	1,848	570	1,147
Gross profit margin[(1)]	24.6%	6.3%	12.1%
EBITDA[(2)]	1,959	599	1,542
EBITDA margin[(3)]	26.1%	6.7%	16.3%
Net income before tax	1,295	(63)	702
Net income before tax margin[(4)]	17.2%	(0.7%)	7.4%

Notes:
(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.
(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.
(3) EBITDA margin is calculated by EBITDA divided by sales.
(4) Net income before tax margin is calculated by net income before income tax divided by sales

Eagle Cement Corporation

	For the years ended December 31,		
	2021	**2022**	**2023**
Sales	21,397	26,384	25,443
Gross profit	8,974	8,247	8,889
Gross profit margin[(1)]	41.9%	31.3%	34.9%
EBITDA[(2)]	8,143	7,013	7,414
EBITDA margin[(3)]	38.1%	26.6%	29.1%
Net income before tax	6,830	6,362	5,391
Net income before tax margin[(4)]	31.9%	24.1%	21.2%

Notes:
(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.
(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.
(3) EBITDA margin is calculated by EBITDA divided by sales.
(4) Net income before tax margin is calculated by net income before income tax divided by sales

Others

Other investments of SMC include property development and leasing, through SMPI, car distributorship through SMC Asia Car Distributors Corp., and Velocità Motors Inc., banking services through BankCom, and insurance through Petrogen.

RECENT DEVELOPMENTS

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

On February 15, 2024, New NAIA Infra Corp. ("**NNIC**") was incorporated by the members of the SMC-SAP & Co Consortium (the "**Consortium**"), namely, San Miguel Holdings Corp. ("**SMHC**") at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc at 27%. and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

On March 18, 2024, the Concession Agreement ("**CA**") was signed between the DOTr, and Manila International Airport Authority ("**MIAA**") and the concession company, NNIC. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension, subject to fulfillment of conditions.

The operation of NAIA is expected to be turned-over by the MIAA to NNIC six (6) months after the execution of the Concession Agreement or on September 14, 2024.

Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp ("San Miguel Global Power"; formerly SMC Global Power Holdings Corp) and Chromite Gas Holdings, Inc. ("CGHI")

On March 1, 2024, Meralco PowerGen Corporation ("**MGen**") and Aboitiz Power Corporation ("**AboitizPower**"), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in San Miguel Global Power's gas-fired power plants, namely: (i) the operating 1,200 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. ("**SPPC**"); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. ("**EERI**"); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of approximately 33% of the outstanding common shares of Linseed Field Corporation ("**LFC**"). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

On May 17, 2024, Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, has filed with the Philippine Competition Commission the relevant notification forms in relation to the joint investment by San Miguel Global Power and CGHI.

Amendments to the Articles of incorporation and By-laws of the Company

On June 11, 2024, the Board approved the amendment of Article VII of the Articles of Incorporation of the Company to reclassify 300,000,000 Series "1" Preferred Shares to "Series 2" Preferred Shares and their subsequent issuance on such terms and conditions as may be deemed by Management to be favourable to the Company. Upon approval by the stockholders and the SEC of the amendment, the Company shall have 2,210,000,000 Series 2 Preferred Shares in its Authorized Capital Stock.

The Board also approved the amendment of the By-laws of the Company to amend and delineate the roles and duties of the Chairman and the Chief Executive Officer, and the President and Chief Operating Officer of the Company.

The foregoing amendments and the issuance of the Series "2" Preferred Shares will be subject to the approval of the stockholders in a Special Stockholders' meeting scheduled on August 8, 2024.

Appointment of the Chairman and CEO, and President and COO

At the Organizational Meeting of the Board held on June 11, 2024 following the Annual Stockholders' Meeting of the Company, Mr. Ramon S. Ang was appointed as Chairman and Chief Executive Officer, while Mr. John Paul L. Ang was appointed as Vice Chairman, President and Chief Operating Officer.

STRENGTHS AND STRATEGIES

Strengths

SMC believes that its principal strengths include the following:

Diversified platform with broad exposure to the growth of the Philippine economy

While the Philippines experienced slower GDP growth in 2023, at 5.5%, relative to the previous year's expansion of 7.6%, 4Q2023 growth marked the 11th consecutive quarterly expansion since the country's initial recovery from the pandemic. The country's full-year 2023 growth beat the median projection of 5.3% by firms surveyed by Bloomberg and marked expansion that outpaced other major economies in Asia, such as China (5.2%), Vietnam (5.0%) and Malaysia (3.8%) The Philippines has one of the youngest demographics in Southeast Asia attractive for long-term economic growth with a median age of 25 years in 2020, also according to the PSA.

SMC is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets. SMC is broadly exposed to the Philippine economy through its market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure, cement, and property development and investments in car distributorship and banking services. This diversified portfolio aligns SMC to key sectors that it believes will benefit from the forecast growth of the Philippine economy.

Synergies across businesses

SMC believes there are significant opportunities to develop and increase synergies across many of its businesses, including:

Ancillary business opportunities: SMC believes there are opportunities within its food and beverage and packaging businesses to promote growth in its energy, infrastructure, and fuel and oil businesses, by using the relevant areas to conduct the Company's activities. Initiatives would include building of service stations and retail outlets along toll roads which also serves as an opportunity for its products from various businesses. Currently, SMC is pursuing several initiatives that will create possible savings and help promote its different brands. The Company and its businesses are evaluating the potential establishment of a unified rewards program for customers of various San Miguel products and services that Petron Service Stations, Monterey Meat Shops, Treats and Bank of Commerce can offer in a retail level/end consumer level. SMC has established *https://www.sanmiguelmart.ph* (formerly the "*thehub.sanmiguel.com.ph*") an online e-commerce platform which made available the different products of SMFB and Petron. Another opportunity is maximizing the use of its radio-frequency identification technology (RFIDs) used for toll fee payment in toll roads, by expanding its access to the different Petron Service Stations and SMFB outlets.

Immediate distribution channel: The extensive retail distribution network of SMC provides an effective platform for roll-out of new products and services. For example, Petron's Treats stores in its service stations have been used as outlets for SMC's different products.

Economies of scale: SMC believes the size and scale of its distribution network operations provide significant economies of scale and synergies in production, research, and development, distribution, management and marketing.

Integration: SMC plans to continue pursuing vertical integration across the established and strategic businesses. SMC's integration strategies range from supplying the fuel and oil and power requirements to providing a total packaging solution of its various businesses. Sales bundling through existing and new channels has also been expanded. Monterey stores are now tied-up with San Miguel Foods' online ordering system and *Treats* stores in Petron service stations are now carrying a wider portfolio of SMC products.

Use of Technology: SMC continue to utilize its online ordering system, *https://www.sanmiguelmart.ph* - an online one (1)-stop shop which promotes a safer and more convenient way for consumers to order SMC products. The increased use of e-commerce platforms also greatly improved product availability, providing more consumers not only convenience, but also added safety.

Strong brand equity in the Philippines with an over 100-year legacy

Many of the businesses of SMC are leaders in their respective markets.

Food and Beverage: SMFB holds market-leading positions across food and beverage categories with large addressable markets and attractive growth prospects. SMFB is a unique platform that offers an extensive complementary product portfolio across its beer and NAB, spirits and food businesses, with 32 brands in six (6) categories, serving the full spectrum of a growing domestic population. As of December 31, 2023, the Beer business had a market share by volume of over 90%, based on Company estimates, and has consistently held at least 90% market share by volume since 2000.

As of December 31, 2023, the Spirits business had a leading market share in the gin category by volume of 96.6%, according to internal company estimates.

SMFB has been an integral part of the Filipino lifestyle for more than a century and is present in its consumers' lives at every meal and occasion. Guided by the company slogan of "Celebrating Life," SMFB believes that its products are part of the daily lives of its consumers, providing sustenance and enjoyment to families through trusted food brands and celebrating friendships and camaraderie with a world-class portfolio of beer and NAB, spirits and food products. The product portfolio of SMFB is suitable for any occasion throughout the year, whether it be for everyday consumption or for the most significant life events. It continuously evolves to cater to consumer tastes and preferences.

Packaging: The Packaging Group has one of the largest packaging operations in the Philippines, producing glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging and other packaging products and services, such as beverage toll filling for aluminum cans, PET and glass bottles as well as logistics services. The packaging business is the major source of packaging requirements of the other business units of SMC. It also supplies its products to customers across the Asia-Pacific region, the United States, and Australasia, as well as to major multinational corporations in the Philippines, including Coca-Cola Beverages Philippines, Inc., Nestle Philippines, Inc. and Pepsi Cola Products Philippines, Inc.

As of December 31, 2023, the Packaging Group has 32 packaging facilities located in the Philippines (glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging, beverage toll filling for aluminum cans, PET and glass bottles and logistics services), in China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags and radiant/thermal liners), Australia (trading of packaging products, including retail/online packaging, cargo protection and materials handling products, plastic manufacturing, provider of wine closures, and wine filling services) and New Zealand (plastics manufacturing and trading of packaging products). Aside from extending the reach of the packaging business overseas, these facilities also allow the Packaging Group to serve the packaging requirements of SMB breweries in China, Vietnam, Indonesia and Thailand.

Fuel and Oil: Petron is a leading integrated oil refining and marketing company in the Philippines, with a retail market share of 36.3% of the Philippine oil market as of June 30, 2023, in terms of sales volume based on Petron estimates using its internal assumptions and calculations and industry data from the DOE. In the Philippines, Petron owns and operates the only petroleum refinery complex, with a total crude oil distillation capacity of 180,000 barrels per day. Through its network of more than 1,800 retail service stations in the Philippines as of December 31, 2023, Petron sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 40% of service stations are company-owned-dealer-operated service stations ("**CODO**s") and 60% are dealer-owned dealer-operated service stations ("**DODO**s").

As of December 31, 2023, Petron's LPG distribution network includes more than 1,800 branch and franchise stores where Petron sell its LPG brands Petron Gasul and Fiesta Gas to households and other consumers. Meanwhile, Petron's Lubes distribution network includes more than 45 car care centers and around 1,100 service stations selling lubes.

Energy: San Miguel Global Power Holdings Corp. ("**SMGP**" or "**San Miguel Global Power**", formerly SMC Global Power Holdings Corp.), together with its subsidiaries, associates, and joint ventures, is one of the largest power companies in the Philippines, controlling 5,057 MW of combined capacity as of March 31, 2024. San Miguel Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems ("**BESS**"). Based on the total installed generating capacities reported in Energy Regulatory Commission ("**ERC**") Resolution No. 02, Series of 2024 dated March 12, 2024 ("**ERC Resolution on Grid Market Share Limitation**"), San Miguel Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 25% of the Luzon Grid, 4% of the Visayas Grid and 8% of the Mindanao Grid, in each case, as of March 31, 2024. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of National Grid, Luzon Grid, Visayas Grid, or Mindanao Grid (25,567,270 kW, 17,961,724 kW, 3,417,708 kW and 4,187,838 kW, respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation).

Infrastructure: SMHC has become one of the major infrastructure companies in the country, with concessions in toll roads, airports, mass rail transit, and bulk water supply. SMHC has concession rights to approximately 1,099.35 kilometers of total road length serving Metro Manila and other fast-growing regions of Luzon.

Cement: The cement business group is a new addition to the already diverse business of SMC. This new business, nonetheless, placed a strong market presence through its component cement businesses in Luzon, particularly, Northern Cement Corporation and Eagle Cement Corporation, which have already established its respective reputation in cement production and domestic sales. These cement businesses operate cement plants with new integrated cement manufacturing lines showcasing sustainable, environment-friendly, world-class and state-of-the-art equipment capable of producing high quality cement with strengths above and beyond the prescribed specifications.

Additionally, SMC expanded its market presence in Mindanao by establishing a cement grinding facility operated by its subsidiary, Southern Concrete Industries, Inc., which adopted all the processes, technologies, and strategies from NCC.

Well-positioned to benefit from strong macroeconomic fundamentals in the Philippines

SMC is well-positioned for significant future growth. The Food and Beverage and Packaging businesses continue to provide stable cash flow, while its fuel and oil, energy, infrastructure, and cement businesses have grown significantly and have enabled SMC to expand its ability to generate higher returns.

Food and Beverage: SMFB is well-positioned to benefit from the growing demand for food and beverage products driven by the country's sustained economic growth, expanding urbanization, favorable demographic patterns, and rapidly changing consumer tastes and preferences. In addition, the international beer business is experiencing increased sales and brand recognition in selected overseas markets such as Indonesia, Thailand, Singapore, Hong Kong, the Middle East, United States, and the Asia-Pacific region. GSMI is expanding its liquor business throughout the Philippines. Additionally, the Food Division is also streamlining its operations to improve the profitability of its established business segments, such as poultry, feeds, meat and flour, maximizing synergies across operations, and improving margins by shifting to stable-priced and value-added products. The food and beverage businesses continue to introduce new products and new package formats to increase consumer interest and overall market size, as well as address the needs of an increasingly fragmenting market, especially in high growth segments.

Packaging: The Packaging Group aims to provide a total packaging solution to be able to serve a wide spectrum of customers thereby increasing its potential for higher growth. It also aims to benefit from trade liberalization and globalization in the ASEAN region as it further expands its exports market. Increasing environmental awareness also provides opportunities to produce more environmentally friendly products such as the use of heavy metal free paint for the design of glass containers, use of cullets for glass manufacturing as well as plastic

regrinds for plastics manufacturing. The Packaging Group plans to improve margins by developing alternative sources of raw materials and optimizing recycling efforts to lower its material costs.

Fuel and Oil: Petron operates an integrated oil refining and marketing company in the Philippines and Malaysia, which it believes have favorable oil industry dynamics. The Philippines operates under a free market scheme with movements in regional prices reflected in the pump prices on a weekly basis. Malaysia, on the other hand, operates under a regulated environment and implements an Automatic Pricing Mechanism ("**APM**") that provides stable returns to fuel retailers. Under this program, the government provides subsidies to oil companies if the pump price is lower than the price set per APM and conversely, the oil companies pay duties to the government if the pump price is higher than the APM price.

Petron owns refineries, in both the Philippines and Malaysia, capable of producing finished petroleum products. Petron believes that the downstream oil market in the Philippines and Malaysia are still underserved and has strong potential for growth. To capture this growth and further strengthen its market position, Petron will embark on: (i) a continuous assessment and calibration of its price positioning to remain competitive in a time of elevated prices; (ii) strategically increasing its retail outlets for fuels, LPG, and lubricants to improve accessibility and availability to its customers; (iii) improving productivity of the existing service station and other sales networks; (iv) introducing new products with differentiated and superior qualities; (v) continuing to expand its non-fuel businesses with the relaunch of Treats and the optimization of available site space to provide customers with a one (1)-stop full-service experience; and (vi) intensifying its dealer and sales personnel training to further improve customer service experience.

As of December 31, 2023, Petron has 10 product terminals, a PME plant, a network of more than 750 retail service stations, and more approximately 300 Treats convenience stores in Malaysia. Petron has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport ("**KLIA**"). The joint venture through which Petron owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

Energy: Demand for electricity in the Philippines is expected to continue to grow. According to the Philippine Energy Plan 2020-2040 published by the Department of Energy ("**DOE**"), to meet the projected electricity demand including reserve requirements by 2040, the power system capacity addition that the Philippines will need is 69,420 MW under the reference scenario and an additional 92,320 MW under the clean energy scenario with the expected entry of more renewable energy power projects, which is broken down as follows: 2,641 MW for coal, 20,810 MW for natural gas, 381 MW for oil-based and 45,588 MW for renewable technology under the reference scenario and 2,641 MW for coal, 15,430 MW for natural gas, 381 MW for oil-based and 73,868 MW for renewable technology under the clean energy scenario. Moreover, based on San Miguel Global Power's estimates, despite the continuing build-up of installed capacity, net reliable capacity remains insufficient to meet peak demand. This considers the entry of variable capacities, composed primarily of intermittent renewable energies such as solar and wind, as well as the introduction of flexible technologies, such as BESS, which compensate for the intermittency of the variable capacities.

For the period 2018 to 2023, there is approximately 6,000 MW of private sector-initiated power projects that are either committed or indicative, according to the DOE. On average, construction of new power plants takes a minimum of three (3) years. In addition, the depletion of the supply of natural gas from Malampaya, supplying 25% to 30% of net reliable capacity, resulted in a reduction of energy generated by natural gas power plants beginning 2022. Given the gap between projected electricity demand and committed power projects, San Miguel Global Power expects that there will be a power supply shortage in the medium term until new capacity is built to meet the growing consumption.

San Miguel Global Power believes it is well-positioned to take advantage of opportunities from continued growth in the Philippine electricity market, as well as from the expected power supply shortage. The latter is exacerbated by an existing base of aging power plants, which are over 20 years old as of 2022 (currently representing 60% of net reliable capacity) and are thus prone to unscheduled shutdowns as well as a large base of seasonal power supply, such as hydropower plants in Mindanao. To meet this need, San Miguel Global Power has a defined roadmap to increase capacity by developing greenfield power plants and pursuing opportunities to invest in renewable energy projects, particularly in hydroelectric power and solar power projects and complementary technologies such as BESS.

Infrastructure: SMHC believes there are significant opportunities in building or acquiring infrastructure assets in a growing economy that has historically under-invested in infrastructure. These infrastructure projects are expected to support and contribute to the continued growth of the Philippine economy. Thus, SMHC believes its long-term concessions and obtaining new long-term concessions from the Government's infrastructure projects in the pipeline will provide strong and stable cash flows.

Cement: Cement is the key ingredient for roads, infrastructures, and other development necessary for the delivery of services to the Filipino people, which makes the demand for cement constant, continuing and increasing. The growth of government infrastructure projects, as well as the emergence of private construction projects and residential housing projects spurs the need for cement, which promotes the development of the cement industry. In turn, the steady supply of cement assures the continuity of infrastructure projects, which is one of the key drivers of economic growth of the nation.

However, the rising cost to produce cement may affect the cost of construction, which may, in turn, contributes to inflation due to increased spending on real estates. Furthermore, the rising cost also results in delay of completion of projects.

Nonetheless, the cement business positions itself to be resilient through implementing process improvement and cost containment measures, and investment in modern, state-of the-art equipment designed to efficiently produce higher volume at lower cost. With this, the cement business is able to maintain the quality of its products at competitive prices, making it highly demandable and desirable choice for all projects.

Operating businesses provide sustainable streams of income and cash flows

SMC's food and beverage and packaging businesses have historically provided the Company with a sustainable stream of income and have demonstrated resilience during the global financial crisis and provided SMC with a strong financial base from which to pursue its diversification strategy. For the year ended December 31, 2023, the food and beverage and packaging businesses provided 28.9% of consolidated sales and 34.7% of total EBITDA of SMC, respectively. For the year ended December 31, 2023, the fuel and oil and energy businesses contributed 67.1% of consolidated sales and 43.2% % of total EBITDA of SMC, respectively. On the other hand, for the year ended December 31, 2023, the infrastructure and cement businesses and others contributed 4.0% of consolidated sales and 22.1% total EBITDA, respectively.

Highly visionary, cohesive, and experienced management team

SMC has a highly experienced and loyal senior management team that has been with their respective businesses for an average of over 20 years. The management team has a deep knowledge and understanding of the Philippine operating environment and has been able to effectively manage the group of SMC companies through periods of crisis and instability in the Philippines. The management team has successfully directed the diversification strategy of SMC into energy, infrastructure and other businesses. SMC has expanded its expertise in managing its various businesses by retaining key management personnel from acquired companies in order to maintain their expertise and leverage their industry experience.

Strong commitment to social responsibility and sustainability

Sustainability has always been an integral part of the Company's operations. It manifests *malasakit* by taking care of host communities, doing good and working to make life better for the people. SMC has gone beyond mitigating the problems of climate change or social inequality. It has established a framework for sustainability with three (3) sustainability agendas anchored on the Company's mandate to help in nation-building – namely **Good for the Planet or '*Kalikasan*'** which aims to protect and nurture the environment, **Good for People or '*Kalinga*'** which aims to uplift the well-being of the people in its organizations and its communities, and **Good for Progress or '*Kasaganahan*'** which aims to promote inclusive economic growth and progress in the society. Its targets are anchored on the United Nations Sustainable Development Goals (UN SDGs) with overarching goals envisioned over three (3) horizons – 2030 as the more urgent and interim timeline, 2040 as the intermediate outlook, and 2050 as the long-term path, which are namely (1) Establish a circular economy approach by 2040,

(2) Net Zero by 2050, (3) At least 15 million uplifted people by 2030, and (4) a fully sustainable and ethical supply chain by 2040.

Strategies of SMC

The principal strategies of SMC include the following:

Enhance strategic value and operating efficiencies among and within businesses

SMC aims to enhance the strategic value and operating efficiencies among and within businesses by pursuing operational excellence, brand enhancement, improving product visibility, targeting regions where SMC has lower market share, implementing pricing strategies and pursuing efficiencies.

Expand or diversify into businesses that contribute significantly to nation building, job creation, and economic growth

In addition to organic growth, SMC intends to continue to seek strategic acquisition opportunities or project proposals to position itself for the economic growth and industrial development of the Philippines that will significantly contribute to nation building and job creation.

Identify and pursue synergies across businesses through vertical integration, platform matching and channel management

SMC intends to create an even broader distribution network for its products and expand its customer base by identifying synergies across its various businesses. In addition, SMC continues to pursue plans to vertically integrate its production and distribution facilities for its food and beverage, packaging, energy, fuel and oil, infrastructure, and cement businesses to enable additional cost savings and efficiencies, as well as, match platforms and strengthen its channel management.

Strengthen sustainable business strategies across all operations, and continue to adopt world-leading best practices

SMC intends to strengthen sustainable strategies across all operations by leveraging its financial resources and experience to continue introducing innovative products and services. Potential investments to expand existing businesses in food and beverage facilities, constructing new power plants and infrastructure projects and the continued expansion of its various businesses. SMC believes its strong domestic market position and brand recognition provide an effective platform to develop markets for its expanding product portfolio. SMC plans to continue to invest in and develop businesses that it believes have the potential to gain leading positions in their respective markets.

SMC continues to develop strategic partnerships with global industry leaders. SMC's current partners include Kirin for beer, Hormel Netherlands B.V. for processed meats, K-Water for power and NYG, Fuso and Can-Pack for packaging products. These partnerships provide access to the latest technologies and expertise in these technologies, marketing and expansion opportunities and sharing of best practices, thereby enhancing its status as a world-class organization.

Integrate long-term sustainability goals into decision-making processes to foster a culture of environmental and social accountability

SMC believes that embedding a sustainability mindset in decision-making is a key factor to success. Sound business decisions are made when environmental and social risks and opportunities are considered alongside financial returns and growth objectives.

When the Company released its first comprehensive sustainability report in 2023, it disclosed its sustainability agenda including four (4) overarching goals aligned to the United Nations Sustainable Development Goals (U.N.

SDGs): (1) Establish a circular economy approach by 2040, (2) Net Zero by 2050, (3) At least 15 million uplifted people by 2030, and (4) a fully sustainable and ethical supply chain by 2040. Having committed itself to these objectives, it has become even more imperative to evaluate investments and projects by looking at their contribution to achieving these goals.

One of the first initiatives was to set up the governance mechanism for sustainability to ensure effective oversight and implementation of our sustainability agenda. This mechanism, with the Board of Directors at its core, ensures that sustainability is a key part of our operations at every level, encouraging a company-wide culture of environmental and social responsibility. The Board Sustainability Committee oversees the Company's sustainability strategies and closely monitors our ESG performance. The President and CEO spearheads SMC's sustainability efforts at executive level, including addressing the broader impacts of climate change. The Corporate Sustainability Office supports the President and CEO by helping shape strategy, set targets and track performance. At the operational level, sustainability leads and working teams drive the execution of ESG initiatives within their respective businesses.

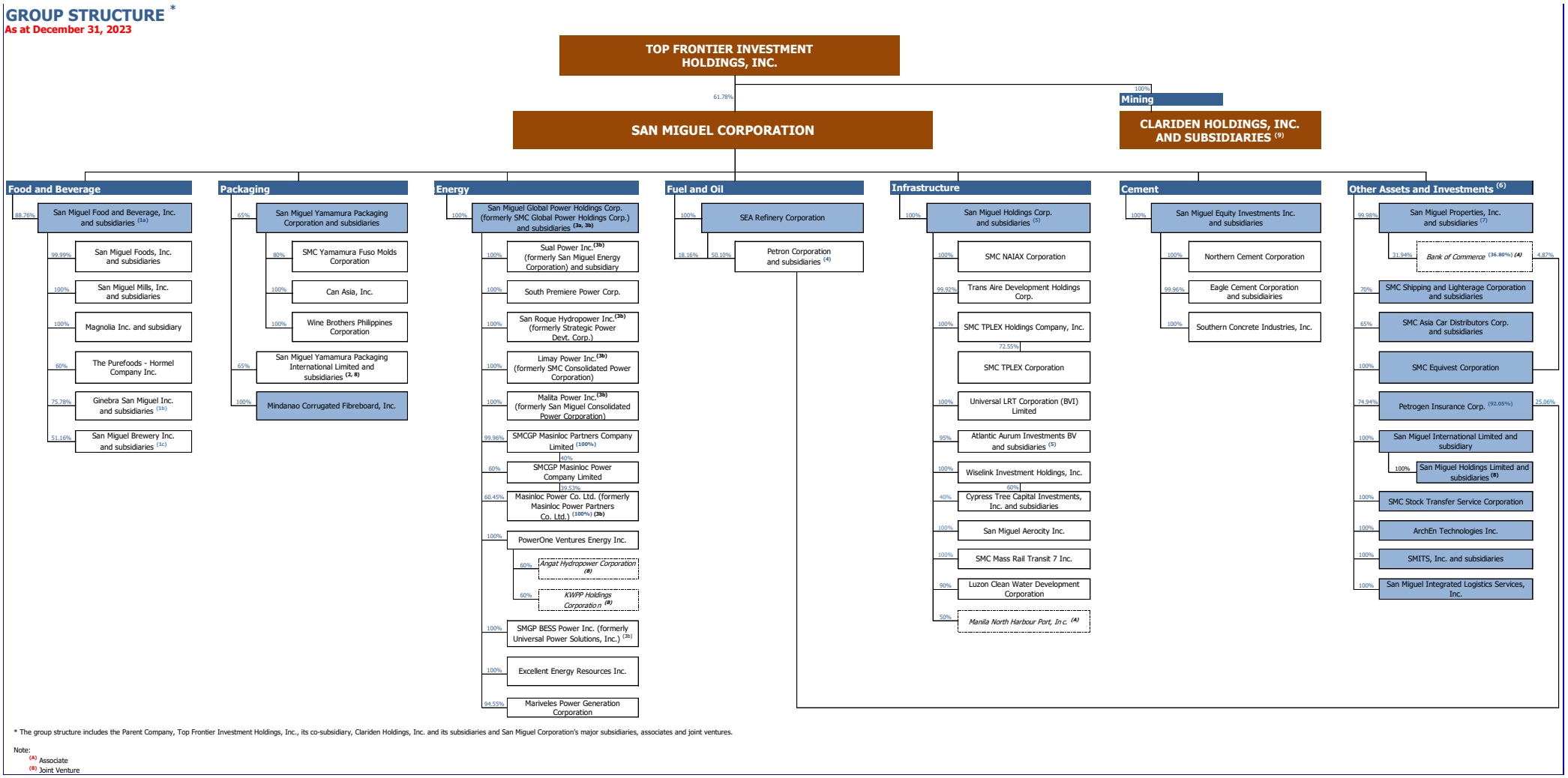
Thus, SMC's businesses have been actively participating in crafting roadmaps and setting milestones to the goals. They have been supported in this endeavor with training in sustainability, creating awareness of global concerns, understanding individual and collective responsibilities, and building a culture of accountability for outcomes. To date, there are multiple initiatives that demonstrate how the Company is progressing towards its goals.

Building a circular economy starts with the longstanding practice of returnable glass bottles for beer, recycled glass cullets for packaging and spent brewers grains for animal feeds. Coal ash for cement and plastic waste for energy come next, even as the businesses reinforce and expand circularity practices already in place. The efforts towards Net Zero start with energy efficiency initiatives across all operations, and move on to expanding renewable energy capacity in the Company's portfolio and mitigating emissions through nature-based offsets. Uplifting people comes more intrinsically, with multiple infrastructure projects completed and more under development, increasing accessibility and productivity, and multiplying jobs. Community-based projects are also part of this endeavor, and encompass education, health, livelihood and empowerment. Involving our supply chain in our sustainability journey is anchored on our own policies and practices as this calls for leading by example. Our plans include supplier's training, engagement and eventually, audits, to build the fully sustainable and ethical supply chain that SMC envision.

SMC, together with all its businesses, are working on roadmaps and setting time-bound metrics for each goal that will make the Company accountable and ensure progress towards its goals.

SMC CORPORATE STRUCTURE

Set forth below is the corporate organizational chart of SMC as of December 31, 2023 Source: SMC.



I. Subsidiaries

1. San Miguel Food and Beverage Inc. subsidiaries also include: (a) San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.; (b) Ginebra San Miguel Inc. subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited; and (c) San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Limited and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co. Ltd., San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at December 31, 2023.

2. San Miguel Yamamura Packaging International Limited subsidiaries include San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd.

3. (a) San Miguel Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc., SMC Power Generation Corp., Albay Power and Energy Corp., Lumiere Energy Technologies Inc., Central Luzon Premiere Power Corp., Oceantech Power Generation Corporation and subsidiary, SMGP Kabankalan Power Co. Ltd. and Prime Electric Generation Corporation and subsidiary.

(b) The Securities and Exchange Commission approved the change in corporate names of the following entities on the respective dates:

San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.)	March 22, 2023
Sual Power Inc. (formerly San Miguel Energy Corporation)	March 9, 2023
San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.)	March 31, 2023
Limay Power Inc. (formerly SMC Consolidated Power Corporation)	February 7, 2023
Malita Power Inc. (formerly San Miguel Consolidated Power Corporation)	March 9, 2023
Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.)	November 13, 2023
SMGP BESS Power Inc. (formerly Universal Power Solutions, Inc.)	November 3, 2023
SMGP Kabankalan Power Co. Ltd. (formerly SMCGP Philippines Energy Storage Co. Ltd.)	September 21, 2023

4. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings Inc. and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.

5. San Miguel Holdings Corp. subsidiaries also include ULCOM Company, Inc., Alloy Manila Toll Expressways, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation, Pasig River Expressway Corporation, Intelligent E-Processes Technologies Corp., SMC Northern Access Link

Expressway Corp., SMC Southern Access Link Expressway Corp., South Luzon Toll Road-5 Expressway Inc. and TPLEX Operations & Maintenance Corp.

Atlantic Aurum Investments B.V. subsidiaries include SMC Tollways Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation, and SMC Skyway Corporation and subsidiary, Skyway O&M Corporation, SMC SLEX Holdings Company Inc. and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc.

6. Other Assets and Investments also include Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries, Silvertides Holdings Corporation and subsidiary, Deity Holdings Corporation, Fonterra Verde Holdings Inc., One Verdana Holdings Inc. and Worldsummit Holdings Corporation.

7. San Miguel Properties, Inc. subsidiaries include SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.

8. San Miguel Holdings Limited subsidiaries include San Miguel Insurance Company, Ltd. and San Miguel Yamamura Packaging International Limited.

II. Co-Subsidiary

9. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group).

EMPLOYEES

As of December 31, 2023, SMC had a total of 53,184 regular employees. Substantially all of the employees are based in the Philippines and other areas in the Asia-Pacific region. As of December 31, 2023, the approximate number of employees in each of the businesses is set forth below:

Number of Employees

Business	Number of employees
Food and Beverage	11,048
Packaging	4,108
Fuel and Oil	3,611
Energy	2,395
Infrastructure	3,930
Cement	1,263
Other Operations and Investments	26,829
Total	**53,184**

Number of Employees by Employee Category

Employee Category	Number of Employees	Number of Employees Covered by CBA	Number of Employees Not Covered by CBA
Officers	344	-	344
Middle Manager Position	1,797	-	1,797
Rank & File	51,043	5,827	45,216
Total	**53,184**	**5,827**	**47,357**

As of December 31, 2023, approximately 10.96% of the regular employees of the SMC Group were parties to various collective bargaining agreements and there are 35 recognized labor unions within the businesses of the SMC Group. The SMC Group maintains good labor relationships and a constant line of communication with its employees. SMC also engages its employees through employee relations programs to maintain a high level of employee satisfaction.

In addition to the statutory benefits, SMC initiates benefits to provide for the increased security of its employees in the following areas: health care, leaves, miscellaneous benefits, loans and financial assistance applicable to a variety of uses, retirement benefits, and survivor security and death benefits.

Within the ensuing 12 months, SMC may require additional hiring of employees to support its business expansion, the number of which cannot be determined.

The Company employs experienced, skilled, and qualified personnel for the management and operation of its business and prioritizes programs that will ensure the retention and continuous engagement of its talent. The Company's attrition rate is still lower than the industry average. The Company ensures that manpower for critical positions is adequately maintained. The Company has an established succession planning program supported by a structured mentoring program for identified replacements of retiring employees to ensure leadership strength and technical knowledge preservation necessary for continued business operation. High-potential employees are given the opportunity to accelerate their development through a structured training program to prepare them for greater roles and responsibilities. The Company also provides the continuing education or learning of employees through an education reimbursement program for post-graduate studies and employees' participation in functional technical courses, conferences, and seminars. SMC believes it has a competitive compensation and benefits package and regularly reviews its employee relations programs to continuously attract, retain and engage talent.

DESCRIPTION OF PERMITS AND LICENSES

SMC believes that it has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

Particularly, as a holding company, SMC's material permits and licenses necessary for its business as currently conducted, which are valid and subsisting as of the date of this Offer Supplement, are the following:

- Amended Articles of Incorporation and Certificate of Filing of Amended Articles of Incorporation issued by the SEC on July 14, 2015.
- Certificate of Registration issued by the BIR.
- Business Permit issued by the City of Mandaluyong for the year 2024.

COMPLIANCE WITH ENVIRONMENTAL LAWS

SMC is in compliance with environmental laws, except where such non-compliance will not have a material adverse effect on the business of SMC. On an annual basis, operating expenses incurred by SMC to comply with environmental laws are not significant or material relative to the total costs and revenues of the Company.

ENVIRONMENTAL SOCIAL GOVERNANCE AND SUSTAINABILITY INITIATIVES

SMC works to advance both sustainability and profitability hand-in-hand. With inequality, insufficient access to resources, and lack of social cohesion remaining as challenges that the Philippines is working to address in this era of climate change and global conflict — it is the responsible and right thing to do**.**

The shared challenges that the nation faces require concerted action of government, the private sector, and the public. A significant part of the SMC's sustainability revolves around tackling pressing problems in society and how its businesses can contribute to solving these issues. At the same time, SMC recognizes that sustainability initiatives can improve business performance and enhance shareholder value.

ESG STRATEGY

As one of the nation's largest, most diversified conglomerates, with revenues equivalent to around 6.0% of the Philippines' GDP in 2023, San Miguel has an enormous impact on the national economy and host communities, from the people it employs, and the downstream business it generates. It plays a critical role in regional and local economies across the country, supporting thousands of jobs in every region.

Sustainability has always been an integral part of SMC long before it became a catchword and a catalyzing force for positive change. Reducing its impact on the environment, fostering social inclusion, and having robust governance practices were integrated and has been part of SMC's culture over the decades. For most of its 133-year history, it has referred to these sustainable practices as part of its corporate value system of *malasakit*—that uniquely Filipino value of helping others without being prodded and without expecting anything in return. It manifests *malasakit* by taking care of the host communities, doing good and working to make life better for people.

SMC has deeply anchored its sustainability agenda on its mandate to help in nation-building. As one of the Philippines' largest and most diversified conglomerates, it has strived to use its businesses as a force for good, helping to create a better world that is not just good for a small few, but is good for everyone. In all parts of the world, people are confronted with the triple threat of climate, conflict, and COVID-19. In the Philippines, SMC ranked 1st on the list of global disaster risk hotspots based on the World Risk Index report. Prices of basic commodities and fuel continue to be affected by the geopolitical crisis. Over seven (7) million Filipinos lost their livelihoods during the pandemic.

As the economic and societal problems continue to beset the Philippines as a developing nation, this makes the sustainability situation in the country severely challenging compared with more developed nations. Thus, SMC operationalize its sustainability agenda under an overarching framework named as "**A Force for Good"**, which articulates its commitment to create positive returns for all the stakeholders and to operate for the long-term benefit of society, the environment, and the country. It embraced a "**World of Good**" agenda that envisions a world of good, where its businesses foster a sustainable future that is "**Good for the Planet**", to protect and nurture the environment, through urgent climate action, efficient resource management and a circular economy approach; "**Good for People**", to uplift the well-being of all the lives it touches, including people within the organization and the communities; and "**Good for Progress**", to promote inclusive economic growth and ensure that progress occurs in harmony with nature and society, so that all may enjoy comfortable, secure and prosperous lives. All these will lead to benefitting present and future generations of Filipinos.

In 2022, SMC embarked on a pivotal journey to advance and elevate the Company's sustainability performance. Working closely with the Board of Directors, top management, and the various businesses, an overarching sustainability blueprint has been developed that embodies San Miguel's purpose and values as well as its hopes and aspirations for a brighter and more prosperous future for all Filipinos. This sustainability blueprint presents the organizational vision and purpose along with the sustainability agenda and targets. Clear and ambitious goals focused on environmental, social, and governance areas have been defined, which are anchored on the United Nations Sustainable Development Goals (UN SDGs) and identified major levers and plays that would help in fully realizing commitments.

The following four (4) targets have been defined namely:

- **Establish a circular economy approach by 2040** by optimizing our resources by eliminating waste and pollution, circulating products and materials at their highest value, and regenerating nature.
- **Net zero by 2050** by minimizing greenhouse gas (GHG) emissions by investing in clean energy technologies and carbon reduction programs.
- **At least 15 million people uplifted by 2030** by creating equitable and transformative pathways to a sustainable future for the employees, customers, communities, nation, and beyond.
- **A fully sustainable and ethical supply chain by 2040** by upholding sustainable best practices across the supply chain ecosystems that will benefit current and future generations

Recognizing SMC's impact areas and ESG issues is a starting point to harness the Company's influence and size. While the biggest challenges are ahead, SMC have a long tradition of successful circular and even regenerative practices. SMC is currently developing a more detailed roadmap that will measure the impact of the Company's sustainability initiatives and likewise identify action steps to achieving and advancing these targets.

FOOD AND BEVERAGE BUSINESS

SMFB is a leading food and beverage company in the Philippines. The brands under which SMFB produces, markets, and sells its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include San Miguel Pale Pilsen, San Mig Light, and Red Horse for beer, Ginebra San Miguel for gin and Vino Kulafu for Chinese wine, Magnolia for chicken, dairy, ice cream, flour mixes, and salad aids, Monterey for fresh and marinated meats, Purefoods Tender Juicy for hotdogs, Purefoods for branded processed meats, ready-to-eat meals, and seafood line; Veega for plantbased protein products; Star and Dari Crème for margarine; and B-Meg for animal feeds.

SMFB has three (3) primary operating divisions—(i) beer and NAB through San Miguel Brewery, Inc. and its subsidiaries, (ii) spirits through Ginebra San Miguel Inc. and its subsidiaries and (iii) food and animal nutrition through San Miguel Foods and its subsidiaries. SMFB serves the Philippine archipelago through an extensive distribution and dealer network, and exports its products to about seventy (70) markets worldwide.

For each of the years ended December 31, 2021, 2022 and 2023, the food and beverage businesses had sales of ₱309,778 million, ₱358,853 million and ₱379,822 million; income from operations of ₱43,695 million, ₱48,711 million and ₱48,411 million; and net income of ₱31,417 million, ₱34,665 million, and ₱38,105 million, respectively.

The following table sets forth the contribution of the three (3) divisions to total sales for the periods indicated:

	For the years ended December 31,					
	2021		2022		2023	
Sales[(1)]	₱	%	₱	%	₱	%
Beverage Business	(in millions, except for percentages)					
Beer and NAB Division	₱116,280	37.6	₱136,230	38.0	₱147,341	38.8
Spirits Division	42,529	13.7	47,336	13.2	53,636	14.1
Food Division	150,969	48.7	175,287	48.8	178,845	47.1
Total	**₱309,778**	100.0	**₱358,853**	100.0	**₱379,822**	100.0

Note:
(1) Represents the external sales of each division and excludes inter-division sales.

Selected operating data for the SMFB is provided below for the periods indicated:

	For the years ended December 31,		
(in millions, except for percentages)			
	2021	**2022**	**2023**
Sales	309,778	358,853	379,822
Gross profit	90,472	97,373	100,600
Gross profit margin[(1)]	29.2%	27.1%	26.5%
EBITDA[(2)]	56,198	62,729	66,822
EBITDA margin[(3)]	18.1%	17.5%	17.6%
Net income before tax	40,802	45,769	49,878
Net income before tax margin[(4)]	13.2%	12.8%	13.1%

Notes:

(1) Calculated as gross profit divided by revenues.

(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.

(3) Calculated as EBITDA divided by revenues.

(4) Calculated as net income before income tax divided by revenues.

Strengths and Strategies Strengths

One of the largest consumer companies in the Philippines with a rich heritage of 133 years

SMFB is one of the largest consumer companies by revenue and net income among the publicly listed peers in the Philippines, with consolidated net sales of ₱379,822 million and consolidated net income of ₱38,105 million for the financial year of 2023. The Beer Division was founded as *La Fabrica de Cerveza de San Miguel* in 1890, a single brewery with a single product and over the years, the San Miguel brand has transformed into a household name that is interwoven with the economic and cultural fabric of the Philippines, supporting Philippine development and economic progress. SMFB's heritage has allowed it to develop a deep and unparalleled understanding of its consumers, an extensive and efficient nationwide distribution network and deeply entrenched brands that provide it with significant competitive advantage. SMFB believes that it has continuously demonstrated its ability to adapt throughout its history by leveraging extensive operational know-how, market experience and consumer insight to remain at the forefront of new trends and innovations, thereby allowing it to successfully enter new categories and capture incremental market share allowing SMFB to survive and thrive over its 133 years of history.

Powerful portfolio of iconic and trusted brands that resonate deeply with SMFB's local consumers

SMFB's key brands have a rich history and long track record, catering to consumers for over a century. For example, *Ginebra San Miguel* was launched in 1834, *San Miguel Beer* was established in 1890, *Magnolia* in 1925, *B-Meg* in 1953 and *Purefoods* in 1956. SMFB's strength is displayed through its leading brand rankings in several segments and product categories. SMFB's Beer Division is the largest producer of beer in the country in terms of both sales and volume. Despite the entry of local beer competition in the 1980s and the introduction of locally-brewed versions of foreign brands, craft beers and imported beers, SMFB believes that its brands are top-of-mind and continue to maintain their leading positions across market segments. Top beer brands in the Philippines include *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light*, *Gold Eagle,* and *San Miguel Flavored Beer*. According to internal company estimates, the Spirits Division's core spirits brands, *Ginebra San Miguel* and *Vino Kulafu* are also market leaders in the gin and Chinese wine categories in Philippines at 96.6% and 69.2% volume share, respectively, as of December 31, 2023. Similarly, *Purefoods* (branded processed meats), *Magnolia* (fresh chicken), *Magnolia Gold* and *Butter-licious* (butter), *Star* and *Dari Crème* (margarine), and *B-Meg* (feeds) are market leaders in their respective categories.

The Beer Division's beer brands have significant international brand equity with a global presence in over 70 countries. *San Mig Light* is one of the major players in the premium beer segment in Thailand. *Anker Bir*, its local brand in Indonesia, is the second biggest brand in the market. In Hong Kong, where SMFB's Beer Division

is the only major beer player having a local brewery, the brand has been embraced by Hong Kong locals and is a favorite among foreign expats and tourists. SMFB also has a strong presence in major tourist spots all over Asia. The food products of the Food Division also have a growing international presence in North America, South-East Asia, Australia, and the Middle East.

SMFB believes that its well-recognized brands locally and abroad, ability to customize products to cater to specific needs, and the sale of a number of products through clean and convenient branded distribution outlets enable SMFB to command favorable pricing. The diversity of its product offering reduces dependency on any single product segment and allows SMFB to withstand changes in competitive dynamics and raw material price fluctuations that may impact one product segment more than another.

Leading market positions in the most attractive consumer categories

The businesses of SMFB hold market-leading positions across the food and beverage categories with large addressable markets and attractive growth prospects. SMFB is now a unique platform offering an extensive complementary product portfolio across beer and NAB, spirits, and food, with 32 brands in six (6) categories and serving the full spectrum of the growing domestic population. SMFB's Beer Division is the largest producer of beer in the country, in terms of both sales and volume, offering a wide array of beer products across various segments and markets. As of December 31, 2023, the Spirits business had leading market share in the gin category by volume of 96.6%, according to internal company estimates. According to the Kantar (Worldpanel Division), as of Moving Annual Total (MAT) June 18, 2023, the Food Division is a market leader in several categories: 48% for hotdogs, 64% for breaded, battered, and fried products, 48% for butter, 97% for refrigerated margarine and 79% for non-refrigerated margarine. In the same period, the Food Division had market shares of 18% for corned meats, 23% for luncheon meats and 19% for cheese.

SMFB is intimately involved in consumers' lives at every meal and occasion. Guided by the company slogan of *"Celebrating Life"*, SMFB believes that its products are part of the daily lives of its consumers, providing sustenance and enjoyment to families through trusted food brands, and celebrating friendships and camaraderie with its world-class portfolio of beer and NAB, and spirit products. The product portfolio of SMFB is suitable for any occasion, whether it be for everyday consumption or the most significant life events, and continuously evolves to cater to consumer tastes and preferences.

SMB is also the 13th largest beer producer globally by volume and one (1) of the top four (4) Asian beer players in 2017 by revenue. The significant competitive advantage of SMFB is demonstrated by consumers' strong preferences for San Miguel products over competition.

Market leadership in the spirits business is demonstrated by GSMI's strong market share in the gin category and a growing demand for its Chinese wine product, *Vino Kulafu*. GSMI produces *Ginebra San Miguel*, which is the world's number one selling gin by volume according to GlobalData as of 2020. SMFB believes that its core spirits brands in gin and Chinese wine are gaining popularity domestically and earning market share from other spirits brands in the Philippines.

SMF holds market-leading positions in various food categories, contributing over 85% of the total Food Division's revenue. Categories include branded and processed meat, butter and spreadable fats, cheese, ice cream, animal nutrition and health, and protein.

Strategically located production facilities providing strong competitive advantages

SMFB believes that its production facilities are strategically located throughout the Philippines, providing wide coverage of the population while optimizing distribution costs.

With seven (7) beer production facilities strategically located across the Philippines and in close proximity to consumer markets, SMFB is able to serve all regions and transport beer products to market within five (5) to seven (7) days of production, thus ensuring product availability and freshness. Spirits, on the other hand, are produced from fine alcohol obtained from a centralized distillery in Negros Occidental, which is the Philippines' largest molasses producing region, and bottled at five (5) domestic facilities located across the

country. SMFB also operates a nationwide manufacturing network for food products with numerous feed mills, processing plants, and breeding and growing farms located across Luzon, Visayas and Mindanao. As a result of such food production facilities' proximity to markets and efficient cold chain, SMFB ensures optimal shelf life and reduce perishability of fresh products. SMFB believes that its facilities are among the most efficient in the country given the use of modern technology. Such production facilities are equipped with automated machines which can manufacture and package products in a variety of formats, while maintaining low production costs. Most of the poultry farms are equipped with tunnel ventilation to produce healthier, higher quality and more cost-efficient meats.

Additionally, the facilities are compliant with the strict international requirements of International Organization for Standardization ("**ISO**"), Good Manufacturing Practices ("**GMP**") and Hazard Analysis of Critical Control Points ("**HACCP**") certifications. The Food Division strictly complies with relevant regulations which mandate recall of food products, which may pose a major food safety issue. These stringent safety and quality standards are reflected in the historical track record of SMFB, where it has had no major food and beverage safety incident in the last five (5) years.

In October 2023, SMFB completed its first mega poultry farm in Hagonoy, Davao del Sur, which is equipped with controlled climate technology, automated feeding and watering systems, an air quality monitoring system, and an automated harvesting system. Apart from the completion of its first mega farm project, over the next 10 years, SMFB aims to build several other mega poultry plants in strategic locations nationwide. This is not only to bring down logistical costs, making food products more affordable for consumers, but it is also SMC's larger plan to boost food security of the country.

Extensive distribution network across the Philippines covering diverse channels

The Philippine archipelago consists of 7,641 islands divided into three (3) main regions of Luzon (including Greater Manila), Visayas, and Mindanao that have distinct macro and industry dynamics. This creates a unique market and competitive landscape that allows us to significantly benefit from the scale of its extensive nationwide distribution network.

As the leading player in the Philippines, SMFB products occupy prime shelf spaces in groceries, convenience stores, and mom-and-pop stores across the country.

SMFB believes that it has the largest and most extensive distribution network in the Philippines. The Beer and NAB Division operates over 50 sales offices, having partnerships with approximately 450 dealers with its products present in over 500,000 outlets. The Spirits Division operates 15 sales offices situated strategically across the Philippines and coordinates with a network of 92 dealer sites covering approximately 158,000 outlets. The food products of the Food Division are offered through approximately 160,000 points of sale, having partnerships with over 1,300 dealers, distributors, and food service clients.

To service its distribution network, SMFB has established dedicated teams and customized products to target different distribution channels. SMFB believes that its multi-channel distribution platform has allowed it to maximize customer reach and has been one of the key factors to its success in building and developing market-leading positions. SMFB supplies products to mom-and-pop stores, wet markets, and other traditional retail outlets; modern trade outlets, including supermarkets, hypermarkets, convenience stores, and grocery stores; on-premise channels such as hotels, restaurants, cafes, and bars; exclusive retail outlets; and franchised stores. In particular, SMFB has a key accounts group within each division, which focuses on maximizing distribution across all channels.

SMFB has been able to reach a wide number of consumers through its extensive distribution network. For the Beer and NAB Division, the strong dealership network ensures the availability of products throughout the Philippines. Dealers are provided systems and trainings related to dealer operations. The returnable glass bottle (RGB) system allows distributors to interact with customers on a regular basis, upon collection and return of the RGBs, further fortifying the consumer relationship. A strong aspect of SMFB's distribution network is the perennial presence of its products in mom-and-pop stores. These mom-and-pop stores are difficult for competitors to penetrate as they tend to have limited capital and shelf space, and only carry

brands that are fast-moving. SMFB distribution networks also organize dealers by assigned geographic areas ensuring the widest coverage of its products. For the Food Division specifically, efficiency is enhanced by having fewer but larger exclusive dealers for the Prepared and Packaged Food segment.

SMFB has also pioneered the development of innovative formats to sell its food products, which has the benefit of growing the market by driving consumer preferences. The Food Division manages *Monterey Meatshops* and *Magnolia Chicken Stations,* as well as other distribution outlets, to distribute the Food Division's products. It established Great Food Solutions (GFS) to service key institutional accounts such as quick service restaurants, bakeshops, pizza chains, convenience stores and commissaries.

Powerful consumer insights drive growth, innovation, and new product development

SMFB's ability to successfully introduce new products by leveraging on its extensive knowledge of consumer preferences, demographic, and market trends, as well as broad distribution channels, has allowed it to attain market leadership positions. Through its comprehensive reach and investment in market research and collaboration and feedback from strong relationships with customers, dealers, and distributors, SMFB gains meaningful consumer insights, thereby allowing it to anticipate changes in consumer demand and preferences.

SMFB constantly engages in extensive research for updates on market trends and changes in consumer tastes, and identifies market gaps towards developing an optimum yet manageable new product pipeline. This promotes effective resource management and optimizes NPD.

SMFB continuously creates market opportunities and pioneer new product variants to excite the market and address its ever-changing needs and preferences.

Cost efficiency initiatives and unique elements of business model driving strong profitability

SMFB engages in a variety of initiatives to minimize raw material and other input costs. For example, the Beer and NAB Division employs the RGB system which, with over 90% retrieval in the past five (5) years, provides a significant competitive advantage by allowing us to manage costs. The Spirits Division manages cost by purchasing raw materials such as sugarcane molasses and alcohol from a variety of third-party suppliers pursuant to supply contracts in the domestic and foreign open market. SMFB has engaged in successful initiatives such as aggressively promoting bottles recycling for the Spirits Division. Due to the company's retrieval programs, second-hand bottles account for 72% of total bottles used in 2023. The climate-controlled facilities used by the Food Division have improved yields and created conducive environment for healthy animal growth. The Food Division continuously explores alternative raw materials from grains and by-products used in the Animal Nutrition and Health segment as well as alternative protein sources and flavors for the Prepared and Packaged Food segment.

Furthermore, SMFB's efficient and modern production facilities drive efficiency. Its best-in-class technologies and processes applied to facilities across the Beer and NAB, Spirits, and Food Divisions also help reduce wastage and maximize production yields. Most production facilities are fully automated, thereby ensuring consistent quality of products with minimal spoilage. The brewing production processes are regularly reviewed to optimize output and generate cost savings. Additionally, each of the Beer and NAB, Spirits, and Food Divisions have their own research and development teams which regularly monitor and conduct tests to ensure that production processes are up-to-date with the relevant industry standards and that high-quality products will be sold at the least cost.

SMFB believes that its vertically integrated facilities enable it to better manage raw material costs and extract margins along the entire food chain while ensuring superior food safety, traceability, and supply chain reliability and integrity. The Food Division's unique "farm-to-plate" business model allows it to derive synergies and extract margins along the entire food production and distribution process as it drives economies of scale from combined raw material sourcing, integrated production functions and shared sales, distribution, marketing, and support functions. It also enhances operational flexibility to quickly adapt and augment products to respond to market demand. Finally, cost efficiencies are also realized in unique aspects

of the distribution chain. The Golden Bay Grain Terminal Corporation, an affiliate company of SMFB owns and which serves both the feeds and flour operations, has facilitated the shipment of products through larger vessels thus minimizing intermediate handling and leakage, and resulting in lower freight and handling costs.

Strategies

San Miguel Food and Beverage's principal long-term goal is to further strengthen and solidify its position as the leading food and beverage company in the Philippines, consistently expand its business to meet the growing consumer demand, and help the country attain food security.

SMFB aligns their aim to achieve SMC's goal on establishing a sustainability focused approach by implementing the following strategies:

Continued execution of regionally tailored strategies, leveraging on its unique understanding of consumers

SMFB believes that its market-leading positions enable it to leverage differentiated consumer insights specific to each region and execute tailored strategies, thus enhancing nationwide presence.

In line with expanding its presence, especially in provincial areas, SMFB is establishing additional distribution hubs that will strengthen its network and direct servicing of outlets.

SMFB is also improving availability of its products by investing in production facilities and logistics infrastructures such as ports and warehouse as well as increasing deployment of sales force in these regions with the objective of expanding penetration and reach in fast developing key and remote areas.

Capacity expansions to support growing consumer demand

Capacity expansion in key regional markets is a critical element of SMFB's growth strategy to support increasing market demand nationwide, particularly in the provinces. SMFB is expanding its production capacities and manufacturing facilities in strategic areas to better meet the growing demand in its various business segments. In certain segments, SMFB is also transitioning from tolled facilities to company-owned facilities to optimize efficiencies, achieve better control over cost and quality, and improve margins.

Over the next 10 years, SMFB Food Division is set to build 11 mega poultry farms across the country, each capable of producing up to 80 million birds per year. The farms will be composed of a mix of elevated and/or multi-tiered farmhouses with sufficient space vertically and horizontally to allow the birds freedom of movement. Each house will be climate controlled to provide the optimal temperature and humidity for broiler health and growth. SMFB will employ the latest technology in poultry farming and best practices in animal health and nutrition, thus allowing it to consistently produce healthy chickens of premium quality to meet consumer demand for safe and affordable products.

The mega poultry farms will ensure capacity availability at all times, as these complement the existing nationwide contract growing program while reducing risks from the transfer of contract farms to other poultry integrators. Over time, SMFB aims to achieve a good balance of company-owned farms and a reliable pool of contract growers.

From an asset-light business model, SMFB is now moving towards direct investments in world-class facilities to achieve greater scale and control over SMFB's expansion program. Part of this strategy is the integrated food complex (IFC) which is intended to boost the country's food security, not only with sufficient production capacity, but also with more competitive costs, better product quality and greater accessibility for consumers across the different regions. Each complex takes into account locational benefits available, such as deep-water access, proximity to local raw material sources and/or easier entry to regional markets. Depending on the location, a typical IFC will have a port or grain terminal facilities with silos and warehouses, feed mill, breeder farm, hatchery, broiler farm, processing plant and further processing facilities, cold storage warehouses and other food manufacturing facilities such as flour mills or processed meat plants.

This will bring down production and logistical costs, making food products more affordable for consumers. These expansion efforts in the poultry segment will help safeguard against supply volatility and provide more stable pricing. Modern processes and technologies will ensure better animal health and protection leading to higher levels of safety and quality. In addition, the IFC will provide employment opportunities in these areas and will help the country reduce dependence on importation.

Last October, SMFB's first mega poultry farm was inaugurated in Hagonoy, Davao del Sur. The farm is equipped with controlled climate technology, automated feeding and watering system, an air quality monitoring system, and an automated harvesting system. The IFC is part of our larger push to enhance food security nationwide, which started with the expansion of our beer, feeds, value-added meats, ready-to-eat, and logistics businesses over the last several years.

Maintain market leadership positions in core categories while growing the total addressable market through marketing initiatives and new product development

SMFB plans to invest in tailored brand building and marketing campaigns, as well as pursue targeted NPD strategies in each product category. Through this, SMFB expects to further reinforce its leadership positions and grow the total addressable market. SMFB continues to pursue innovative consumer promotions and relevant, consistent, and fresh campaigns, on-ground activations, as well as occasion-creation programs to strengthen demand for each of its brands and to guard against competition.

Continue to broaden its distribution footprint and enhance penetration across channels throughout the Philippines

SMFB intends to sustain its strong growth momentum by broadening outlet coverage through promotions and increased market penetration across all channels. SMFB's sales force, together with dealers and distributors, plans to put greater focus on serving diverse channels as the number of outlets grows across the Philippines.

SMFB continues to develop or tap emerging channels, increase market penetration, and capture growth through digital platforms across the Beer and NAB, Spirits, and Food Divisions. To support distribution programs, SMFB will continue to further improve its logistics capabilities and infrastructure through warehouse expansions, additional sales offices, and truck and logistics center enhancement initiatives.

Continued enhancement of profitability through cost saving initiatives

SMFB continues to undertake efficiency and process innovations, productivity enhancements, implement cost management measures and continuous product portfolio reviews, rationalize unprofitable products and enhance price stability of its revenue streams. Through continued cost-efficiency initiatives, SMFB believes that it will be able to improve margins across the divisions.

The IFCs and the mega poultry farms demonstrate how the Food Division seeks to harness efficiencies across its facilities. By its sheer design, the IFCs provide a lower-cost operating environment with facilities being in close proximity to each other and scalable to accommodate future growth.

The mega poultry farms will employ automation to minimize inputs, manage wastes and preserve carcass quality. Feeds will be delivered from nearby feed mills using bulk trucks and poured into hoppers, doing away with traditional plastic sacks. Automated feeding and watering systems will provide a continuous supply of food and water for the birds, while also preventing overflow. Under each tier will run a conveyor belt that will efficiently clean out manure on a daily basis, avoiding ammonia build-up and preventing flies from breeding. Automated harvesting systems will ferry the birds into coops and the coops into trucks, eliminating manual catching and handling of birds which usually cause damage to the carcass.

With its huge operations, waste management will be done more efficiently via a circular model approach. Feathers, offal and mortalities will be rendered and transformed into poultry meal for use as a feed ingredient

while poultry manure will be converted into fertilizer to be given to farmers in nearby communities, particularly the corn and cassava raisers who supply SMFB with raw materials.

Exploit synergies across its combined and diversified consumer platform

Through the consolidation of the Beer and NAB, Spirits and Food Divisions, SMFB intends to establish a powerful consumer platform with the potential to capture both cost and revenue synergies.

Cost synergies
SMFB believes that the consolidation of the food and beverage businesses under SMFB will result in greater economies of scale and scope while allowing for increased opportunities to share resources and take advantage of established relationships across the beer, spirits, and food businesses. Sourcing synergies from centralized planning and procurement across business units will reduce purchasing costs. In addition, SMFB will capitalize on its extensive and long-standing supplier relationships under each of the divisions to strengthen cooperation and coordination among the divisions. By utilizing strategically located production and distribution centers across the entire footprint, SMFB has scope to reduce overall costs and better optimize logistics across the food and beverage businesses. SMFB can likewise explore the integration and coordination of market research, management and marketing initiatives, and other support systems to reduce corporate overhead costs. As an integrated platform, SMFB will constantly strive to improve its management and production efficiency while implementing international best practices.

Revenue synergies
With the combined food and beverage business having access to approximately 700,000 outlets covering all channels throughout the Philippines, there is increased scope for further coordination across the various product lines. Leveraging its extensive distribution network, SMFB expects that new products will quickly reach the market, while improving trade efficiencies and customer loyalty through enhanced trade and promotion activities for its existing product portfolio. The various divisions may likewise benefit from enhanced market data sharing where SMFB can consolidate market and consumer insights for each of the businesses to identify consumer trends and preferences. This would ideally minimize execution risk in the introduction and penetration of regional specific products and initiatives. Utilizing market insight data, SMFB can also identify cross-selling opportunities among the beer, spirits, and food businesses.

Continue to integrate sustainability into the businesses

SMFB recognizes the importance of incorporating social, environmental and governance considerations into various aspects of its businesses. SMFB continues to adopt sustainable development plans and practices in response to various social and environmental issues that affect its business operations and all its stakeholders.

Beverage Business

The beverage business consists of brewing, distilling, selling, marketing, and distributing beer, NAB, and spirits. The beverage business is conducted through SMFB's majority-owned subsidiaries, SMB and its subsidiaries, which comprise the Beer and NAB Division, and GSMI and its subsidiaries, which comprise the Spirits Division. As of December 31,2023, SMFB held 51.16% and 75.78% of the outstanding common capital stock of SMB and GSMI, respectively. On December 1, 2020, GSMI's Board of Directors approved the redemption of 32,786,885 preferred shares held by SMC in GSMI, with the redemption proceeds paid on January 4, 2021. After the said redemption, SMC no longer held direct equity interest in GSMI and its indirect equity interest in GSMI through SMFB increased from 67.99% to 75.78%.

SMB is the largest producer of beer in the Philippines and is the largest contributor to the Company's beverage business, accounting for 74.2% of total beverage business sales for the period ended December 31, 2023. GSMI is a leading spirits producer in the Philippines and largest selling gin globally by volume for the year 2020, according to GlobalData, accounting for 25.8% of total beverage business sales for the period ended December 31, 2023.

The beverage business had combined sales of ₱158,809 million, ₱183,566 million and ₱200,977 million for the years ended December 31, 2021, 2022 and 2023, respectively.

Beer and NAB Division

The Beer and NAB Division is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Beer brands include the top four (4) beer brands in the Philippines, namely *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light* and *Gold Eagle*. The Beer and NAB Division also produces non-alcoholic beverages such as ready-to-drink tea, ready-to-drink juice, and carbonates. Its flagship brand, *San Miguel Pale Pilsen*, has a history of 133 years and was first produced by *La Fabrica de Cerveza de San Miguel*, which started as a single brewery producing a single product in 1890 and has evolved through the years to become the diversified conglomerate that is SMC.

In 2009, Kirin Holdings Company, Limited ("**Kirin**") acquired a 48.39% shareholding in SMB, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC, through SMFB, retained majority ownership of SMB with shareholding of 51.16%. In connection with Kirin's investment in SMB, Kirin and SMC entered into a shareholders' agreement providing for, among others, corporate governance and approvals, cooperation in the conduct of the business, restrictions on the transfer of SMB shares and other customary arrangements. SMFB adhered to the shareholders' agreement with Kirin and agreed to be bound by the same terms and conditions as a party to the said shareholders' agreement. As of December 31, 2023, SMFB owns 51.16% of SMB, while the remaining 48.54% is held by Kirin.

In 2015, SMB acquired the NAB business from GSMI, which acquisition includes property, plant and equipment, finished goods, and inventories comprising containers on hand, packaging materials, goods-in-process, and raw materials used in the NAB business. The acquisition is in line with the multi-beverage strategy of SMB that seeks to expand its product portfolio in the NAB market, among others. This transfer will also benefit from SMB's RGB system, strong distribution network, and competitive positioning.

For the years ended December 31, 2021 and 2022, sales of the Beer and NAB Division were ₱116,280 million, and ₱136,230 million, respectively, and net income was ₱20,449 million and ₱21,750 million, respectively. For the year December 31, 2023, sales of the Beer and NAB Division amounted to ₱147,341 million, up 8%, driven by higher volumes and selling prices in both domestic and overseas markets. Net income was ₱25,322 million, 16% higher than in 2022.

Production Facilities

The Beer and NAB Division maintains a network of production facilities rather than one (1) central consolidated brewing and production facility. Currently, the Beer and NAB Division owns and operates seven (7) production facilities in the Philippines located in each of the three (3) main island groups of Luzon, Visayas, and Mindanao, namely: (1) the Polo facility located in the National Capital Region and established in 1947; (2) the Sta. Rosa facility located in Laguna Province and established in 2011, initially as a bottling facility, then converted into a full-fledged brewery with its first commercial run in December 2020; (3) the San Fernando facility located in Pampanga Province and established in 1981; (4) the Mandaue facility located in Cebu Province and established in 1968; (5) the Bacolod facility located in Negros Province and established in 1990; (6) the Davao facility located in Davao Province and established in 1995; and (7) the Tagoloan facility in Misamis Oriental, which also had its first commercial run in December 2019. The domestic production facilities have a total production capacity of 22 million hectoliters ("**HL**")/year as of December 31, 2023. While production at each production facility is typically targeted to serve the surrounding geographical area, the Beer and NAB Division can shift the manufacture of its products from one (1) production facility to another if operational issues or demand changes require it.

International operations are conducted through SMB's wholly-owned subsidiary, San Miguel Brewing International Limited ("**SMBIL**"), which in turn has production facilities located in five (5) sites outside the Philippines (one (1) production facility each in China, Hong Kong, Indonesia, Thailand, and Vietnam) with an aggregate production capacity of 4.45 million HL/year.

In total, the Beer and NAB Division's beer production capacity is 32.08 million HL/year. In addition to producing the core San Miguel beer brands marketed internationally, the international operations also produce *Anker* and *Dragon*, which are its local brands in Indonesia and China, respectively.

All the production facilities are compliant with certain ISO requirements such as the ISO 9001:2015 and ISO14001:2015, as assessed by its pool of technical assessors and are also certified by the Food Development Centre, an office under the Philippine National Food Authority, as compliant to food safety requirements of current GMP–HACCP.

Raw Materials and Packaging

The main raw materials for brewing beer include malted barley, hops, water, and yeast. Adjuncts can also be used in conjunction with malted barley. For NAB, the main ingredients include water, sugar, sweeteners, fruit juice concentrates, tea extract, flavors, colorants, and vitamins. All of these commodities have experienced, and may experience, price fluctuations. The Beer and NAB Division sources its key raw materials for its beer using a set of standardized procurement procedures. Beer production requires malted barley and hops, which are sourced generally from North America, Australia, Europe, and China; and adjuncts such as corn and sugar, which are sourced domestically, and imported tapioca. For NAB, SMB primarily sources its ingredients from Singapore, China, and Europe.

Terms with key raw material suppliers provide for a supply period of approximately one (1) year to five (5) years with a pre-determined fixed and formula-based price for the duration of the supply relationship. In addition, depending on considerations, such as price trends and the quality of raw materials, spot purchases are made in the open market.

Packaging materials are sourced primarily from the Packaging Group of the Company. Packaging costs are a significant factor in the manufacture of beer and the Beer and NAB Division sells most of its beer products in RGBs of varying sizes and shapes, as well as aluminum cans and kegs. As December 31, 2023, around 90% of the RGBs used for beer were retrieved, which the Beer and NAB Division believes is the most important and popular packaging for beer in the Philippines. SMB's efficient RGB system decreases its exposure to rising packaging costs driven by increases in fuel and therefore helps in management of cost.

Sales and Distribution

The Beer and NAB Division markets, sells and distributes its products principally in the Philippines and maintains an extensive distribution system, which encompasses the seven (7) strategically located production facilities across the country, a broad network of sales offices and warehouses supported by dealerships and third-party service providers.

SMB's products are distributed and sold at approximately 500,000 outlets, including off-premise outlets such as supermarkets, grocery stores, sari-sari stores (mom-and-pop stores), and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels through over 50 sales offices and approximately 450 dealers throughout the Philippines.

During the COVID-19 pandemic and restrictions which brought about challenges in distribution and selling especially of alcoholic beverage products, the Beer and NAB Division reacted to these challenges by implementing the necessary pivots including modified selling strategies and more direct-to-consumer options for volume recovery. These cover physical stores focusing more on off-premise channels, telesales, and online selling supported by stronger own delivery operations (8632-beer and SMB Delivers) and strategic online partnerships to ensure availability in relevant channels.

For distribution efficiency, the Beer and NAB Division works closely with dealers and provides them with assistance, such as systems and trainings related to dealer operations. The Beer and NAB Division enters into distribution agreements with its dealers that specify the territory in which each dealer is permitted to sell products, the brands that the dealer is permitted to sell, the performance standards as applicable, procedures

to be followed, and circumstances upon which distribution rights may be terminated. Distribution rights, performance standards, and sales procedures are developed by the Beer and NAB Division and implemented in tandem with dealers to ensure high quality of services.

International operations are conducted in Hong Kong, Indonesia, Thailand, China, and Vietnam through SMBIL, a subsidiary of SMB. Subsidiaries of SMBIL include San Miguel Brewery Hong Kong Limited, which is listed on The Stock Exchange of Hong Kong Limited under stock code 236 and PT Delta Djakarta Tbk, which is listed on the Indonesia Stock Exchange under DLTA.JK.

There is a production facility each in China, Hong Kong, Indonesia, Thailand, and Vietnam and third-party service providers transport the products produced from these production facilities to customers, consisting of dealers, wholesalers, retail chains, or outlets, depending on the market. A total sales force of approximately 365 employees are maintained in these five (5) countries with ten (10) sales regions in China, six (6) in Indonesia, seven (7) in Thailand, and five (5) in Vietnam. In Thailand, all local sales are done through San Miguel Marketing (Thailand) Limited, a subsidiary of SMBIL.

In addition, SMBIL exports beer products to over 70 countries and territories globally in North America, South America, Europe, Africa, the Middle East, Australia, and the rest of Asia. International operations accounted for 12% of total Beer volumes for the year ended December 31, 2023.

Competition

In the Philippines beer market, the major competitors for beer products are Asia Brewery Inc. ("**ABI**") and Heineken International B.V. ("**Heineken**"). Heineken previously had a joint venture with ABI which was dissolved in 2020 and replaced with a new partnership. Effective January 1, 2021 under the new structure, Heineken established a sales and marketing office in Metro Manila and ABI will brew and distribute Heineken beer brands *Heineken* and *Tiger* in the country, competing with SMB's premium and mainstream brands, respectively

The Beer and NAB Division's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum, and alcopops which are close substitutes to beer. In the beer industry—and more generally the alcoholic beverage industry— competitive factors usually include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMFB believes that the market leadership, size and scale of operations, and extensive distribution network in the Philippines provide the Beer and NAB Division with significant competitive advantages in the Philippines

In the non-alcoholic beverage market, competition is from established players and brands in ready-to-drink juice and ready-to-drink tea. For example, *Zest-O* and *Minute Maid Fresh* compete with *Magnolia Fruit Drink*, while *C2* and *Nestea* compete with *Magnolia Healthtea*, while *Cali* is positioned in the softdrinks category where *Coke, Pepsi* and *RC Cola* are the key players.

Spirits Division

Through GSMI, the Spirits Division is a leading spirits producer in the Philippines and the largest selling gin globally by volume in 2020, according to GlobalData. According to internal company estimates, the core spirits brands, *Ginebra San Miguel* and *Vino Kulafu* are also market leaders in the gin and Chinese wine categories at 96.6% and 69.2% volume share, respectively, as of December 31, 2023. Further, GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum, and others and enjoys 35.5% over-all industry market share as of the same period, according to internal company estimates.

Ginebra traces its roots to a family-owned Spanish era distillery that introduced the *Ginebra San Miguel* brand in 1834. The distillery was then acquired by *La Tondeña Incorporada* in 1924, and thereafter by SMC in 1987 to form *La Tondeña Distillers, Inc.* In 2003, the company was renamed Ginebra San Miguel Inc. in honor of the

pioneering gin brand. GSMI's flagship brand, *Ginebra San Miguel*, contributed 88% to GSMI's total sales for year ended December 31, 2023.

The Spirits Division believes that consumer preferences in the Philippine spirits market vary significantly by geographical region—consumers in Northern Philippines tend to prefer gin and brandy, while consumers in Southern Philippines tend to prefer rum and Chinese wine. In recent years, brandy has gained popularity in both the Northern and Southern parts of the Philippines. The Spirits Division capitalizes on the strength of its flagship brand *Ginebra San Miguel* and its wide range of products in expanding its business, particularly in the Southern part of the Philippines.

Spirits products are also exported primarily to markets with a high concentration of Filipino communities such as the United Arab Emirates, China, India, Taiwan, Canada, and the United States, and certain brands are produced for export only, including *Tondeña Gold Rum* and *Tondeña Manila Rum*. In addition, distilled spirits are sold and distributed in Thailand through GSMI's joint venture with Thai Life Group of Companies via Thai Ginebra Trading Company Limited.

Over the years, the Spirits Division has received numerous international awards for product quality and excellence. Since 2005, a total of 127 gold, silver, and bronze medals have been received for various distilled spirits products. The latest awards include gold medals from Monde Selection for *Ginebra San Miguel, Vino Kulafu, 1834 Premium Distilled Gin, GSM Premium Gin*, and *Antonov Vodka*, and silver medals for *GSM Blue Mojito, Primera Light Brandy, GSM Blue Light Gin, GSM Blue Margarita,* and *GSM Blue Pomelo*.

GSMI is a public company listed on the PSE under the stock symbol "GSMI". The market capitalization of GSMI was ₱48,304 million, with a common share price of ₱168.70, as of December 31, 2023.

For the years ended December 31, 2021 and 2022, GSMI's sales were ₱42,529 million and ₱47,336 million, and net income was ₱4,179 million and ₱4,547 million, respectively. GSMI recorded consolidated sales of ₱53,636 million in 2023, an 13% increase from 2022, as a result of higher volumes and selling prices. Net income was up 55% to ₱7,046 million.

Production Facilities

The Spirits Division operates one (1) distillery and five (5) bottling plants. The distillery is strategically located in Negros Occidental Province, the largest molasses producing region in the Philippines, and has an annual distillation capacity of 80.0 million liters, while the bottling plants are located across the archipelago with a total annual bottling capacity of 72.1 million cases.

The five (5) bottling plants are located in Luzon and Visayas, namely: (1) the Cauayan plant located in Isabela Province and established in 2010; (2) the Sta. Barbara plant located in Pangasinan Province and established in 1992; (3) the Ligao plant located in Albay Province and established in 2010; (4) the Cabuyao plant located in Laguna Province and established in 1996; and (5) the Mandaue plant located in Cebu Province and established in 1964. The production facilities located in Sta. Barbara, Pangasinan; Cabuyao, Laguna; Mandaue City, Cebu; Bago City, Negros Occidental; Cauayan, Isabela; and Ligao City, Albay are compliant with the requirements of ISO 9001:2015.

Thai San Miguel Liquor Co. Ltd. ("**TSML**"), a joint venture of GSMI and Thai Life Group of Companies, has a production facility located in Kanchanaburi, Thailand with a 75 kilo liters per day ("**KLPD**") distillery column, and a bottling line that has an annual production capacity of 22 million liters and six (6)million cases, respectively.

Raw Materials

Alcohol is the main raw material used for spirits, which is made by converting sugarcane molasses to alcohol at the DBI distillery. To mitigate the impact of the increasing price vis-à-vis the foreseen decreasing availability of sugarcane molasses for use in the production of spirits, since it is also used as the main material in the Philippines government's clean fuel program, the Spirits Division, among others, directly purchases crude and

GSMI-spec alcohol from a variety of third-party suppliers pursuant to supply contracts in the domestic and foreign open markets. DBI also has a separate facility which can use cassava starch milk as an alternative raw material in the production of alcohol.

Products are packaged in glass bottles, the majority of which are sourced from the Packaging Group of the Company. In addition to using new glass bottles, the Spirits Division maintains a network of washed second-hand bottle suppliers in the Philippines. The suppliers retrieve, sort, and wash Ginebra San Miguel glass bottles, which are bought back by GSMI to be recycled and reused. For the year ended December 31, 2023, approximately 69% of glass bottles used were second-hand bottles retrieved by and purchased from these bottle suppliers. A stringent quality control system is maintained to monitor procedures and address safety concerns in the use of recycled bottles. The Spirits Division believes that bottling costs for any particular product could be sustained over time with the continuous use of second-hand bottles. Thus, the Spirits Division has actively implemented programs to expand its network of second-hand bottle suppliers in the past three (3) years.

Sales and Distribution

The Spirits Division primarily markets, sells, and distributes its products in the Philippines to consumers through territorial distributorship made up of a network of 92 dealer sites and 15 sales offices strategically situated across the country as of December 31, 2023. The Spirits Division's sales team and key accounts group directly serves off-premise outlets such as mom-and-pop stores, supermarkets, grocery stores, and convenience stores, as well as on-premise outlets such as bars, restaurants, and hotels. Approximately 158,000 retail outlets are covered and served by the dealers, including general trade outlets accounting for 95% of total outlets and modern trade outlets, accounting for 5% of total outlets.

At the center of the product distribution and movement is the Spirits Division's logistics group. It spearheads the planning, coordination, and delivery of finished goods from the different plants to various sales offices, warehouses, dealers, wholesalers, and select retailers.

Direct shipments to dealer sites are made through third-party haulers while company-owned routing trucks deliver to directly served outlets. To expand distribution coverage and supplement the Spirits Division's own logistical assets, it also engages third-party service providers to handle warehouse management and product delivery to various destination points. The turn-around time for the delivery of the products from the bottling plants to the dealer is four (4) to seven (7) days for in-land deliveries, and nine (9) to 14 days for offshore deliveries.

Competition

In the Philippine spirits market, competition among the major players revolves around brand equity through above and below the line advertising activities, price leadership, NPD, raw material security, production efficiency, and distribution. GSMI's major competitors for spirits products are Emperador Distillers, Inc. and Tanduay Distillers Inc. The former is largely known for its *Emperador Light Brandy* which is popular among the young working class in Greater Manila and most urban cities. Tanduay Distillers, Inc.'s *Tanduay Rhum Dark Five Years* is a staple hard liquor drink in the Visayas and Mindanao region. Ginebra San Miguel is the preferred brand in northern and southern Luzon as of 2017, according to Global Data. As the Chinese wine segment has also seen an increase in consumption in recent years, the Spirits Division's *Vino Kulafu* has emerged as the top choice in this category as of 2020, according to GlobalData. Patronage mostly comes from various islands in the Visayas and parts of Mindanao.

The Spirits Division is a major player in the liquor market, given its diverse portfolio of products with core brands such as *Ginebra San Miguel* and *Vino Kulafu*, which continue to lead in the gin and Chinese wine categories, respectively, according to internal company estimates.

Food Division

The Food Division holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional, and foodservice customers.

The Food Division has some of the most recognizable brands in the Philippines food industry, including *Magnolia* for chicken, ice cream, and dairy products, *Monterey* for fresh and marinated meats, *Purefoods* and *Purefoods Tender Juicy* for refrigerated processed meats and canned meats, *Veega* for plant-based food, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, and *B-Meg* for animal feeds.

The breadth of the Food Division ranges from branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein butter, margarine, cheese, milk, ice cream, flour mixes ("**Prepared and Packaged Food**") to integrated feeds ("**Animal Nutrition and Health**") to poultry and fresh meats ("**Protein**") as well as flour milling, grain terminal handling, foodservice, and international operations ("**Others**").

For the years ended December 31, 2021, 2022 and 2023, sales for the Food Division amounted to ₱150,969 million, ₱175,287 million, and ₱178,845 million, respectively. For the years ended December 31, 2021, 2022 and 2023, operating results for the Food Division amounts to ₱11,485 million, ₱13,205 million, and ₱10,163 million, respectively. Amidst rising inflation, volumes in most segments grew, boosted by intensified distribution, aggressive promotional activities, launch of new products, and utilization of additional capacity from new facilities. Faced with escalating raw material prices, most businesses implemented price increases to partially recover rising costs.

Prepared and Packaged Food

The Prepared and Packaged Food segment includes refrigerated meats, canned products, ready-to-eat viands, a seafood line, plant-based protein products, dairy, ice cream, spreads, salad aids and coffee.

The major operating subsidiaries for the Prepared and Packaged Food segment are The Purefoods-Hormel Company, Inc. (PHC), Magnolia, Inc. and San Miguel Super Coffeemix Co., Inc. ("**SMSCCI**").

The processed meats business under PHC is a 60:40 joint venture between SMFB and Hormel, which was formed in 1998. Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, seafood, ready-to-eat viands and other meat products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, Star, Higante, Purefoods Beefies, Vida, Purefoods Nuggets, Purefoods Fiesta Ham, Purefoods Seafood Delights and Purefoods Ready-to-Eat*. Canned products, such as corned beef, corned chicken, luncheon meats, sausages, sauces, meat spreads, and ready-to-eat viands are sold under the *Purefoods, Star, Ulam King* and *Bongga* brands. Plant-based protein food products in sausage, nuggets, burger patty, meatballs and ground meat formats are sold under the *Veega* brand.

The dairy and spreads business, operated through Magnolia, Inc., manufactures and markets a variety of bread spreads, milk, ice cream, salad aids and flour mixes. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese, and are sold primarily under the *Magnolia, Dari Crème, Star* and *Cheezee* brands.

Production Facilities

The production facilities for the Prepared and Packaged Food segment are in Luzon. Production facilities for processed meats are in Cavite, manufacturing hotdogs, nuggets, hams, bacon, sausages, meat toppings, sauces, and canned products. Another facility manufactures bread spread products through a process that includes pasteurization, blending, chilling, and packing for bread spreads, and cooking, filling, pre-packing, and end-packing for cheeses. Other facilities in Laguna manufacture ice cream and ready-to-eat products while flour mixes under the *Magnolia* brand are manufactured at company-owned facilities in Mabini, Batangas.

Fresh milk is imported while other milk products and all-purpose cream are manufactured in third party-owned plants under tolling arrangements, all of which meet quality standards. Other toll-manufacturing agreements with Halal-accredited facilities are also maintained to augment the production capacity for processed meats, meet periodic volume increases, and enable exports of corned beef and hotdogs to the Middle East and predominantly Muslim countries.

Raw Materials

The primary raw materials used for refrigerated meats and canned products, as well as ready-to-eat food, are chicken, beef and pork primal cuts, most of which are sourced through the Business Procurement Group (BPG) of the Food Division, which strives to secure prices lower than prevailing market or published rates. In addition to inter-company sales of chicken and pork, BPG maintains a pool of accredited suppliers for local and imported raw materials, all of which are evaluated by a quality assurance team prior to acceptance.

All of the procurement, manufacturing and pre-packing of raw materials for coffee products are handled by SMSCCI's partner in Malaysia. Coffee mixes are imported through JDE Malaysia while re- packing, marketing, selling and distribution are done in the Philippines.

Sales and Distribution

San Miguel Integrated Sales (SMIS) handles the sale and distribution of products for the Prepared and Packaged Food segment directly to modern trade channels, and through distributors for general trade channels, small foodservice operators and e-commerce. The Prepared and Packaged Food segment's products are distributed directly by Great Food Solutions to key institutional accounts. The e-commerce channel is also served by SMIS through distributors who handle inventory, receive orders, and arrange deliveries to individual consumers using the different online platforms.

Domestic distribution is handled by the outbound logistics group, which manages planning, technical logistics services, warehousing and transportation, while the international business handles exports to serve Filipino communities in Middle East, North America, Europe, and Asia.

Competition

The Food Division is a market leader in a number of categories in the Prepared and Packaged Food sector.

Every year, the Prepared and Packaged Food segment faces strong competition mainly from other local players, which employ aggressive pricing and promotion schemes. Competitors and competing brands in the processed meats category include Foodsphere, Inc. (CDO), Virginia Foods, Inc. (Virginia), and Century Pacific Food Inc. (Swift and Argentina). To maintain its leadership position, the Food Division adheres to its very strict quality standards, drives innovation in its portfolio, maintains optimum visibility in traditional and digital media, and promotes increased consumption through product bundling and various value offerings.

According to Kantar (Worldpanel Division), as of MAT June 18, 2023, the Food Division has the following market shares: In the processed meats category, 48% market share for hotdogs, 18% for corned meats, 23% for luncheon meats and 64% for breaded, battered and fried products. In butter and margarine, the Food Division has a market share of 48% for butter, 97% for refrigerated margarine and 79% for non-refrigerated margarine, competing with Fonterra Cooperative Group Limited for butter and unbranded non-refrigerated margarine. In the cheese category, the Magnolia brand has an 19% market share, competing with Mondelez International, Inc. (Eden, Cheez Whiz, and Kraft).

Animal Nutrition and Health

The Animal Nutrition and Health segment produces animal and aquatic feeds, veterinary products and dog food. The operating subsidiary for the Animal Nutrition and Health segment is San Miguel Foods, Inc. (SMFI).

Commercial feed products include hog feeds, layer feeds, broiler feeds, free range fowl feeds, duck feeds, aquatic feeds, branded feed concentrates and specialty and customized feeds. These feeds are sold and marketed under various brands such as B-Meg, B-Meg Premium, Integra, Expert, Mega Mash, Essential, Pureblend, Bonanza and Jumbo. SMFI likewise markets dog food under the NutriChunks brand and various veterinary products under the San Miguel Animal Health Care brand.

Production Facilities

For the Animal Nutrition and Health segment, compound feeds are manufactured at both company-owned feed mills and third party-owned and operated feed plants located throughout the Philippines. All of these plants are capable of producing pelleted and crumble format feeds while a few plants have extrusion capabilities to produce aquatic floating feeds. The business also uses company and third party-owned rendering facilities that convert animal by-products into rendered meal to be used as raw materials for feeds.

Raw Materials

The largest single cost component for feeds is the cost of ingredients used to prepare nutritionally balanced feed including corn, soybean meal, cassava, feed wheat, pollard, rice bran, copra, and meat meal. Corn is purchased locally direct from corn farmers and from traders, and occasionally from suppliers in the United States, South America, and Southeast Asia.

Prices of raw materials are subject to significant volatility due to extreme weather conditions, size of harvests, transportation and storage costs, government agricultural policies, currency exchange rate fluctuations, and recently, geo-political conditions. To minimize the adverse effects of unexpected price increases, the Food Division enters hedging transactions and maintains strategic buying programs.

Sales and Distribution

The Animal Nutrition and Health segment produces for both the Food Division's internal requirements and for the commercial feeds market. As of December 31, 2023, roughly half of the production volume was used for the Food Division's internal requirements, while the rest was sold to the commercial feeds market. Feeds supplied to the Protein segment are transferred at cost and are not included in the volume nor revenue of the Animal Nutrition and Health segment.

Most of the products are sold through authorized distributors within a defined territory, while a smaller percentage is sold directly to hog, poultry, and aquatic farm operators. For the sale of commercial feeds products, there are sales offices across the Philippines with dedicated sales teams supported by technical experts focused on growing existing markets and developing new ones.

Competition

Competitors in the Animal Nutrition and Health segment include major domestic producers such as Univet Nutrition and Animal Healthcare Company (UNAHCO), Pilmico Foods Corporation, and ADM Animal Nutrition (Popular), as well as numerous regional and local feed mills. There are also foreign feeds manufacturers, such as Charoen Pokphand Foods of Thailand and New Hope Group of China, which have established operations in the Philippines.

Protein

SMFI is also the operating subsidiary for the Protein segment, which sells poultry and fresh meats products. The poultry business operates a vertically integrated production process that spans from breeding broilers to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand. These products include fresh-chilled or frozen whole and cut-up products, as well as *Timplados* or marinated, ready-to-cook chicken. Through its *Magnolia Chicken Stations,* San Miguel Foods, Inc. offers a wide variety of fresh and ready-to-cook products as well as brown eggs.

The fresh meats business breeds, grows, and processes hogs and trades beef and pork products. Its operations include slaughtering live hogs and processing beef and pork carcasses into primal and sub-primal meat cuts. These specialty cuts and marinated products are sold in neighborhood meat shops under the well-recognized *Monterey* brand name.

Production Facilities

For the Protein segment's poultry business which until now was primarily asset light, company-owned facilities include a few poultry processing plants, poultry hatchery, and poultry breeder farm. These company-owned facilities are operated either by a specialized O&M company.

As of December 31, 2023, all the poultry growing output and more than 90% of processing output were from tolled facilities. Almost all of these poultry growing facilities employ climate-controlled systems, which improve biosecurity and provide more comfortable and stable temperatures in growing facilities, thus, increasing efficiency and reducing mortalities. Supporting the vertically integrated poultry operations are the company-owned processing plants, processing plants operated under tolling arrangements, and an extensive network of both company-owned and third-party cold storage warehouses and distribution facilities throughout the Philippines.

As more company-owned mega poultry farms come onstream and the IFCs become operational in the coming years, SMFB will reduce its dependence on contract growers and toll processing plants. By 2026, SMFB estimates that majority of its broiler production will come from company-owned farms, which will mostly go to company-owned processing plants.

The company decided to downsize its fresh meats business due to losses related to the African Swine Fever (ASF) and the restricted movement of live hogs and pork products in many areas across the Philippines. Nevertheless, the business maintained most of its *Monterey Meat Shops* in areas that continued to be viable. These meat shops are supplied by a combination of third party-owned hog farms operated under tolling arrangements and imported meats. Live hogs are slaughtered and processed at third party-owned and operated processing plants under tolling arrangements.

Raw Materials

The poultry business imports grandparent (GP) breeder chicks primarily from Aviagen and Cobb Vantress Inc., both leading international poultry breeding companies based in the U.S. These GP chicks are raised in growing and laying farms where fertile eggs are collected then transported to the GP hatchery to produce day-old parent stock (PS). PS chicks are then raised in breeder houses located across the country, and the eggs produced are sent to PS hatcheries. Once eggs are hatched, the day-old chicks are sent to the broiler farms where they are cared for and raised by contract growers according to the Food Division's standards until the chicks reach marketable weight. Fully-grown chickens are harvested and taken to processing plants, where they are processed into finished products, which are then sent to distribution centers and sold to customers.

For the fresh meats business, as of December 31, 2023, more than half of fresh meats come from contract growing farms, while the rest were sourced from commercial farms using *B-Meg* feeds or were imported.

Sales and Distribution

The Food Division sells its Protein segment products through modern trade and general trade channels. Modern trade channels include *Magnolia Chicken Stations* for poultry and *Monterey Meatshops* for fresh meats. These are located in supermarkets, convenience stores and membership shopping club outlets and are also found in stand-alone neighborhood stores. General trade channels, which are served through distributors, include wet markets, commissaries, wholesalers, community resellers, and buyers of live broilers and hogs. Institutional accounts include quick-service restaurants and hotels. In addition, the Protein segment supplies a portion of the requirements of the Prepared and Packaged Food segment.

The *Magnolia Chicken Station* was a concept developed by the poultry business to bring traditional wet market practices to the supermarket. These stations offer more choices of cuts and better customer service in a clean and hygienic environment. As of December 31, 2023, there are more than 1,400 Magnolia Chicken Stations nationwide, a small portion of which are franchisee-owned. The other outlets are located in supermarkets and are handled by a specialized O&M company through a modified consignment arrangement.

The Food Division pioneered in the branding of fresh meats by launching the *Monty's* supermarket meat shop in 1990, which eventually became a network of neighborhood meat shops under the *Monterey* brand. This strategy was successful in differentiating its high-quality meat products from those of competitors. Pork, beef and marinated meats products are sold in hygienic and air-conditioned *Monterey Meatshops* which are manned by well-trained staff.

As of December 31, 2023, there were more than 300 *Monterey Meatshops* throughout the Philippines, majority of which were franchised, with the remainder being company-owned.

Majority of the Protein segment's products are distributed directly from production facilities to supermarkets and foodservice operators. The distribution infrastructure includes a network of cold storage facilities located throughout the Philippines and a large fleet of company-owned and third-party contracted vehicles.

Competition

Major competitors in the Protein segment include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., and Charoen Pokphand Foods Philippines Corp. There are also a good number of commercial scale integrators that compete on a limited regional basis or primarily in the foodservice segment. Imports from the U.S. and Brazil are also brought in by traders on a regular basis.

The competitive landscape of the Philippine hog industry has shifted due to the impact of African Swine Fever (ASF). Some competitors like Robina Farms and Foremost Farms completely depopulated their farms when they were affected by ASF. With the threat of disease still present in several areas around the country, the overall domestic pork supply remains tight.

Others

Flour milling, premixes and baking ingredients, and foodservice together with international operations, are categorized under Others. The bulk of this segment is accounted for by the flour milling business and grain terminal operation.

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

The foodservice business of the Food Division is handled by Great Food Solutions, a group under SMFI. Great Food Solutions services key institutional accounts such as quick service restaurants, bakeshops, pizza chains, convenience stores and commissaries. It markets and distributes foodservice formats for value-added meats, dairy, spreads, flour, and coffee.

Production Facilities

The flour milling business owns flour milling facilities, located in Mabini and Tabangao in Batangas, including flour blending facilities which produce customized flour products. The flour business also operates a premix plant, which produces different premix products for both the retail and the institutional markets.

Production capabilities are supported by its Flour Technology Centre located in Pasig City, Metro Manila, which develops customized flour blends and new flour-based products.

SMMI owns the Golden Bay Grain Terminal located in Mabini, Batangas, which can accommodate up to Panamax-sized vessels and has an estimated discharge rate of at least 10,000 metric tons per day. SMFB believes that the terminal has provided the flour milling business an advantage in materials handling, as vessels can offload larger quantities of raw materials directly to the flour milling facilities, thus, minimizing intermediate handling, leakage and costs as well as generating savings in freight costs from the use of bigger vessels. The terminal is adjacent to the flour mill located in Mabini, Batangas and also services the grain handling requirements of the Animal Nutrition and Health segment.

Raw Materials

Historically, majority of the wheat requirements of the flour milling business were sourced from the U.S. and Canada, with the remainder sourced from various countries. As of December 31, 2023, more than 80% of raw materials, particularly wheat, were imported from the U.S. and Canada. World wheat prices are monitored daily by BPG to determine long-term and short-term buying strategies to control costs.

Sales and Distribution

The flour milling business of the Food Division focuses on offering the widest array of differentiated flour products in the Philippine market. Flour application specialists support of sales team, determine the specific flour product requirements of their customers and conduct field baking tests of the products to demonstrate their application. For customized products, the research and development and sales teams work side by side with the customers to develop formulations specific to their requirements. The Food Division manages a nationwide distribution network that distributes flour and other bakery ingredients to major bakeries and other flour users.

Great Food Solutions distributes and markets foodservice formats for value-added meats, dairy, spreads, flour, and coffee. GFS receives a development fee from other Food Division subsidiaries for selling their products to key foodservice institutional clients. The key strategies of the food service business include selling customized solutions, direct marketing to customers and focused relationship management.

Competition

Major competitors of the flour milling business include Universal Robina Corporation (URC), Pilmico Foods Corporation and Philippine Foremost Milling Corporation. There are also newer players in the industry such as Atlantic Grains and Mabuhay Interflour Mill that have established new capacities and compete aggressively on the basis of pricing to grab market share. While most of its competitors only produce a limited number of flour types such as hard flour for bread products and soft flour for biscuits, others have also started offering specialized flours for noodles and wrappers. Nevertheless, the milling business continues to innovate in offering superior value specialized flours, including new products for different applications.

PACKAGING BUSINESS

The packaging business began operations in 1938 with the establishment of a glass plant that supplied glass bottles for the beer and non-alcoholic beverage products of SMC.

Collectively called as the "Packaging Group", the business is comprised of:

(a) **San Miguel Yamamura Packaging Corporation** ("**SMYPC**"), a joint venture company of SMC and NYG, and its subsidiaries which, as of 31 December 2023, include **(i)** SMC Yamamura Fuso Molds Corporation ("**SYFMC**"), the only manufacturer of glass and plastics molds in the country and a joint venture between SMYPC and Fuso; **(ii)** Can Asia, Inc. ("**CAI**"), a pioneer in the production of two-piece aluminum cans; and

(iii) Wine Brothers Philippines Corporation, a company involved in the sale and distribution of wine products;

(b) **San Miguel Yamamura Packaging International Limited** ("**SMYPIL**"), also a joint venture company of SMC and NYG, and its various subsidiaries which, as of 31 December 2023, include **(i)** San Miguel Yamamura Phu Tho Packaging Company Limited; **(ii)** San Miguel Yamamura Haiphong Glass Company Limited; **(iii)** Zhaoqing San Miguel Yamamura Glass Company Limited; **(iv)** Foshan San Miguel Yamamura Packaging Company Limited and subsidiary {Foshan San Miguel Yamamura Trading Co. Ltd.}, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd., and subsidiary {Insa Alliance Sdn. Bhd.}; **(v)** San Miguel Yamamura Plastic Films Sdn. Bhd.; and **(vi)** San Miguel Yamamura Australasia Pty. Ltd. and subsidiaries {SMYC Pty Ltd and its subsidiary, Foshan SMY Cospak Co. Ltd., Cospak Limited, SMYV Pty Ltd, SMYP Pty Ltd, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Limited}; and

(c) **Mindanao Corrugated Fibreboard, Inc. ("Mincorr")**, a manufacturer of paper corrugated carton.

SMYPC and SMYPIL are both joint venture companies between SMC and NYG, one of the largest glass and plastic packaging corporation in Japan. SMYPC has ownership in all the domestic plants of the Packaging Group, except the corrugated carton plant Mincorr, which is 100% owned by SMC. Mincorr is, nevertheless, being managed by SMYPC.

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

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

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

For each of the years ended December 31, 2021, 2022 and 2023, the Packaging Group had net sales of ₱33,703 million, ₱37,039 million and ₱38,379 million; income from operations of ₱1,162 million, ₱1,648 million and ₱1,915 million; and net income (loss) before tax of ₱(70) million, ₱(381) million and ₱277 million, respectively.

Selected operating data for the packaging business is provided below for the periods indicated:

	For the years ended December 31,		
	2021	2022	2023
	(in millions, except for percentages)		
	₱	₱	₱
Sales	33,703	37,039	38,379
Gross profit	8,194	9,472	9,719
Gross profit margin[1]	24.3%	25.6%	25.3%
EBITDA[2]	3,872	4,191	4,501
EBITDA margin[3]	11.5%	11.3%	11.7%
Net income before tax	(70)	(381)	277
Net income before tax margin[4]	(0.2%)	(1.0%)	0.7%

Notes:
(1) Calculated as gross profit divided by revenues.
(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.
(3) Calculated as EBITDA divided by revenues.
(4) Calculated as net income before income tax divided by revenues

Strengths & Strategies

Strengths

The Packaging Group believes that its competitive strengths include the following:

Market leader

The Packaging Group is a market leader in all its product formats in the domestic packaging industry, offering total packaging solutions to clients by producing glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging and other packaging products and services such as beverage toll filling for aluminum cans, glass, and PET bottles as well as logistics services.

The usage growth rate for glass containers (which is the largest business of the Packaging Group) for beverage applications has been steadily growing. Glass bottles for beverages accounts for the largest share among the glass packaging format. Most of these are available in traditional mom-and-pop stores where alcoholic beverages, carbonated soft drinks, energy drinks, and ready-to-drink juices come in returnable glass bottles. Glass packaging also recorded growth in other categories such as food packaging, home care, beauty, and personal care because of its ability to portray a premium image while maintaining product quality. Although the growth of glass containers may be tempered by the increasing popularity of lightweight, unbreakable, and more affordable packaging types such as PET, the glass packaging industry will likely benefit from creation of a free trade area amongst ASEAN nations. Among the likely positive impact of the free trade area will be the ability for local glass manufacturers, such as the Packaging Group, to further expand their business in the ASEAN economies. Additionally, the glass packaging industry will likely benefit from the recently approved Extended Producer Responsibility Act in the Philippines as glass is a more sustainable packaging alternative than plastics packaging because of its property of being infinitely recyclable.

State-of-the-art manufacturing facilities

The Packaging Group maintains state-of-the-art manufacturing facilities and best practices in manufacturing and quality procedures. The Packaging Group has large available capacities and ready know-how to exploit prospects in this packaging format.

Compliance with global standards

The Packaging Group complies with global standards, recognized by key multinational and domestic customers, for Food Safety (FSSC 22000), Quality Management (ISO 9001), Environment Management (ISO 14000), various social accountability standards, and other relevant standards. The Packaging Group maintains its presence with relevant organizations to keep abreast of the current manufacturing standards, and ensure statutory and regulatory compliance.

Synergies from partnerships with key global packaging companies

The Packaging Group gains synergies from its partnerships with global packaging players such as NYG (Japan) and Fuso Machine & Mold Mfg. Co. Ltd. (Japan).

Strategies

The strategies of the Packaging Group include the following:

Total Packaging Solutions

The Packaging Group intends to increase adoption of the total packaging solutions approach by proactively offering solutions that range from traditional packaging products to associated graphics design, conceptualization, consultancy, toll filling, trading, and logistical requirements. The Packaging Group also has put up a can filling facility to provide tolling services to the current non-alcoholic beverage customers. In 2017, SMYA acquired all of the issued share capital of Portavin Holdings Pty Ltd., Barrosa Bottling Services Pty Ltd., and Best Bottlers Pty Ltd. These acquisitions strengthened the Packaging Group's business in Australia and expanded its product base to include wine filling services, serving the growing wine markets in the Australasia region.

Network and Client Optimization

The Packaging Group intends to optimize and leverage on its significant regional network of facilities and alliances as a gateway to enter into new markets. It is also evaluating opportunities for its international clientele on potentially providing packaging services to them in markets where these customers have a presence and are new to the Packaging Group. There is also a focus on entering into longer term contracts with key customers to enhance earnings visibility.

Product Diversification

The Packaging Group continuously innovates to enter new markets and market segments with new products such as slim cans and ends, down gauged crowns, lug caps, high-impact resistance pallets for cements, agricultural flooring, laminated paper, logistics services and wine closures (cork). In 2015, SMYPIL, through its Australian subsidiary, SMYV Pty Ltd, completed the acquisition of the assets and business of Vinocor Worldwide Direct Pty. Ltd. ("**Vinocor**"). Vinocor is a market leader in the supply of corks and closures for wine bottles in Australia, with facilities and operations based in Adelaide, South Australia. In 2018, SMYA diversified its product portfolio through the acquisition of JMP Holding Pty Ltd, a supplier of retail and online packaging, cargo protection and materials handling.

Marketing Environmentally Friendly Products

The Packaging Group expects the future consumer trend towards environmentally friendly products and sound manufacturing systems. Hence, the Packaging Group is continuously developing eco-friendly processes such as the use of cullets in glass production, use of plastic regrinds in plastic crates and pallets, toluene-free flexible packaging, and accreditation with various international standards and agencies. In recent years, the Packaging Group has been improving and upgrading its manufacturing facilities to a standard higher than established government regulations. Significant investments have been made, such as the Electrostatic Precipitator of the Packaging Group, a pollution-abating device that cost more than ₱406 million.

Packaging Solutions

Glass - The glass business is the Packaging Group's largest business segment. Currently, there are three (3) glass manufacturing facilities and one (1) glass and PET mold plant in the Philippines, which service the requirements of the beverage, food, pharmaceutical, chemical, personal care, and health care industries.

Metal - The metal business manufactures metal caps, crowns, resealable caps, and two-piece aluminum beverage cans for a range of industries, which include beer, spirits, soft drinks, condiments, and food. In 2012, SMYPC formed CAI as a joint venture with CANPACK S.A. ("**CANPACK**") to modernize the two-piece aluminum can manufacturing business. In 2018, CAI expanded its product line to offer 180 ml aluminum cans. Utilizing the know-how and technologies of CANPACK on can manufacturing, CAI is now capable of producing aluminum cans and ends in three (3) categories - regular (standard), sleek, and slim cans. CAI operates the pioneer two (2)-piece aluminum can plant in the Philippines.

On September 29, 2022, SMYPC and CANPACK executed a Share Purchase Agreement for the purchase by SMYPC of the Three Million Five Hundred Thousand Common Shares (3,500,000) of CANPACK in CAI, giving SMYPC 100% ownership of CAI. To date, CAI is capable of producing six (6) can sizes.

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

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

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

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

Logistics Services - The Logistics Services started its operations by offering pallets under lease agreements to food, beverage, and storage facilities. It expanded its operations to include trucking services and warehouse management, primarily serving the Packaging Group's internal requirements and some of the SMC's trucking needs.

Production Facilities

The Packaging Group owns and operates three (3) glass plants, one (1) glass and plastics mold plant, three (3) metal packaging plants, three (3) plastics packaging plants, one (1) beverage filling plant, one (1) composite plant, one (1) paper plant and one (1) logistics services facility. The plants are strategically located throughout

the Philippines. It also owns and operates 18 international packaging companies located in China (glass, plastic, paper, and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags, and radiant/thermal liners), Australia (trading of packaging products, retail/online packaging, cargo protection and materials handling products, plastic manufacturing, wine closures, and wine filling services) and New Zealand (plastic manufacturing and trading of packaging products).

Raw Materials

The main raw materials for glass manufacturing are silica sand, soda ash, cullet, and limestone while casting molds, neckring bars and round bars are used in the production of molds. Plastics packaging main inputs are colorants/pigments, inks, HDPE resin, and regrinds while the metal packaging uses Plate TFS, aluminum coil, and lubricants. The main raw materials for flexibles packaging are PET/CPP/OPP and other films, PE films, aluminum foil, resins, and inks. In beverage filling, the main raw material is CO_2 while paper packaging uses kraft paper. The Packaging Group sources its strategic raw materials from local and foreign suppliers with a supply period ranging from three (3) to twelve (12) months. These suppliers undergo an accreditation process and audits to ensure the delivery of raw materials meets the quality standards of the Packaging Group.

Competition

The Packaging Group believes that it remains to be the leading packaging player in the Philippines. It continues to enjoy the majority share of market in the glass, aluminum cans, metal closures, and the plastics segments mainly brought about by the strong performance of the beverage industry.

The influx of imports in flexibles, aluminum cans, and glass from China is viewed as competition to the Packaging Group, which believes that providing total packaging solutions coupled with excellent customer service has been its core strength over its competition. Furthermore, SMYPC has been improving and upgrading its manufacturing facilities, as well as offering innovative packaging designs to adapt to the market trends.

FUEL AND OIL BUSINESS

SMC operates its fuel and oil business through Petron Corporation, which is the only integrated oil refining and the leading marketing company in the Philippines and is a leading player in the Malaysian market. As of December 31,2023, SMC directly and indirectly owned 68.26% of Petron. Petron has a combined refining capacity of 268,000 barrels per day and refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia.

In the Philippines, Petron operates the Petron Bataan Refinery in Bataan, which supplies approximately 30% of the country's total fuel requirements and has a production capacity of 180,000 barrels per day. Based on estimates using its internal assumptions and calculations and industry data from the DOE for the first half of 2023, Petron has a retail market share of approximately 36.3% of the Philippine oil market as of June 30, 2023. This estimate excludes direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

Petron's products are primarily sold to customers in the Philippines and Malaysia. Petron also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. Petron's revenues from these export sales amounted to ₱26.4 billion, or 6% of total sales, in 2021, ₱40.3 billion, or 5% of total sales, in 2022, and ₱47.0 billion, or 6% of total sales as of December 31, 2023.

Petron's common shares are listed for trading on the PSE under the symbol "PCOR", while its preferred shares are listed and traded on the same exchange under the symbols "PRF3A", "PRF3B", "PRF4A", PRF4B, PRF4C. In Malaysia, Petron's common shares for its subsidiary Petron Malaysia Refining & Marketing Bhd. are listed for trading on the Bursa Malaysia under the symbol "PETRONM."

For the years ended December 31, 2021, 2022, and 2023, Petron's sales were ₱438,057 million, ₱857,638 million, and ₱801,027 million, respectively, and net income was ₱6,136 million, ₱6,697 million, and ₱10,134 million, respectively.

Selected financial data for the business of Petron are set forth in the table below for the periods indicated:

	For the years ended December 31,		
	2021	**2022**	**2023**
	(in millions, except for percentages)		
	₱	₱	₱
Sales	438,057	857,638	801,027
Gross profit	30,499	33,850	46,598
Gross profit margin[(1)]	7.0%	3.9%	5.8%
EBITDA[(2)]	27,198	33,061	44,945
EBITDA margin[(3)]	6.2%	3.9%	5.6%
Net income before tax	7,297	8,101	13,138
Net income before tax margin[(4)]	1.7%	0.9%	1.6%

Notes:
(1) Calculated as gross profit divided by revenues.
(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.
(3) Calculated as EBITDA divided by revenues.
(4) Calculated as net income before income tax divided by revenues.

Strengths and Strategies Strengths

Petron believes that its principal competitive strengths include the following:

The Only Refinery in the Philippines

Since the closure of the Shell Tabangao Refinery in 2H2020, the Petron Bataan Refinery has become the only oil refinery in the country. It has a total crude oil distillation capacity of 180,000 barrels per day, capable of processing imported crude. Being the only oil refiner in the Philippines, Petron can take advantage from refining margins while providing supply security to the domestic market.

Over the years, Petron has developed and maintained a strong core base of high-quality petroleum products and has managed to consistently make significant investments in upgrading its facilities. Petron has also focused on increasing production of higher margin White Products and petrochemicals while minimizing production of low margin fuel products.

Market leadership in the Philippine downstream oil sector

With a retail market share of approximately 36.3% of the Philippines oil market as of June 30, 2023 in terms of sales volume based on Petron estimates using its internal assumptions and calculations and industry data from the DOE, Petron believes it is the leader in the Philippine oil industry, ahead of the other two (2) major oil companies and other smaller players operating in the Philippines.

Petron has more than 1,800 retail service stations in the country as of December 31, 2023, retailing gasoline, diesel, and kerosene to motorists and the public transport sector. Its wide range of world-class fuels includes *Blaze 100 Euro 6, XCS, Xtra Advance, Turbo Diesel* and *Diesel Max*. Petron also sells its LPG brands, *Gasul* and *Fiesta Gas*, to households and other consumers through its extensive dealership network, numbering more than 1,800 branch and franchise stores as of December 31, 2023. Petron also manufactures lubricants and

greases through its blending plant in Manila and sells these products through its service stations and various lubes outlets.

Petron believes that it is the market leader based on domestic sales volume in the retail trade as well as in the industrial market segments.

Logistically advantaged supply position in the Philippines

In the Philippines, Petron transports its products from the Petron Bataan Refinery to fuel import terminal facilities throughout the Philippines. The Petron Bataan Refinery remains as the only petroleum refinery in the country.

Petron's extensive logistics network includes 28 terminals and 12 airport installations and reaches most key points in the Philippines. Given the challenges of distribution across the Philippine archipelago, this capability plays a significant role in securing Petron's leading position in the Philippines. From Bataan, products are moved mainly by sea to terminals located across the archipelago. Through its robust distribution network, Petron fuels strategic industries such as power generation, manufacturing, mining, agribusiness, among others. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

As part of the CREATE Act, local petroleum refineries shall be exempted from paying taxes and duties upon crude importation but will be subject to applicable taxes and duties on finished petroleum products upon lifting of refined petroleum products from the refinery. Petron believes that the CREATE Act allows it to be more competitive, as domestic petroleum refineries will now pay taxes upon lifting of finished petroleum products from the refinery, similar to importers of refined fuel which pay taxes upon importation of finished products.

Operations in markets with favorable industry dynamics

Petron operates as an integrated oil refining and marketing company in the Philippines and Malaysia, both of which Petron believes have favorable oil industry dynamics.

The IMF expects Philippines' GDP growth of about 6.0%[22] in 2024, mainly on the back of public investment acceleration and improvement in exports. This provides a favorable economic environment to support energy and petroleum products demand growth in the country, despite lingering challenges on global growth and inflation. In addition, the Philippines has one of the lowest per capita car ownerships, and consequently, among the lowest fuel consumption in the region. Petron believes this presents potential room for growth that Philippine fuel retailers can capitalize upon.

For Malaysia, the IMF projects GDP growth of 4.30% in 2024[23]. Malaysia has a significantly higher per capita car ownership than the Philippines and has per capita fuel consumption of 5.4bbl in 2020.

The Philippines operates under a free market scheme with movements in regional prices and foreign exchange reflected in the pump prices on a weekly basis. Malaysia, on the other hand, operates under a regulated environment where pump prices are set by the government, and an APM is in place which provides stable returns to fuel retailers. Under this program, the government provides subsidies to oil companies if the pump price is lower than the price set per APM and conversely, the oil companies pay duties to the government if the pump price is higher than the APM price.

[22] *Source: https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024*

[23] *Source: https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024*

Expanded product offering driving non-fuel retail volumes

Petron's network of service stations in the Philippines and Malaysia offers differentiated and comprehensive services to customers. Beyond being just a petroleum station, Petron's service station provides a one (1)-stop service experience to travelers on the road, offering amenities such as *Treats* convenience stores, restaurants, and specialty shops. These convenience stores, restaurants and specialty shops help generate non-fuel revenues and improve traffic in the service stations.

In Malaysia, Petron's retail business markets fuel, LPG and Lubes through a dealer network comprising more than 750 retail service stations located throughout Peninsular and East Malaysia as of December, 31 2023. Petron has more than 300 *Treats* convenience stores, generating non-fuel income and improving traffic in the service stations.

Since 2013, Petron has partnered with the Royal Malaysia Police to roll out the Go-To Safety Points ("**GTSPs**") at all Petron stations in Malaysia and now all the service stations are GTSP ready sites. The GTSPs are set up at service stations to allow the public to seek temporary shelter and to enable immediate reach out to the relevant authorities such as RMP, Fire & Rescue Department, ambulance, etc. during emergencies. Thus, motorists can enjoy Petron's products and services in a safer and more secure environment.

Enhanced loyalty card program in the Philippines and successful rollout of the Petron App

Petron also offers loyalty programs that complement its retail business, such as the *Petron Value Card* in the Philippines and the *Petron Miles Privilege Card* ("**PMILES**") in Malaysia. Petron continues to upgrade existing loyalty programs and offer new and diverse programs to cater to the customer's unique needs. Some of the benefits of the *Petron Value Card* program include 24-hour free towing and roadside assistance, reward points for every purchase and complimentary annual personal accident insurance coverage. PMILES is a loyalty card aimed at ensuring customers enjoy better value, privileges and benefits. PMILES goes beyond fuel, as customers are able to use promocodes and achieve rewards and discounts across a wide range of products and services.

As of December 31, 2023, more than 11 million *Petron Value Cards* (including *Petron Super Driver Cards*) have been issued in the Philippines and approximately 2.9 million active PMILES cardholder accounts in Malaysia.

In 2016, Petron launched the Petron mobile application (the "**Petron App**") as a companion for the everyday Filipino motorist. In addition to monitoring Petron loyalty card points earned from transactions at Petron stations, the Petron App also allows customers to track details of fuel spend, locate Petron service stations and car care centers and stay updated on the latest Petron news and promotions. The Petron App also sends customers reminders of the details of services that are available to Petron loyalty cardholders, such as free towing & roadside assistance and personal accident insurance.

With the extensive network of its loyalty card program and the Petron App, Petron believes it has been able to foster brand loyalty to strengthen its position in both markets in the Philippines and Malaysia. Furthermore, Petron has made informed marketing decisions to cater to the needs of its customers.

Using transactional data, post-campaign analyses were conducted to categorize cardholders into segments based on their purchase behaviors to launch strategic promotional activities, product offerings, and targeted loyalty programs with the objective of increasing throughput, up-selling higher value products, and reactivating dormant accounts.

Historical carded volume is used in projecting baseline numbers to implement customer programs, forecast incremental sales and gain insights on actual campaign results.

Focus on higher yield products at the Petron Bataan Refinery

Over the years, Petron has developed and maintained a strong core base of high-quality petroleum products and has managed to consistently make significant investments in upgrading its facilities. Petron has also focused on increasing production of higher margin diesel, gasoline, jet fuel, kerosene and LPG (collectively, "**White Products**") and petrochemicals while minimizing production of low margin fuel products. In the Philippines, the investment in RMP-2 allowed Petron to produce up to Euro VI-standard fuels and convert black products into white products.

Petron has also recently completed constructing a new power plant to replace some of its old generators and generate power and steam that are more than sufficient for its internal consumption. Excess power will be sold to the grid. With the new power plant, use of fuel oil at the refinery will be eliminated, thereby allowing it to convert this fuel oil into high-value products. The power plant was completed in 2022. In addition, Petron invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant, which will increase its production capacity from 160,000 MT to 225,000 MT annually, is expected to be completed in 2024.

Established position in the Malaysian downstream oil sector

Petron has acquired an established position in the Malaysian downstream oil sector that provides geographic diversification to its portfolio, an additional platform to expand its business and added stability to its operations.

Petron's network of service stations and distribution infrastructure in Malaysia facilitate the capture of a growing share of the market. It includes more than 750 service stations, approximately 300 convenience stores, and 10 product terminals as of December 31, 2023. Petron is also present in the aviation segment with a 20% ownership of a multi-product pipeline ("**MPP**") to KLIA. The joint venture through which Petron owns its interest in the MPP also owns a fuel terminal, the Klang Valley Distribution Terminal ("**KVDT**").

Petron's fuel supply in Malaysia comes from its Port Dickson Refinery and domestic and import purchases. The Port Dickson Refinery processes crude oil acquired from various sources. Petron has completed the construction of its diesel hydrotreater process unit, allowing the Port Dickson Refinery to comply with the Euro 5 specification for diesel (10 ppm sulfur) mandated by the Malaysian government by April 2021. Furthermore, Petron has also completed constructing a new marine import facility in 2021 which generates freight cost savings and demurrage costs through decongestion of existing jetty.

The Malaysian government regulates the pricing structure through the APM, pursuant to which it mandates (i) the prices of certain refined petroleum products, (ii) quotas, and (iii) certain fixed amounts for marketing, transportation and distribution costs in relation to the subsidy structure. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of *RON 95* and *RON 97* petroleum and diesel on a weekly basis based on the Mean of Platts Singapore. If government-mandated prices are lower than the fuel products' total built-up cost per the APM, then Petron will claim the short fall from the Malaysian government as subsidies. Conversely, if government-mandated prices are higher than the fuel products' total built-up cost per the APM, then Petron will pay duties to the Malaysian government. This regulated environment provides stability to Petron's Malaysian operations in such sectors.

Experienced management team and employees and strong principal shareholder in San Miguel Corporation

Petron has an experienced team of managers with substantial relevant experience in refining operations and development of service stations. In addition, Petron has a team of employees skilled in managing the various aspects of its business, including a highly experienced management team at the Petron Bataan Refinery, a focused sales and marketing team, which includes a group that has years of experience in service station engineering and construction, and a research and development team that has overseen years of product development and production process improvement. Petron is also committed to the development of its employees by adopting on-going training and development programs to ensure that operations will be run

by well-equipped and capable employees. The average tenure of employees in Petron as of December 31, 2023 is approximately 8.8 years for the Philippines and 8.2 years for Malaysia.

Petron also believes that it benefits from its relationship as a key material subsidiary of SMC, primarily by realizing synergies, including the provision of fuels for SMC's expanding power generation business, SMC's infrastructure business and its various production facilities as well as cross-marketing opportunities with SMC's consumer and energy-related businesses. Petron also believes that SMC's strong balance sheet and international reach and relationships increase its leverage and bargaining power with suppliers and financial institutions as well as enhance its sources of funding for its capital expenditure projects.

Strategies

Petron's principal strategies are set out below:

Maximize production of high margin refined petroleum products and petrochemicals

In recent years, Petron has shifted production from lower margin fuel oils to higher margin products. Petron plans to continue maximizing production capability on high margin petroleum products and petrochemicals.

Going forward, Petron expects to continue to reap the full benefits of its existing facilities and to remain opportunistic in optimizing operations to focus production of high-margin petroleum products and petrochemicals.

Ensure reliability and efficiency of refinery operations

Petron has undertaken a number of strategic projects such as improving operational efficiency and profitability at the refinery by optimizing Refinery operations to take advantage of refining margins.

Petron also intends to further enhance efficiency and reduce production costs while at the same time enhancing crude optimization and expanding crude oil sources. Petron plans as well to continue investing in new receiving and storage facilities and improve existing facilities, in effect optimizing its terminal network.

Maximize volume growth and further increase market share in the downstream oil markets in the Philippines and in Malaysia

Petron intends to leverage on its leading market position and extensive retail and distribution network in the Philippines to maximize its revenue and margin potential by expanding its sales network, improving the productivity of existing stations and continuing to develop its non-fuel business.

Innovation as tool for customer retention and growth

Petron intends to continue to invest in its digital offerings such as the Petron App and contact less payment solutions, to provide value-added services to its customers while at the same time increasing its understanding and knowledge of its customer base.

Continue to evaluate possible selective synergistic acquisitions

Petron considers and evaluates selective opportunities to expand both within and outside the Philippines through strategic acquisitions that will create operational synergies and add value to the existing business.

Production Facilities

The Philippines

In the Philippines, Petron owns the Petron Bataan Refinery complex located in Limay, Bataan, which is a 180,000 bpd full conversion refinery. It has its own product piers and two (2) offshore berthing facilities, one of which can accommodate very large crude oil carriers, or "**VLCCs**."

The Petron Bataan Refinery is capable of producing a range of all white petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel and diesel, with no residual fuel oil production. It also produces petrochemical feedstocks benzene, toluene, mixed xylene, and propylene. In December 2016, Petron acquired the cogeneration power plant from SMC Powergen, Inc., which consists of four (4) turbo generators and four (4) solid fuel fired Circulating Fluidized Bed boilers. With the completion of RSFFB Phase 3 in 2022, the cogeneration power plant now consists of six (6) turbo generators with a combined capacity of 184 MW and six (6) solid fuel fired Circulating Fluidized Bed boilers with a combined capacity of 1,200 tons per hour. This ensures the sufficient and reliable supply of steam and power for the Petron Bataan Refinery and export excess power to the grid.

In addition to the Petron Bataan Refinery, Petron owns and operates a fuel additive blending plant (the "**Subic Plant**") in the Subic Bay Freeport Zone in the Philippines with a capacity of 12,000 metric tons per year.

Petron also operates a lube oil blending plant in Tondo, Manila. The capacity of the New Lube Oil Blending Plant ("**NLOBP**") is 90,000,000 liters per year per shift.

Malaysia

In Malaysia, Petron owns a petroleum refinery complex located in Port Dickson, Negeri Sembilan. The Port Dickson Refinery has a crude oil distillation capacity of 88,000 barrels per day.

The Port Dickson Refinery produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LSWR. With the exception of naphtha and LSWR, these products are intended to meet domestic demand in Malaysia. Petron exports its naphtha and LSWR to various customers in the Asia-Pacific region under term and spot contracts.

Crude oil for the Port Dickson Refinery is received by means of a single buoy mooring ("**SBM**") and crude pipeline facilities that are jointly owned with Hengyuan Refining Company Berhad (formerly known as Shell Refining Company (Federation of Malaya) Berhad) through an unincorporated joint venture. Under the joint venture, Petron shares 50% of all SBM operating and capital costs and pays a levy of one-third (1/3) of the overhead and administrative charges incurred in connection with the operation of the SBM.

Raw Materials

Philippine Operations

The main raw material used in the Petron Bataan Refinery's production process is crude oil. Petron's crude oil optimization strategy includes the utilization of various types of crude oil, ranging from light and sweet crude to heavier, more sour alternative crude.

Petron acquires crude oil for the Petron Bataan Refinery primarily through arrangements with its wholly-owned subsidiary Petron Singapore Trading Pte. ("**PSTPL**"), which in turn obtains crude oil from foreign sources, through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco, Abu Dhabi National Oil Co and Kuwait Petroleum Co. for the year 2023 to purchase various types of crude oil. The pricing and payment mechanisms under this contract are consistent with standard pricing for its Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks, and payment is secured by either irrevocable standby letters of credit or on Open Account basis.

The contracts are either automatically renewed or negotiated annually. Several other crude oils are purchased on spot basis from various suppliers.

PSTPL has a term contract with GS Caltex for the year 2023 to purchase group II base oils (J500 (500N) and J150 (150N)) and avgas. The term contract is negotiated annually, subject to both parties' options, and pricing is calculated using a formula based on an international standard price benchmark for base oils and Mean of Platts Singapore for avgas. Group II base oil is the company's main feedstock for the production of automotive, industrial and marine lubricants, while avgas is used for aviation fuel requirements.

PSTPL has a term contract for the year 2023 to purchase Asphalt, LPG, and high RON Gasoline. These term contracts are tendered annually, and it is awarded to the most competitive supplier(s). Pricing is calculated using a formula based on an international standard price benchmark for these products.

Petron may import gasoline, diesel, and jet fuel. These imports are necessary if there is higher demand in the Philippines and during maintenance of the Petron Bataan Refinery. Petron ceased producing Fuel Oil, a lower margin product, upon the completion of the RMP-2. Pricing is usually based on Mean of Platts Singapore for the products being imported.

Malaysian Operations

The main raw materials used in the Port Dickson Refinery's production process are crude oil and condensate. The Port Dickson Refinery is designed to process sweet crude oil.

Petron's crude oil optimization strategy includes diversification in processing different types of local as well as regional sweet crude oil. Petron acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. Petron has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") for a period of two (2) years until March 2024 (in negotiation for renewal), supplemented by other short-term supply contracts and spot crude purchases. Currently, about 47% of the crude and condensate volume are sourced from EMEPMI, while the balance is from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. Petron also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

A portion of Petron's palm oil methyl ester ("**PME**") requirements for its bio-diesel mix are sourced from the PME plant acquired by Petron Malaysia Refining & Marketing Bhd in March 2019. The plant is located at Lumut, Perak and has an annual capacity of 78,000 metric tons. Petron purchases the balance of its PME requirements from other Malaysian government-approved local suppliers. PME is the bio-component of the biodiesel mix sold to domestic customers in Malaysia. Petron produces a biodiesel mix comprising 7%/10%/20% PME: 93%/90%/80% diesel for the Retail sector and 7%/10% PME: 93%/90% diesel for the Commercial sector (with exception for electricity power generation and bunkering) mainly for the transportation and subsidized segment, following the Malaysian Biofuel Industry Act of 2007.

Petron also imports LPG, diesel, gasoline, jet fuel and some gasoline blending components into Malaysia to support domestic demand beyond its production level. These imports are purchased through term purchase contracts and in the spot market. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline, jet fuel and some gasoline blending components, and Saudi CP for LPG.

Sales and Marketing

The major markets in the petroleum industry are Retail, Industrial, LPG and Lube Trades. Petron sells its products to both industrial end-users and through a nationwide network of service stations, LPG dealerships, sales centers and other retail outlets. It also supplies jet fuel at key airports to international and domestic carriers.

The Philippines

In the Philippines, Petron operates the only integrated oil refinery and is a leading oil marketing company. Petron had a retail market share of 36.3% of the Philippine oil market as of June 30, 2023 in terms of sales volume based on company estimates using its internal assumptions and calculations and industry data from the DOE.

Petron had a network of around 1,800 retail service stations in the Philippines as of December 31, 2023, according to Petron's estimates. Most of these stations are in Luzon, where demand is heaviest.

Petron employs two (2) types of service station operating structures in the Philippines: (i) company-owned-dealer-operated ("**CODO**") service stations, and (ii) dealer-owned-dealer-operated ("DODO") service stations. For CODOs, Petron buys or leases the land and owns the service station structures and equipment, but third-party dealers operate the CODOs. For DODOs, third-party dealers buy or lease the land, build service station structures according to company specifications, lease the service station equipment from Petron, and operate the DODOs. As of December 31, 2023, approximately 40% of Petron's retail service stations in the Philippines were CODOs, and approximately 60% were DODOs.

Petron's DODO network includes Petron *Bulilit* Stations, which are small service stations that provide the flexibility to establish a presence even in remote rural areas and make Petron's products and services accessible to more Filipinos. As of December 31, 2023, about 430 Petron *Bulilit* Stations are in operation.

To improve traffic in Petron's service stations and increase potential revenues of Petron's non-fuel business, Petron established *Treats* convenience stores and leases space to quick-serve restaurants and other consumer service shops in strategic service stations nationwide. The *Treats* convenience stores were rebranded under the brand name *San Mig Food Avenue* in 2011 pursuant to an agreement with San Miguel Foods Inc. The convenience stores are operated by dealers through a franchise obtained from San Miguel Foods, Inc. In 2014, Petron opened stores in Manila under the brand name "*Treats*," with permission from San Miguel Foods, Inc. for the use of the brand name. On March 1, 2021, Petron reacquired the *Treats* convenience store business from the San Miguel Food Group. The acquisition covered fixed assets in the stores, inventory, and intangible assets such as contracts and the *Treats* trademarks. On June 29, 2021, Petron acquired additional *Treats* assets from Foodcrave Marketing, Inc. The *Treats* acquisition optimizes the synergies between the operation of the Petron service stations and the *Treats* outlets located in the service stations, resulting in operational efficiencies and savings, unified customer marketing programs, maximized exposure of the *Treats* brand, and the provision of holistic business consulting to dealers on their businesses within the service station. As December 31, 2023, there are 65 *Treats* outlets nationwide.

Petron continues to install the point of sale ("**POS**") system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations. As December 31, 2023, Petron had installed POS terminals in more than 1,500 retail service stations in the Philippines.

Petron believes it is the leading supplier to the Philippine industrial sector, which includes major manufacturing, aviation, marine, and power accounts. Petron had approximately 551 direct industrial account customers as December 31, 2023.

Petron is a leading market participant in the Philippine LPG market in terms of market share. Petron has set up more than 1,800 branch and franchise stores through its *Gasul* and *Fiesta Gas* LPG dealers as December 31, 2023.

Petron has commissioned 19 mini-refilling plants in the Philippines as December 31, 2023, to broaden the reach of Petron's LPG products and make them accessible to more Filipinos.

To augment lubricants and greases sales, Petron has a network of about 50 Car Care Centers, about 14 Key Accounts, which includes Original Engine Manufacturers ("**OEM**") and Franchise Car Dealers ("**FCDs**"), throughout the Philippines as December 31, 2023. Petron capitalizes on the strong lubricant distribution

network of non-traditional outlets such as automotive and motorcycle parts outlets and automotive repair shops, and expanded LPG-outlet network by utilizing its LPG branch stores as outlets for Petron's lubricants and specialty products. Petron has expanded into blending and exporting fuel additives, leveraging on its technology partnership with Innospec, a global fuel additives supplier. Petron also provides technical services to Innospec's customers and was able to tap the customer base of Innospec in Asia to broaden the market for its own lubricant brands.

Petron exports various petroleum products such as lubricants and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region. These products are sold through accredited traders and to end-users under term or spot contracts.

Polypropylene is sold mostly to companies engaged in the manufacture of packaging materials.

Malaysia

The retail business markets fuel and its related products through a dealer network comprising more than 750 retail service stations located throughout Peninsular and East Malaysia as of December 31, 2023. In Malaysia, Petron uses the CODO and DODO operating structures for its retail service stations. CODO accounted for approximately 56% of the total retail service station network of Petron while DODOs made up the 44% balance. Petron also has approximately 300 *Treats* convenience stores, generating non-fuel income and improving traffic in the service stations.

To further enhance the customer service experience in Malaysia, Petron launched the Fuel Happy campaign in March 2015 with various marketing activities and events organized to reward and enchant the customers. This was followed by "*Best Day at Petron*" campaign launched in 2017. In January 2016, Petron pioneered the country's first premium fuel with the rollout of Petron *Blaze 100*. As of December 31, 2023, *Blaze 100* is available in more than 110 stations, mainly located in Klang Valley and the southern city Johor Bahru. Petron also offers *Petron Turbo Diesel Euro 5*, a premium plus diesel fuel with 7% biodiesel mix that meets Euro 5 standards, even prior to the mandatory implementation of Euro 5 diesel standards set by the Malaysian government effective beginning April 1, 2021. As of December 31, 2023, Petron has more than 350 service stations offering Turbo Diesel Euro 5.

Petron's commercial business is divided into three (3) segments: industrial and wholesale fuels, LPG and lubricants and specialties.

The industrial segment sells diesel and gasoline to mini-stations and power plants, as well as to the manufacturing, plantation, transportation, and construction sectors. Petron's sales of *RON 95* gasoline and diesel to mini-stations represented approximately 59% of its industrial sales by volume in 2023. Sales to the mini-stations are priced according to the APM. Many power plants in Malaysia run on natural gas and use diesel as alternative fuel when there are gas curtailments. Petron sells diesel to such power plants on an ad-hoc basis at formulated prices. The pricing of these sales is determined through a formula that is linked to international industry benchmarks. Prices of diesel to the manufacturing, mining, plantation and construction sectors are not regulated by the Malaysian government, and the pricing of these sales is subject to market supply and demand.

The Malaysian wholesale segment consists of sales, primarily of diesel, to company-appointed distributors, which subsequently sell Petron's products to industrial customers. As of December 31, 2023, Petron has more than 140 active distributors.

In Malaysia's aviation sector, Petron is one (1) of the three (3) major jet fuel suppliers at KLIA and KLIA 2 pursuant to a throughput agreement with the Kuala Lumpur Aviation Fuelling System Sdn Bhd, the operator of the KLIA's storage and hydrant facility.

Petron markets LPG in 12-kg and 14-kg cylinders for domestic/household sales, and 50-kg cylinders and bulk for commercial use, through redistribution centers, stockists and dealers. LPG redistribution centers are owned by Petron to store and distribute bottled LPG to dealers. Stockists are dealer-owned distribution

centers which also distribute bottled LPG to other dealers. Dealers generally collect bottled LPG directly from redistribution centers and stockists for onward sale to domestic and commercial consumers. Prices of 12-kg and 14-kg cylinders for domestic use are regulated under the APM. In April 2019, Petron launched Petron *Gasul* at its service stations, the first "cash and carry" service wherein customers can purchase their LPG cooking gas at the service station. As of December 31, 2023, Petron has approximately 180 service stations selling *Gasul* LPG.

Petron also sells bulk LPG to industrial users through appointed dealers and to resellers. Prices of 14-kg forklift gas, 14-kg commercial gas, 50-kg and bulk LPG are not regulated by the APM. To further enhance the Petron *Gasul* brand, Petron has identified three (3) Brand Promises to drive the business forward: Safety, Quality and Convenience.

Petron established a lubricants and specialties business line in April 2012 to introduce Petron lubricants and greases into the Malaysian market. These products are marketed through a network of appointed distributors in both West and East Malaysia to various industry segments including car and motorcycle workshops, transport and fleet operators, manufacturing, industrial and marine accounts. Petron's wide range of automotive lubricants is sold through Petron's extensive network of service stations in Malaysia.

Petron exports surplus intermediate products LSWR and naphtha from the Port Dickson Refinery through accredited traders and to end-users under term or spot contracts.

In response to the government's biofuel mandate, Petron acquired a PME plant in Lumut, Perak in March 2019 to help ensure reliable and adequate supply of PME for Petron's needs. Besides PME, the Lumut plant also produces glycerin that is sold to local and overseas consumers as raw material largely for pharmaceutical and cosmetic products like moisturizing skin care products and soaps.

Distribution

The Philippines

To serve its domestic markets, Petron maintains 40 terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven (7) in the Visayas and eight (8) in Mindanao, as well as four (4) airport installations in Luzon, five (5) airport installations in Visayas and three (3) airport installations in Mindanao. Terminals have marine receiving facilities, multiple product storage tanks for liquid fuels and LPG, drummed products storage, and warehouses for packaged products, such as lubricants and greases.

From the Petron Bataan Refinery, refined products are distributed to the various terminals and direct large consumer accounts using a fleet of contracted barges and tankers, and to service stations and industrial accounts through a fleet of contracted tank trucks. The barges and tankers are chartered on term or spot contracts from third-party ship owners. From the storage terminals, bulk products are hauled by tank trucks owned by the Petron as well as third parties to service stations and industrial accounts. Under the terms of the applicable contracts, the third-party owners of the contracted barges, tankers and tank trucks that are used to haul Petron's products are liable for losses and environmental issues that may arise while the products are being transported.

In its Philippine LPG business, Petron has a nationwide network of retail dealerships and outlets. Some service stations carry the Petron's LPG products and accessories. Petron has stand-alone LPG operations in its terminals in Pasig City, Legazpi City, San Fernando City in Pampanga, and San Pablo City, Laguna.

Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines are appointed to sell these products. Petron has a tolling agreement with Innospec for the blending of fuel additive products in its Subic Plant.

Petron has airport installations at the Ninoy Aquino International Airport ("**NAIA**") and 11 other airports located in major urban centers in the Philippines. These installations provide storage of aviation fuels as well as refueling services for various aircraft. Petron has presence in the airports of NAIA, Laoag, Puerto Princesa and Clark in Luzon, Mactan, Bohol, Kalibo, Caticlan and Iloilo City in the Visayas, as well as in Zamboanga City, Davao, and Laguindingan in Mindanao via mobile into plane refueling equipment.

Malaysia

Products from the Port Dickson Refinery are distributed to service stations and commercial accounts through tank trucks that lift products via the Port Dickson Terminal's tank truck loading facilities. These loading facilities are connected to the storage tanks inside the refinery. The refinery's produced volume is also sent to Klang Valley Distribution Terminal ("**KVDT**") through a pipeline. Tank trucks lift products from KVDT for delivery to Petron customers. The other terminals source products through imports from regional suppliers. Products are lifted from the terminals via tank trucks and delivered to service stations and commercial accounts. The Port Dickson terminal is located beside the Port Dickson Refinery, while the other terminals are located near major fuel product market areas.

Jet fuel is transported from the Port Dickson Refinery to KLIA through a multi-product pipeline (the "**MPP**"), which is jointly owned by Petron through its 20% ownership interest in an unincorporated joint venture with Petronas Dagangan Berhad ("**PDB**") and Shell Malaysia Trading Sdn Bhd ("**Shell Malaysia**"), each of which has a 40% ownership interest. The MPP is a fungible products pipeline for transporting gasoline, diesel and jet fuel and is operated by PS Pipeline Sdn Bhd, a 50-50 joint venture between PDB and Shell Malaysia.

The joint venture through which Petron owns its interest in the MPP also owns the KVDT, where fuel inventory is commingled. Prior to 2015, Petron only used the MPP to transport jet fuel to KLIA and not for transporting gasoline or diesel to the KVDT. In 2015, Petron successfully completed a project linking the Port Dickson Refinery to the MPP to transport gasoline and diesel products to KVDT. This improved Petron's logistics and reduced the cost of delivery to service stations in the Klang Valley area, a major market.

LPG is bottled at the Port Dickson and Westport terminals. Most redistribution centers and stockists collect bottled LPG directly from the Port Dickson and Westport terminals. Petron has an LPG storage and bottling facility at West Port (part of Port Klang, the principal port facility serving the Klang Valley), which is a 50-50 joint venture between Petron and Boustead Petroleum Marketing Sdn Bhd. Both terminals also load Bulk LPG for industrial customers. Petron had also contracted third-party bottling facilities to expand the reach of its *Gasul* products in Perak and Penang in the north, Kelantan in the east coast and in Johor in the south.

Petron entered the Sarawak retail market in February 2017 with an initial six (6) DODO stations, subsequently increasing the number to twelve as of December 31, 2023. These stations are supplied through a sales and purchase term agreement with a local company, Petronesa Trading Sdn Bhd, from independent terminals located in Kuching and Tanjung Manis.

Competition

The Philippines

In the Philippines, Petron operates in a deregulated business environment, selling its products to individual, commercial and industrial customers. The enactment of the Downstream Oil Industry Deregulation Law in 1998 effectively removed the rate-setting function of the Philippine government through what was then known as the Energy Regulatory Board, leaving price-setting to market forces. It also opened the oil industry to free competition.

The Philippine downstream oil industry is dominated by three major oil companies: Petron, Shell and Chevron, which, together constituted 45% of the Philippine market based on sales volume. Deregulation has seen the entry of approximately 400 other industry market participants, rendering the petroleum business highly

competitive. Petron operates the only petroleum refinery in the country. The rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. In the Philippines, Petron competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers have become more conscious of value.

Petron participates in the reseller (service station), industrial, LPG and lube sectors through its network of service stations, terminals, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among the major firms, as seen through the construction of service stations by Shell, Chevron, Total Philippines, Phoenix Petroleum, Seaoil and other new participants in major thoroughfares. Petron has more than 1,800 retail service stations as of December 31, 2023, reaching more customers throughout the Philippines. Participants in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The number of major LPG importers in the Philippines increased from three, prior to deregulation, to about seven, with new entrants having more flexible and bigger import receiving capacities. In the industrial sector, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among many brands, including global brands such as Castrol, Mobil, Shell and Caltex, continues. Brands compete for limited shelf space, which has led to the penetration of previously unutilized markets, such as auto-dealerships in malls.

Petron is the leader in the Philippine downstream oil industry, with a retail market share of 36.3% of the Philippine oil market as of June 30, 2023. The other oil major players, independent players and approximately 400 smaller oil market participants, which started operations after the deregulation of the oil industry in 1998, account for the remaining market share. Petron believes that it is the leader in terms of domestic sales volumes based on its estimates using its internal assumptions and calculations and industry data from the DOE as of December 31, 2023. Petron's retail sales volumes for the years ended December 31, 2021, 2022 and 2023 were approximately 42,000 bpd, 44,000 bpd, 50,000 bpd respectively. Petron's non-retail sales volumes (including industrial and LPG) for the years ended December 31, 2021, 2022, and 2023 were approximately 67,000 bpd, 95,000 bpd, and 108,000 bpd, respectively.

Petron believes that its competitive advantages include organization, technology, assets, resources and infrastructure. Petron continues to implement initiatives aimed at improving operational efficiencies, managing costs and risks, and maximizing utilization of its assets and opportunities.

Malaysia

In the retail service station business, Petron's Malaysian operations compete with five (5) other main participants in the market, namely: subsidiaries of Petronas, Shell, Caltex, BHPetrol, and Five Petroleum. Of these five (5), only Petronas has refinery operations in Malaysia. Market players compete in terms of product quality, customer service, operational efficiency and extent of distribution networks. Pricing of gasoline and diesel at retail service stations is not a competitive factor since the Malaysian government regulates the pricing of these products through the APM.

Petron continues to grow its retail market share to more than 21%, with over 750 service stations in Malaysia as of December 31, 2023. With Petron's customer-centric programs, service station facilities upgrade, continued retail network expansion program, introduction of innovative product lines, and improvements in logistics and refinery capabilities. Petron believes that it is well positioned to compete in the retail segment.

Petron continues to face intense competition in the industrial, aviation and wholesale market segments from other local and multi-national oil companies. Petron uses its local production from the Port Dickson Refinery and its strategic terminal locations across Malaysia to remain competitive in these segments. Besides the mini stations, fisheries and some selected transportation sectors, which are governed by the APM, other sectors do not benefit from the subsidies provided for under the APM. Major participants resort to aggressive pricing in these segments in order to expand market share. The aviation market is also very competitive, as the three

(3) local refiners offload their jet fuel through the MPP to KLIA. Sales of jet fuel at the other Malaysian airports are supplied by the oil companies having the necessary storage and logistics capability. In the LPG segment, Petron competes with Petronas and NGC Energy Sdn Bhd, among others. The APM applies only for sales of LPG in domestic cylinders, while industrial and bulk LPG are not covered. Competition in this market is driven by supply reliability, dealer network efficiency and customer service. Petron, being well established, remains competitive in this segment. Overall, Petron's commercial sales volume remained competitive in all sectors as a result of Petron's reliable and steady supply of quality fuel to sectors such as transportation, manufacturing, construction, mining, agriculture, and power generation. Petron's retail sales volumes for the years ended December 31, 2021, 2022, and 2023 were approximately 67,000 bpd, 93,000 bpd, and 98,000 bpd, respectively.

The lubricants and specialties market is dominated by traditional global brands, as well as established local participants. Petron leverages its growing network of service stations and lube distributors to market its products and to provide brand presence. Price is a major competitive factor in this market. Petron believes that it is well positioned to compete in this market, due to its efficient blending plant and supply chain, and national consumer promotion through service stations, independent workshops and social media.

ENERGY BUSINESS

San Miguel Global Power Holdings Corp. ("**SMGP**" or "**San Miguel Global Power**", formerly SMC Global Power Holdings Corp.), together with its subsidiaries, associates, and joint ventures, is one of the largest power companies in the Philippines, controlling 5,057 MW of combined capacity as of March 31, 2024. San Miguel Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems ("**BESS**"). Based on the total installed generating capacities reported in Energy Regulatory Commission ("**ERC**") Resolution No. 02, Series of 2024 dated March 12, 2024 ("**ERC Resolution on Grid Market Share Limitation**"), San Miguel Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 25% of the Luzon Grid, 4% of the Visayas Grid and 8% of the Mindanao Grid, in each case, as of March 31, 2024. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of National Grid, Luzon Grid, Visayas Grid, or Mindanao Grid (25,567,270 kW, 17,961,724 kW, 3,417,708 Kw, 4,187,838 kW, respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation). As of December 31, 2023, SMC's ownership interest in San Miguel Global Power was 100%.

SMC entered the power industry in 2009 following the acquisition of rights to administer the output produced by Independent Power Producers ("**IPPs**") in privatization auctions conducted by the Government through Power Sector Assets and Liabilities Management Corporation ("**PSALM**"). The following companies under the SMC Group became the IPPA of the following plants: (1) Sual Power Inc. (formerly known as "San Miguel Energy Corporation" and hereinafter referred to as "**SPI**") became the Independent Power Producer Administrator ("**IPPA**") for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan in November 2009; and (2) San Roque Hydropower Inc. (formerly known as "Strategic Power Devt. Corp." and hereinafter referred to as "**SRHI**") became the IPPA for the San Roque Power Plant, a hydroelectric power plant located in San Manuel, Pangasinan in January 2010 (the Sual Power Plant and San Roque Power Plant are collectively referred to as the "**IPPA Power Plants**", SPI and SRHI are collectively referred to as the "**IPPA Subsidiaries**"). South Premiere Power Corp. ("**SPPC**") also became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010 until the Ilijan Power Plant was turned over to SPPC in June 2022.

An IPPA under the relevant IPPA agreement has the right to sell electricity generated by the power plants owned and operated by the relevant IPPs without having to bear any of the large upfront capital expenditures for power plant construction or maintenance. As an IPPA, each of SPI and SRHI has the ability to manage both market and price risks by entering into bilateral contracts with offtakers while capturing potential upside from the sale of excess capacity through the wholesale electricity spot market (the "**WESM**").

In September 2010, San Miguel Global Power consolidated its power generation business through the transfer of its equity interests in SPI, SRHI and SPPC to San Miguel Global Power. San Miguel Global Power also became a wholly-owned subsidiary of San Miguel Corporation. Since then, San Miguel Global Power has controlled

the 1,345 MW combined contracted capacity of the IPPA Power Plants and the Ilijan Power Plant through the IPPA agreements executed by SPI, SRHI and SPPC.

Building on its experience as an IPPA since SMC's transfer of interests in SPI, SRHI, and SPPC, San Miguel Global Power embarked on the development of its own greenfield power projects. In 2013, San Miguel Global Power initiated two (2) greenfield power projects, namely, the construction of the 2 x 150 MW Davao Greenfield Power Plant which is owned by Malita Power Inc. (formerly known as "San Miguel Consolidated Power Corporation" and hereinafter referred to as "**MPI**"), its wholly-owned subsidiary, and the 4 x 150 MW Limay Greenfield Power Plant which is owned by Limay Power Inc. (formerly known as SMC Consolidated Power Corporation and hereinafter referred to as "**LPI**"), another wholly-owned subsidiary. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively, while Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

San Miguel Global Power also pursued strategic acquisitions to increase its energy portfolio. In November 2014, San Miguel Global Power, through its subsidiary PowerOne Ventures Energy Inc. ("**PVEI**"), acquired a 60% stake in Angat Hydropower Corporation ("**AHC**"), the owner and operator of the 218 MW Angat Hydroelectric Power Plant (AHEPP).

In March 2018, San Miguel Global Power completed the acquisition of 51% and 49% equity interests in SMCGP Masin Pte. Ltd. ("**SMCGP Masin**", formerly Masin AES Pte. Ltd.) from AES Phil Investment Pte. Ltd. ("**AES Phil**") and Gen Plus B.V., respectively. SMCGP Masin indirectly owns, through its subsidiaries, at the time of such acquisition, Masinloc Power Co. Ltd. ("**MPCL**", formerly Masinloc Power Partners Co. Ltd.) and SMGP Kabankalan Power Co. Ltd. ("**SMGP Kabankalan**", formerly SMCGP Philippines Energy Storage Co. Ltd.) (SMCGP Masin and its subsidiaries are collectively referred to as the "**Masinloc Group**"). MPCL owns, operates and maintains the 1 x 344 MW (Unit 1), 1 x 344 MW (Unit 2) coal-fired power plant and 1 x 335 MW (Unit 3) which commenced commercial operations on September 2020, (together, comprising the "**Masinloc Power Plant"**), and the 10 MWh BESS project ("**Masinloc BESS**"), all located in Masinloc, Zambales, while SMGP Kabankalan holds the 30 MWh BESS facility in Kabankalan, Negros Occidental ("**Kabankalan BESS**"). The capacity of Phase 1 of Kabankalan BESS is contracted under an Ancillary Service Procurement Agreement ("**ASPA**") with the NGCP with a term of five (5) years which commenced in January 2022.

On September 19, 2018, Prime Electric Generation Corporation ("**PEGC**") and Oceantech Power Generation Corporation ("**OPGC**"), both wholly-owned subsidiaries of San Miguel Global Power, purchased the entire partnership interests in SMGP Kabankalan from subsidiaries of SMCGP Masin. San Miguel Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. ("**MAPACO**") in 2019 (a limited partnership under the Masinloc Group) and of MPCL in June 2020. In 2022, San Miguel Global Power was also admitted as a partner of SMCGP Masinloc Powers Co. Ltd. ("**MAPOCO**", a limited partnership under the Masinloc Group) and now owns 99.96% partnership interest in MAPACO after SMCGP Masin's 50.68% partnership interest in MAPACO and 60% partnership interest in MAPOCO were transferred to San Miguel Global Power following the approval of SMCGP Masin's petition for withdrawal of its license to operate by the Securities and Exchanges Commission in August 2022.

In July 2018, PEGC acquired the entire equity interest of ALCO Steam Energy Corporation in Alpha Water Realty & Services Corp. ("**Alpha Water**"), representing 60% of the outstanding capital stock of Alpha Water. As a result, San Miguel Global Power now effectively owns 100% of Alpha Water through its subsidiaries, PEGC and MPCL. Alpha Water is the owner of the land which is the current site of the Masinloc Power Plant and Masinloc BESS in Zambales Province.

On June 2, 2022, San Miguel Global Power acquired 50% interest in Isabel Ancillary Services Co. Ltd. ("**IASCO**") through the acquisition by Power Ventures Generation Corporation ("**PVGC**") of 49.31% limited partnership interest in IASCO and the acquisition by PEGC of 50% equity interest in Isabel AS Holdings Corp., the sole general partner which owns 1.38% partnership interest in IASCO. IASCO is the operator of the 70 MW Modular Diesel Engine Power Plant in Isabel, Leyte.

On March 1, 2024 MGen and AboitizPower, through their joint venture entity, CGHI (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), entered into agreements with SMGP and SMGP subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in SMGP's gas-fired power plants, namely (i) the operating 1,200 MW Ilijan combined cycle gas power plant owned by South Premiere Power Corp. (SPPC), (ii) the adjacent, under construction 1,320 MW combined cycle gas power plant owned by EERI and (iii) land owned by IPIEC.

The deal also involves the acquisition by CGHI and SMGP of the LNG import and regasification terminal owned by Linseed Field Corporation, which processes LNG for SPPC and EERI, and has the capacity to service additional third-party customers. The transaction is subject to customary closing conditions and regulatory approvals.

Beginning June 2022, SMGP no longer pays the annual capital lease payments for the Ilijan Power Plant under its IPPA. The Ilijan natural gas power plant has resumed operation and was reintegrated to the grid last May 31, 2023 following the supply of re-gasified LNG from the terminal.

San Miguel Global Power, through its subsidiaries SPI, SRHI, SPPC, AHC, LPI, MPI, and MPCL, sells power through offtake agreements directly to customers, including Manila Electric Company ("**Meralco**") and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. The majority of the consolidated sales of San Miguel Global Power are through long-term take-or-pay offtake contracts most of which have provisions for passing on fuel costs, foreign exchange differentials and certain other fixed costs. San Miguel Global Power has also expanded its sale of power to a broader range of customers, including retail customers. In particular, certain San Miguel Global Power subsidiaries were issued retail electricity supplier ("**RES**") licenses allowing it to enter into contracts with contestable customers and expand its customer base.

The following table sets forth selected data in respect of San Miguel Global Power's power generation assets and interests as of December 31, 2023:

	IPPA Plants		**JV Plant**	**IPP Plant**		**Greenfield Plants**	
	Sual	**San Roque**	**Angat**	**Ilijan**	**Masinloc and Masinloc BESS**	**Malita**	**Limay**
Type	Coal	Hydro	Hydro	Natural Gas	Coal and Battery	Coal	Coal
Commercial Operations Date	1999	2003	1967 (112MW) 1968 (100 MW) 1978 (6 MW)	2002	1998 (660 MW) 2018 (14 MW)[4] 2020 (10 MWh) 2020 (351.75 MW)[5]	2017 (150 MW) 2018 (150 MW)	2017 (300 MW) 2018 (150 MW) 2019 (150 MW)
Year of Acquisition	2009	2010	2014	2010	2018	-	-
Capacity (MW)	1,000	345	218	1,200	1,035.75[6]	300	600
Technology	Pulverized Coal	Storage Hydropower	Storage Hydropower	Combined Cycle	Pulverized Coal[7] and BESS	Circulating Fluidized Bed	Circulating Fluidized Bed
Operator	Team Sual Corp	SRPC	AHC	Luzon Power Dynamics Services Inc. (formerly, Mantech)	Luzon Power Dynamics Services Inc. (formerly, Mantech)	VisMin Power Dynamics Services Inc. (formerly, Safetech)	Luzon Power Dynamics Services Inc. (formerly, Mantech)
Offtakers[1]	Meralco, ECs, DUs, DCCs, Third-Party RES, WESM	Intercompany[3], DU, RES, WESM	Intercompany[3], WESM	Meralco, Intercompany[3], WESM	Meralco, DUs, CCs, WESM, NGCP	ECs, DCCs, WESM	Meralco, DCCs, ECs, DUs, CCs, WESM
IPPA Expiry / Asset Transfer Date[2]	2024	2028	N/A	2022	N/A	N/A	N/A

Notes:
(1) DUs: Distribution Utilities; ECs: Electric Cooperatives; CCs: Contestable Customers; DCCs: Directly Connected Customers; RES: Retail Electricity Supplier.
(2) Under the respective IPPA Agreements of SPI and SRHI, these subsidiaries of San Miguel Global Power have the right to acquire the Sual Power Plant in October 2024 and the San Roque Power Plant in April 2028.
(3) Within the San Miguel Global Power group.

(4) The retrofit of Masinloc Power Plant Unit 2 completed in 2018 resulted in an increase of its capacity from 330 MW to 344 MW.
(5) Masinloc Power Plant Unit 3.
(6) Includes the capacity of Units 1, 2 and 3 of Masinloc Power Plant and Masinloc BESS.
(7) Masinloc Power Plant Unit 3 utilizes supercritical boiler technology. Units 1 and 2 of the Masinloc Power Plant utilize pulverized technology.

For the years ended December 31, 2021, 2022, and 2023, San Miguel Global Power sold 24,708 GWh, 25,057 GWh and 21,603 GWh of power pursuant to bilateral offtake agreements and 2,513 GWh, 2,345 GWh and 3,640 GWh of power through the WESM, respectively. For the years ended December 31, 2021, 2022 and 2023, San Miguel Global Power purchased 2,520 GWh, 5,158 GWh and 2,519 GWh of power from the WESM, respectively.

The table below sets forth the gross profit margin, EBITDA margin and net income before tax margin of San Miguel Global Power for the periods indicated:

	For the years ended December 31,		
	2021	**2022**	**2023**
	(in millions, except for percentages)		
	₱	₱	₱
Sales	133,710	221,389	169,590
Gross profit	41,549	23,018	38,599
Gross profit margin[(1)]	31.1%	10.4%	22.8%
EBITDA[(2)]	48,184	42,316	43,769
EBITDA margin[(3)]	36.0%	19.1%	25.8%
Net income before tax	17,878	4,168	15,063
Net income before tax margin[(4)]	13.4%	1.9%	8.9%

Notes:
(1) Calculated as gross profit divided by revenues.
(2) EBITDA is calculated as (a) net income (excluding items between any or all of San Miguel Global Power and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss) and gain on sale of investment
(3) Calculated as EBITDA divided by sales.
(4) Calculated as net income before income tax divided by sales.

Expansion Projects

Mariveles Greenfield Power Plant (600 MW by 2024)

San Miguel Global Power, through its subsidiary MPGC, is currently constructing the Mariveles Greenfield Power Plant, a coal-fired power plant and associated facilities using high efficiency low emission technologies ("**HELE Technologies**") with an installed capacity of 600 MW (capable of up to 1,200 MW) in Mariveles, Bataan, expected to commence commercial operations in 2024. Unit 1 and Unit 2 are undergoing testing and commissioning and the overall project completion as of March 28, 2024 is 98%.

Masinloc Power Plant Units 4 and 5 (700 MW by 2025-2026)

Another subsidiary, MPCL, is further expanding the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each. San Miguel Global Power has signed the engineering, procurement and construction ("**EPC**") contracts for the construction of Masinloc Power Plant Units 4 and 5 which are targeted for completion between 2025 to 2026.

LNG - Ilijan Expansion (1,320 MW by 2024)

In addition, and as part of San Miguel Global Power's diversification of its power portfolio away from traditional coal technologies, San Miguel Global Power, through its subsidiary EERI, is constructing a 1,320

MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City ("**Batangas Combined Cycle Power Plant**"). The Batangas Combined Cycle Power Plant will utilize regasified liquefied natural gas ("**LNG**"). The EPC contract with Black & Veatch, BVI (Philippines) Corporation and First Balfour, Inc. for this project was signed in December 2021 and is targeted for completion in 2024.

In a CSP conducted by Meralco on January 5, 2024, EERI emerged among the lowest bidders and is therefore set to supply 1,200 MW out of the 1,800 MW power requirement of Meralco[24] [25]. The contracts are for a term of 15 years[26] and has full fuel pass-through scheme. The previous Power Supply Agreement for the supply of 1,200 MW contract capacity for 20 years effective November 26, 2024, awarded in favor of EERI was terminated on April 1, 2023.

San Miguel Global Power has executed a terminal use agreement ("**TUA**") for the use of the Batangas LNG terminal for its LNG power plants in Batangas and is also exploring possible improvements to, or the retrofitting of, the Ilijan Power Plant.

In line with its decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, San Miguel Global Power, through its wholly owned subsidiary, SMC Global Light and Power Corp. ("**SGLPC**"), is developing a portfolio of solar power projects with an initial aggregate capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February and August 2022, SGLPC obtained a Certificate of Registration from the DOE as a RE developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (221MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source ("**Bataan Solar Project**"). The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Currently, the Bataan Solar Project is in the pre-development stage. The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

Meanwhile, San Miguel Global Power will no longer pursue some of its intended additional coal facilities, including the power plant to be constructed in Pagbilao, Quezon, with an installed capacity of 600 MW by its wholly owned subsidiary, Central Luzon Premiere Power Corp. ("**CLPPC**").

BESS projects (1,000 MWh by 2024)

San Miguel Global Power, through its subsidiaries, SMGP BESS, MPCL and SMGP Kabankalan, is undertaking the expansion of its portfolio of BESS projects by 1,000 MWh. Of these 1,000 MWh BESS projects, 630 MWh across 18 sites attained substantial completion as of date, including the 30 MWh Kabankalan (Phase 1 and 2) and 20 MWh Masinloc (Phase 2). A total of 30 MWh across two (2) sites are expected to be substantially completed in 2024.

The 1,000 MWh BESS projects were inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

[24] https://www.bworldonline.com/corporate/2024/01/08/567234/3-gencos-to-supply-meralcos-1800-mw-power-requirement/
[25] https://powerphilippines.com/meralco-names-lowest-bids-for-1800-mw-supply-requirements/
[26] https://company.meralco.com.ph/csp/ongoingbids

Strengths and Strategies

Strengths

Industry leader with a strong growth platform

San Miguel Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 5,057 MW of combined capacity as of March 31, 2024. San Miguel Global Power controls the capacities of among the largest baseload plants in the Philippines, including the Sual Power Plant (the largest coal-fired power plant in the Philippines in terms of installed capacity) and the Ilijan Power Plant (the largest natural gas power plant in the Philippines in terms of installed capacity). The subsidiaries of San Miguel Global Power, namely SPI and SRHI, are the IPPAs for the Sual and San Roque Power Plants, respectively, which have a combined contracted capacity attributable to San Miguel Global Power of 1,345 MW. San Miguel Global Power also owns a 60% stake in AHC, the owner and operator of the 218 MW AHEPP, and wholly owns LPI, MPI, and MPCL, the owners of the Limay Greenfield Power Plant, the Davao Greenfield Power Plant and the Masinloc Power Plant and Masinloc BESS, respectively. Based on the total installed generating capacities reported in the ERC Resolution on Grid Market Share Limitation, San Miguel Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 25% of the Luzon Grid, 4% of the Visayas and 8% of the Mindanao Grid, in each case, as of March 31, 2024. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of National Grid, Luzon Grid, Visayas Grid, or Mindanao Grid (25,567,270 kW, 17,961,724 kW, 3,417,708 kW and 4,187,838 kW, respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation).

The IPPA business model provides San Miguel Global Power, through the IPPA subsidiaries, with the benefit of having the right to sell electricity generated by the IPPs without having to incur large upfront capital expenditures for power plant construction, or to bear any related development risk or ongoing preventive maintenance capital expenditures. The IPPA subsidiaries of San Miguel Global Power manage the amount of power to be produced by the IPP for supply to the customers of the IPPA and sell the power generated by the IPPs either pursuant to bilateral offtake agreements directly with customers or through the WESM. This business model provides San Miguel Global Power the ability to manage both market and price risk by entering directly into bilateral contracts with established customers while capturing potential upside through the sale of excess capacity through the WESM when spot market prices are attractive.

San Miguel Global Power's experience in acting as IPPA and its history of power plant ownership and operation has enabled it to gain significant expertise in the Philippine power generation industry. With this experience, San Miguel Global Power embarked on its own greenfield power projects and pursued strategic acquisitions. It believes that it is in a strong position to participate in the expected future growth of the Philippine power market, through both the development of greenfield power projects and the acquisition of existing power generation capacity, including NPC-owned power generation plants that are scheduled for privatization as asset sales or under the IPPA framework, cost competitive baseload plants and renewable energy power plants.

To capitalize on changes in the Philippine regulatory structure, San Miguel Global Power, through certain subsidiaries, holds RES licenses from the ERC, allowing the entry into offtake agreements with contestable customers. San Miguel Global Power, through SPI and its subsidiaries, also maintains coal concession assets which, depending on prevailing global coal prices and the related logistical costs, may be tapped to serve as a back-up fuel source for its greenfield coal-fired power plants.

San Miguel Global Power is expected to expand its market leadership with its ongoing and future expansion that is anchored on cost competitive baseload plants. In addition, SMGP is actively pursuing battery energy storage technology investments and initiatives in the Philippines that will help regulate the transmission grid over the Philippine archipelago, which is inherently prone to voltage and frequency instability.

Well-positioned to capture future demand growth

Demand for electricity in the Philippines is expected to continue to grow. According to the Philippine Energy Plan 2020-2040 published by the DOE, to meet the projected electricity demand including reserve requirements by 2040, the power system capacity addition that the Philippines will need is 69,420 MW, under the reference scenario and an additional 92,320 MW under the clean energy scenario with the expected entry of more renewable energy power projects, which is broken down as follows: 2,641 MW for coal, 20,810 MW for natural gas, 381 MW for oil-based and 45,588 MW for renewable technology under the reference scenario and 2,641 MW for coal, 15,430 MW for natural gas, 381 MW for oil-based and 73,868 MW for renewable technology under the clean energy scenario. Moreover, based on San Miguel Global Power's estimates, despite the continuing build-up of installed capacity, net reliable capacity remains insufficient to meet peak demand. This considers the entry of variable capacities, composed primarily of intermittent renewable energies such as solar and wind, as well as the introduction of flexible technologies, such as BESS, which compensate for the intermittency of the variable capacities.

For the period 2018 to 2023, there is approximately 6,000 MW of private sector-initiated power projects that are either committed or indicative, according to the DOE. On average, construction of new power plants takes a minimum of three (3) years. In addition, the depletion of the supply of natural gas from Malampaya, supplying 25% to 30% of net reliable capacity, resulted in a reduction of energy generated by natural gas power plants beginning 2022. Given the gap between projected electricity demand and committed power projects, SMGP expects that there will be a power supply shortage in the medium term until new capacity is built to meet the growing consumption.

SMGP believes it is well-positioned to take advantage of opportunities from continued growth in the Philippine electricity market, as well as from the expected power supply shortage. The latter is exacerbated by an existing base of aging power plants, which are over 20 years old, (currently representing 60% of net reliable capacity) and are thus prone to unscheduled shutdowns as well as a large base of seasonal power supply, such as hydropower plants in Mindanao. To meet this need, SMGP has a defined roadmap to increase capacity by developing greenfield power plants and pursuing opportunities to invest in renewable energy projects, particularly in hydroelectric power and solar power projects and complementary technologies such as BESS.

SMGP's expansion projects include the construction and installation of the 1,000 MWh BESS facilities with a leading global battery EPC contractor. SMGP, through MPGC, is currently constructing a 600 MW coal-fired power plant and associated facilities using HELE Technologies in Mariveles, Bataan. Unit 1 and Unit 2 are undergoing testing and commissioning and the overall project completion as of February 2024 is 98%. San Miguel Global Power is also constructing the 1,320 MW Batangas Combined Cycle Power Plant and further expansion of the Masinloc Power Plant (Unit 4 and Unit 5) of 700 MW. SMGP also intends to develop a portfolio of solar power projects to significantly reduce its carbon footprint.

SMGP believes that the increase in demand for electricity will also lead to growth in the ancillary reserve requirements of the country, which creates significant opportunities for BESS projects. SMGP believes that it is well-positioned to capture growth in the reserve market through the expertise it has gained from operating the Masinloc BESS, the first of its kind in the Philippines. The Masinloc BESS provides more efficient ancillary services compared to other technologies, particularly for frequency regulating reserves, because of its instantaneous response time and ability to charge and discharge power. SMGP plans to utilize advanced lithium-ion battery technologies such as nickel-cobalt-manganese (NCM) based lithium-ion batteries which generally have longer useful lives (estimated at 8,200 cycles), high voltage capabilities, large storage capacity, and improved roundtrip efficiencies.

Finally, as a leading power company in the Philippines with a large customer base, SMGP believes that it is in a strong position to leverage its relationships with its existing customers to service their expected increase in electricity demand.

Stable and predictable cash flows

San Miguel Global Power, through its subsidiaries, sells power through offtake agreements directly to customers, including Meralco and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. A substantial portion of the combined installed capacity of SMGP is covered by bilateral contracts that cover the term of the IPPA Agreements, where applicable. Revenue from bilateral contracts with offtakers contributed 92%, 90% and 86% of total revenue for the years ended December 31, 2021, 2022, and 2023, respectively. For the year ended December 31, 2023, approximately 41% and 44% of San Miguel Global Power's consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers and ancillary services, respectively. Based on the publicly available disclosures of Meralco, the largest distribution utility in the Philippines, San Miguel Global Power is one of Meralco's largest power suppliers as of December 31, 2023, supplying approximately 18% of Meralco's power purchases. In addition, and based on data obtained from the ERC as of July 2023, SMGP believes that it is a major player in the RES markets where it operates.

In a CSP conducted by Meralco on January 5 and January 23, 2024, EERI, MPGC and SPPC emerged among the lowest bidders and are therefore set to supply 2,700 MW out of the 3,000 MW power requirement of Meralco with 1,200 MW, 300 MW and 1,200 MW in offered capacity, respectively[27] [28] [29]. The contracts are for a term of 15 years[30] and has full fuel pass-through scheme.

In another CSP conducted by Meralco on February 26, 2024, Limay Power Inc. emerged as the winning bidder for Meralco's 400 MW power requirement[31]. The contract is for a term of one year[32] and has full fuel pass-through scheme.

Meralco is expected to continue to bid out additional greenfield requirements in the next few years. San Miguel Global Power believes this is an opportunity to contract its ongoing and planned expansion projects with Meralco and plans to participate in the future bidding of the greenfield requirements.

The offtake agreements provide San Miguel Global Power, through its subsidiaries, with stable and predictable cash flow by enabling it to manage both market and price risks. Despite the general volatility in market prices for electric power due to supply and demand imbalances, San Miguel Global Power has been able to manage such risks through the contracted sale prices with offtakers, which also provide a long-term stable source of demand. The majority of the tariffs under the agreements take into account adjustments for fuel, foreign exchange, and inflation, thereby allowing San Miguel Global Power to pass through these costs to its offtakers. In addition, San Miguel Global Power's diversified portfolio of baseload and peaking power plants helps mitigate market risks through long-term, intercompany, replacement power contracts.

Flexible and diversified power portfolio

San Miguel Global Power has a portfolio that includes some of the newest and largest power plants in the Philippines. The baseload and peaking plants with diversified fuel sources of San Miguel Global Power allow it to manage costs and offer more competitive baseload power rates. In addition, SMGP also has capacity from its BESS facilities, which can provide more efficient ancillary services, and has synergistic effects with renewable technologies, among other applications. In particular, BESS technologies can strengthen the stability of a grid, while improving power quality.

As of December 31, 2023, the major power assets of SMGP consist of (i) the IPPA Power Plants and the Ilijan Power Plant administered by San Miguel Global Power, through its subsidiaries, as the IPPA (comprising the Sual Power Plant with SPI as IPPA representing 21% of San Miguel Global Power's capacity and the San Roque Power Plant with SRHI as IPPA representing 7% of San Miguel Global Power's capacity), (ii) the Ilijan Power

[27] https://www.bworldonline.com/corporate/2024/01/08/567234/3-gencos-to-supply-meralcos-1800-mw-power-requirement/
[28] https://powerphilippines.com/meralco-names-lowest-bids-for-1800-mw-supply-requirements/
[29] https://mb.com.ph/2024/1/23/smc-unit-submits-best-bid-for-meralco-s-power-supply
[30] https://company.meralco.com.ph/csp/ongoingbids
[31] https://www.philstar.com/business/2024/02/28/2336572/meralco-secures-400-mw-supply-requirement-smcs-limay-power
[32] https://company.meralco.com.ph/csp/ongoingbids

Plant with SPPC representing 25% of San Miguel Global Power's capacity), (iii) the AHEPP, through AHC, which represents 5% of the capacity of SMGP, (iv) the power plants owned by SMGP, particularly the Limay Greenfield Power Plant of LPI, which represents 13% of the capacity of SMGP, the Davao Greenfield Power Plant of MPI, which represents 6% of the capacity of SMGP, and the Masinloc Power Plant (with the Masinloc BESS), which represents another 22% of the capacity of San Miguel Global Power, and (v) IASCO, through PVGC, which represents 1% of the capacity of SMGP.

Power generated by the Sual Power Plant, Ilijan Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant, is primarily used as baseload supply and sold to customers pursuant to bilateral offtake agreements. Power generated by the San Roque Power Plant and the AHEPP is used as peaking supply, and sold through the WESM or as replacement power to affiliates. The entire capacity of the 10 MWh Masinloc BESS is contracted to the NGCP and provides regulating reserve ancillary services to the Luzon Grid under an ASPA.

As of December 31, 2023, San Miguel Global Power's coal-fired plants accounted for approximately 62% of its capacity. In addition to the baseload coal-fired plants, SMGP intends to increase its LNG capacities and BESS capacities, which together contribute to increasing the diversity of its generation portfolio. This is guided by the existing energy policy of the Government to provide relatively inexpensive and reliable power to residential and commercial customers without the need for subsidies or escalating tariffs. Feed-in-tariffs for renewable energy projects have been phased out by the Government, which makes it more challenging to embark on large-scale renewable energy projects. SMGP continues to closely monitor relevant fuel options, including renewables. The planned expansion of its BESS portfolio and gas-fired generation capacity reflects SMGP's objective to reduce its overall carbon emissions and support the Government's climate policies and objectives, including the Philippines' commitments under the Paris Agreement.

SMGP believes that the size and diversity of the fuel supply of its power portfolio reduces the exposure of San Miguel Global Power and its customers to fuel-type specific risks, such as variations in fuel costs, and regulatory concerns that are linked to any one (1) type of power plant or commodity price. SMGP believes that its management of the capacity of this diverse portfolio of power plants allows it to respond efficiently to market requirements at each point of the electricity demand cycle. This diversity helps it to improve the profitability of its portfolio by flexibly dispatching electricity in response to market demand and fuel cost competitiveness. SMGP and its subsidiaries can enter into bilateral contracts and trade in the WESM for the balance of its contracted capacities and energy. By managing the IPPA Power Plants as a single portfolio and actively managing the energy output of the plants, SMGP seeks to offer more competitive electricity rates compared to other power companies with smaller and less diverse portfolios.

Established relationships with world class partners

The IPPA Power Plants are owned, operated and maintained by world-class partners, including Marubeni Corporation, Tokyo Electric Power Corporation, Korea Electric Power Corporation and Mitsubishi Corporation. Since entering the power business, San Miguel Global Power has established relationships with internationally recognized fuel suppliers in Indonesia and Australia, as well as with its customers, including Meralco, its largest customer. SMGP also has strong working relationships with world-class EPC providers, such as Formosa Heavy Industries for its greenfield power plants, and battery EPC providers such as Fluence Energy, Inc. ("**Fluence**," a joint venture between Siemens and AES) for the Masinloc BESS and Kabankalan BESS and ABB, Inc. ("**ABB**") and Wartsila Finland Oy ("**Wartsila**") for BESS projects in the pipeline. San Miguel Global Power has also entered into and is forging new and strategic relationships with AG&P, for the Batangas LNG Terminal through the TUA, and other LNG players, particularly for LNG Supply and for EPC of the Batangas Combined Cycle Power Plant. AG&P acted as EPC contractor or technical partner for various LNG Terminal projects across the world such as the Bali Hybrid Terminal, Karaikal Gas Terminal, Osaka Gas and has completed and delivered modular regasification units for multiple projects around the world (including in Singapore, South Korea, Turkey and Africa, among others).

San Miguel Global Power believes that these well-established relationships provide a strong foundation for its existing business and a platform of potential partners for future expansion.

Experienced and highly competent management team

The senior management of San Miguel Global Power has extensive experience in the Philippine power industry and has a deep understanding of the Philippine electricity markets with respect to the operational, financial, regulatory, and business development aspects of the operation and management of power plants. The senior management team of San Miguel Global Power has strong professional relationships with key industry participants, such as the DOE, PSALM, NPC, the National Transmission Corporation ("**TransCo**"), NGCP, PEMC and ERC, as well as other government offices and agencies. The employees of SMGP include experienced energy traders who pioneered WESM trading and marketing executives who have established strong relationships with the extensive customer base of NPC. The members of the Executive Committee of SMGP have an average of more than 25 years of experience in executive management and related government experience in the power industry, including strengths in key areas of engineering and finance. The executive and senior management have displayed a strong track record of growth and delivery since San Miguel Global Power commenced operations in November 2009.

Strong commitment to stringent environmental policies and pollution controls

San Miguel Global Power closely supervises, controls and processes improvements in the power plants it owns and operates to ensure that regulated emissions are within and below applicable environmental compliance standards. For example, SMGP uses CFB technology in its Limay Greenfield Power Plant, Davao Greenfield Power Plant and Mariveles Greenfield Power Plant. CFB technology is a technology employed to transform coal into a fuel source that is relatively low in pollutant emissions. These low emissions are made possible by processes that are not used in non-CFB coal-fired power plants, such as burning coal at low temperature and pressure, chemically washing minerals and impurities from the coal, gasification, treating the flue gases with steam to remove sulfur dioxide, carbon capture and storage technologies to capture the carbon dioxide from the flue gas and dewatering lower rank coals (brown coals) to improve the calorific value, thereby improving the efficiency of the conversion into electricity. In addition, CFB plants have other elements that reduce emissions, such as fine coal grinders, limestone injections, and electrostatic precipitators to capture dust particles that escape the boiler.

SMGP is committed to further reduce its emissions. Masinloc Power Plant Units 3,4 and 5 uses supercritical boiler technology which, relative to an ordinary PC boiler (subcritical), has a significantly better combustion process resulting to improved heat rate of coal, which means less coal is required to produce a megawatt of electricity. The technology also allows the use of lower calorific value ("**CV**") and lower sulfur coal, which is a key factor to lower SOx emissions.

In 2018, San Miguel Global Power won the following Asian Power Awards: Environmental Upgrade of the Year (Limay Greenfield Power Plant), Power Utility of the Year - Philippines (Davao Greenfield Power Plant) and Innovative Power Technology of the Year Philippines (Masinloc Power Plant). The Asian Power Awards recognize ground-breaking projects and trailblazing initiatives in the power sector in Asia. In 2019, the Davao Greenfield Power Plant was once again awarded by Asian Power Awards as the Power Utility of the Year - Philippines and Environmental Upgrade of the Year - Philippines for its carbon sink and bioindicator project. In the same year, the Masinloc Power Plant also garnered two (2) awards, namely the Power Plant Upgrade of the Year – Philippines for its Ship Unloader Upgrade, and the Information Technology Project of the Year – Philippines for its SAP S4 and ARIBA Migration and Implementation project. In 2023, the Limay Greenfield Power Plant won the Water Conservation Initiative of the Year for the Philippines during the Asian Water Awards. The Limay Greenfield Power Plant was recognized for its program that started in 2018 and has since allowed it save 3.7 million cubic meters of water, translating to an accumulated savings of P122 million pesos. Moreover, San Miguel Global Power has dedicated teams who monitor environmental compliance with international standards. For example, the Sual Power Plant has an Environmental and Management System Certificate (ISO 14001), Occupational Standard on Health Safety Certificate (OHSAS 18001) and Quality Management System Certificate (ISO 9001). The same ISO certifications were received by the Davao Greenfield Power Plant and Limay Greenfield Power Plant in 2017 and 2018, respectively, while the Masinloc Power Plant and Masinloc BESS received an Environmental and Management System Certificate (ISO 14001) and Occupational Standard on Health Safety Certificate (OHSAS 18001) in 2014, and the Asset Management System (ISO 55001) in 2018. The Davao Greenfield Power Plant was the first power plant in the Philippines to

receive an Energy Management System Certificate (ISO 50001) in December 2018. The Davao Greenfield Power Plant also received its certification for Asset Management System (ISO 55001) in October 2019 and certification for Business Continuity Management System in January 2021. In 2018, the Occupational Standard on Health Safety Certificate (OHSAS 18001) was replaced by the Occupational Health and Safety Management System (ISO 45001). The Masinloc Power Plant and Masinloc BESS received their certifications for Occupational Health and Safety Management System in October 2019, while the Davao Greenfield Power Plant, Limay Greenfield Power Plant and Sual Power Plant received their certifications in April 2020, February 2021 and March 2021, respectively.

Strategies

San Miguel Global Power's portfolio of power plants continues to be aligned with the requirements of a growing Philippine economy, which is to have a balanced portfolio of reliable and affordable baseload capacity. With the lack of sufficient and stable power being a significant barrier to regional growth aligning with SMC's goal to reach net zero by 2050, SMGP's strategy starts with increased investments in transition technologies and reconfiguring its coal facilities to accommodate alternative fuels

SMGP's main strategies aim to provide access to stable, reliable energy, while also taking on the challenge of decarbonization include:

Optimize the installed capacity of its power portfolio and strategically contract capacity to enhance margins

San Miguel Global Power (a) proactively manages its sales in order to achieve a balanced mix of power sales through (i) contractual arrangements with electricity customers including distribution utilities, industrial and commercial customers, and the contestable market and (ii) engaging in power trading through the WESM, and (b) optimizes the operations of its power plant portfolio through maximizing plant utilization, improving individual account and plant margins and minimizing the impact of supply interruptions. This approach provides San Miguel Global Power with the certainty and predictability of sales from its contracted capacity while being able to realize trading opportunities from the WESM to enhance its margins. The objective of San Miguel Global Power is to supply power based on the least cost, and to sell available excess power through the WESM at favorable prices.

Specifically, in case of high prices in the WESM, San Miguel Global Power can optimize its portfolio and take advantage of such pricing and sell the excess output of its power plants to the WESM after delivering the contractual amounts required under its offtake agreements. Alternatively, in case of low prices in the WESM, San Miguel Global Power can minimize the generation output of its power plants and deliver the contractual amounts required under its offtake agreements either with output from the San Roque Power Plant or with energy purchased from the WESM. In the event of tripping or shutdown of any of its power plants, San Miguel Global Power can maximize the dispatch of its remaining units by lowering the bid prices so that the bilateral contract quantity requirements will be served without buying at high prices from the WESM.

SMGP plans to utilize capacity from its planned BESS for ancillary services to the grid, particularly frequency regulating reserves, through long-term ASPAs, which have terms of up to 10 years. SMGP may also contract, as applicable, for other applications such as renewables integration, power quality improvement and arbitrage.

San Miguel Global Power also leverages on the diversity of its portfolio to create operational synergies and improve its supply offers to offtakers. Having a portfolio of baseload and peaking power plants utilizing different fuel sources allows San Miguel Global Power to actively respond to the needs of its offtakers and the market, particularly with regard to replacement power and pricing competitiveness.

Well-positioned as a leading baseload power generator utilizing clean power technologies

SMGP's greenfield projects in the pipeline include the planned Batangas Combined Cycle Power Plant as well as clean coal-fired plants utilizing CFB and supercritical coal (e.g., Mariveles Greenfield Power Plant and Units 3, 4 and 5 of Masinloc Power Plant) technologies. These technologies generally have lower emissions

compared to the applicable benchmarks, as well as higher thermal efficiency levels, particularly for natural gas and supercritical coal plants. Capacities from these greenfield plants are well-suited to providing baseload generation to the Philippines, have high availability factors, and are generally strong contenders for securing downstream PSAs, which require HELE technologies.

San Miguel Global Power believes that its existing and planned natural gas power plant capacities serve as an anchor to its further diversification into clean power technologies and provide a strong foothold for the growth of natural gas power in the Philippines. When the planned 1,320 MW Batangas Combined Cycle Power Plant is completed, SMGP is expected to have in operation 2,520 MW of natural gas power plants requiring the equivalent of about 2.2 million tons of LNG per annum or approximately three (3) to four (4) full load LNG carriers per month, which LNG can be sourced from the global market.

To be a leading player in the ancillary reserve market and renewable energy initiatives through strategic establishment of battery energy storage systems across the Philippines

San Miguel Global Power believes that it has a strong competitive advantage on BESS as ancillary services provider and plans to leverage on its experience operating the Masinloc BESS, the first of its kind in the Philippines, and become a leading BESS player in the Philippines by expanding its portfolio of BESS projects to about 1,000 MWh.

Integral to this expansion plan is the strategic locations of BESS facilities across Luzon, Visayas and Mindanao. San Miguel Global Power has identified key locations where there are power quality problems or renewable energy projects and plans to install facilities in close proximity to the substations of the grid. In particular, San Miguel Global Power has identified the area next to Kabankalan substation, as an ideal location for the BESS project.

SMGP believes that given the increasing entry of renewable energy sources, which by their nature are susceptible to inconsistent and sometimes unreliable output, coupled with the sustained growth of electricity demand over the medium to long term, the market for reserve power and ancillary services will grow significantly. For example, the Masinloc BESS currently provides intra-hour instantaneous frequency regulating reserves to the grid, which helps maintain the grid frequency, or the balance between supply and demand in the electricity networks. Compared to other technologies, BESS provides frequency regulation reserves by charging and discharging from and to the grid, effectively doubling its ability to regulate grid frequencies.

BESS can complement renewable technologies, such as solar and wind, by compensating for sudden drops in generation of these plants due to natural phenomena, or by storing energy from these renewable sources for use during those periods where energy demand from the grid is highest. As such, BESS can support and complement the entry of renewable energy projects. San Miguel Global Power also envisions maximizing the sites of future BESS projects by evaluating the possibility of establishing renewable technologies such as solar and wind (based on the availability of the resource for the area) alongside the planned BESS facilities. Such integrated renewable energy sources and BESS facilities are expected to provide clean, reliable, and resilient sources of energy and reserves to the grid.

Continue to grow its power portfolio through the development of greenfield power projects, acquisition of power generation capacity in line with regulatory and infrastructure developments and development of RE projects

San Miguel Global Power intends to utilize its strong platform, extensive relationships and experienced management team to address the growing demand for power in the Philippines. SMGP plans to continue its strategic development of greenfield power projects in parallel with its plan to acquire existing power generation capacity. SMGP balances the need for reliable and cost-efficient operations with environmental performance, and views clean coal technologies and LNG power plants as viable and sustainable options for its greenfield power projects.

SMGP also actively seeks to identify and pursue renewable energy investments such as hydroelectric power and solar power projects, subject to the outcome of viability and feasibility analysis. This is in-line with the San Miguel Global Power's objective to operate in an environmentally-responsible manner, while taking into consideration energy security and affordability to its consumers.

San Miguel Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon Grid and Visayas Grid, as well as the eventual interconnectivity of the Mindanao Grid. In addition, San Miguel Global Power seeks to maintain the cost competitiveness of these new projects by strategically locating them in high demand areas and in areas with the closest proximity to the grid. San Miguel Global Power is considering the further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand.

San Miguel Global Power plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. San Miguel Global Power is confident from its experience in building the Limay and Davao Greenfield Power Plants that it will be able to build new cost competitive plants.

Vertically integrate complementary businesses in order to diversify its energy portfolio.

San Miguel Global Power continues to expand into businesses along the power sector value chain that complement its current power generation business. SMGP has obtained RES licenses, through certain subsidiaries, to expand its customer base and diversify its sales. With the open access and retail competition fully implemented, the RES licenses allow San Miguel Global Power to enter into retail electricity supply agreements with contestable customers. In addition, SMGP has invested in distribution assets, namely OEDC and APEC, which create a competitive advantage through integrated generation and distribution operations.

Furthermore, depending on the prevailing global coal prices and the related logistical costs, SMGP could initiate coal exploration, development and production rights over approximately 17,000 hectares of land in Mindanao held through SPI and its subsidiaries. SMGP could develop these assets, which could potentially provide a significant additional source of coal fuel for its planned and existing greenfield power plants. SMGP believes that the successful integration of viable coal mining operations into its power generation business could provide it with an additional competitive advantage over its competitors in the local power industry.

Continue to pursue and develop measures to reduce emissions and operate power plants within and below applicable environmental compliance standards

San Miguel Global Power continuously supervises, controls and improves processes in the power plants it owns and operates to ensure that regulated emissions from operations are within and below applicable environmental compliance standards. With the addition of its BESS capacities, development of renewable energy projects and planned LNG generation capacities, SMGP anticipates improvements in its emissions performance, including carbon emissions intensity, on a portfolio basis. Moreover, SMGP has dedicated technical teams to monitor environmental compliance with international standards.

With its current mix of greenfield power projects, SMGP anticipates to significantly reduce the proportion of power generated from traditional pulverized coal technologies in its portfolio by 2025 as it transitions towards high growth, low emission, viable frontier technologies, such as its 1,000 MWh BESS projects, planned solar power projects and LNG initiatives. San Miguel Global Power expects this to result in the proportion of power generated from pulverized coal technologies to decrease from 36% to 18% by 2025.

Leverage operational synergies with SMC group of companies

San Miguel Global Power creates operational synergies within and among its subsidiaries by performing key management functions at the holding company level under management agreements. Key management functions include sales and marketing, energy trading, finance, legal, human resources, and billing and settlement. This allows all the subsidiaries to benefit from the wealth of experience of the management team

of SMGP while optimizing initiatives at a portfolio level. SMGP also intends to establish customer relationships with the other subsidiaries and affiliates of San Miguel Corporation for the sale and supply of power.

POWER GENERATION FACILITIES

Sual Power Plant

The Sual Power Plant is a 2 x 647 MW coal-fired thermal power plant located in Sual, Pangasinan, on the Lingayen Gulf, that commenced commercial operations in October 1999. It is the largest coal-fired thermal power plant in the Philippines in terms of installed capacity. The Sual Power Plant was built by CEPA Pangasinan Electric Limited pursuant to an Energy Conversion Agreement ("**Sual ECA**") with NPC under a 25-year Build-Operate-Transfer ("**BOT**") scheme that expires on October 24, 2024.

On September 1, 2009, SPI, was declared the winning bidder and received the notice of award for the IPPA for the Sual Power Plant. On November 6, 2009, SPI assumed the administration of the capacity of the Sual Power Plant in accordance with the provisions of the IPPA agreement with PSALM ("**Sual IPPA Agreement**").

Sual IPPA

San Miguel Global Power, through its wholly-owned subsidiary, SPI, has the contractual right to manage, control, trade, sell or otherwise deal in up to 1,000 MW of the generation capacity of the Sual Power Plant pursuant to the Sual IPPA Agreement.

Under the Sual IPPA Agreement, SPI also has the option to acquire the Sual Power Plant in October 2024 without any additional payment by SPI. SPI may exercise the option to acquire the Sual Power Plant prior to October 2024 under certain circumstances, such as changes in applicable law or non-performance by TeaM Sual of its obligations under the Sual ECA as operator of the Sual Power Plant. In this case, the transfer price will be the net present value of the sum of the agreed monthly payments remaining unpaid at the date of termination of the Sual IPPA Agreement.

Power Offtakers

The capacity of the Sual Power Plant is contracted to (i) Meralco (RES) and (ii) various electric cooperatives, distribution utilities, directly connected customers and third-party RES under existing Power Supply Contracts ("**PSCs**").

Fuel Supply

SPI has existing coal supply agreements with Vitol Asia Pte. Ltd. ("**Vitol**"), PT Trubaindo Coal Mining ("**Banpu**"), PT Bayan Resources Pte. Ltd. ("**Bayan**") and Asian Trade Commodities Pte. Ltd. ("**ATC**") until December 31, 2024. Pricing under the coal supply agreements is linked to the Global Coal NewCastle index, subject to adjustment based on agreed formula applicable to the quality of the coal delivered.

Operations and Maintenance

The Sual Power Plant is operated by TeaM Sual Corporation ("**TeaM Sual**"), the successor-in-interest of CEPA Pangasinan Electric Limited. Under the Sual ECA, TeaM Sual is responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Sual Power Plant. TeaM Sual is required to use its best endeavors to ensure that the Sual Power Plant is in good operating condition and capable of converting fuel supplied by SPI under the Sual IPPA Agreement, into electricity in a safe and reliable manner.

Power Transmission

Power from the Sual Power Plant is transmitted through a 25 km 230 KV transmission line from the Sual Power Plant switchyard to the Kadampat Substation located at Labrador, Pangasinan. The transmission line is owned by the TransCo and operated and maintained by its concessionaire, NGCP.

Ilijan Power Plant

The Ilijan Power Plant commenced commercial operations on June 5, 2002, and is located on a 60-acre site at Arenas Point, Barangay Ilijan, Batangas City. The Ilijan Power Plant was constructed and owned by KEPCO Ilijan Corporation ("**KEILCO**") pursuant to a 20-year ECA with NPC ("**Ilijan ECA**") under a BOT scheme that expired on June 4, 2022. The Ilijan Power Plant consists of two (2) blocks with a rated capacity of 600 MW each.

NPC/PSALM supplied natural gas to the Ilijan Power Plant from the Malampaya gas field in Palawan ("**Malampaya**") under a gas supply agreement with Shell Exploration Philippines BV ("**Malampaya GSPA**") which expired on June 4, 2022. The Ilijan Power Plant can also run on diesel oil stored on-site.

On April 16, 2010, SMC successfully bid for the appointment to be the IPP Administrator for the Ilijan Power Plant and received a notice of award on May 5, 2010. On June 10, 2010, SMC and SPPC, entered into an assignment agreement with assumption of obligations whereby SMC assigned all of its rights and obligations with respect to the Ilijan Power Plant to SPPC. SPPC assumed administration of the Ilijan Power Plant on June 26, 2010, in accordance with an IPPA agreement with PSALM ("**Ilijan IPPA Agreement**").

The Ilijan IPPA Agreement and the Ilijan ECA expired on June 4, 2022, after which ownership and operations of the Ilijan Power Plant was transferred by PSALM to SPPC pursuant to the Deed of Sale dated June 3, 2022, executed by the parties.

Ilijan IPPA

San Miguel Global Power, through its wholly-owned subsidiary, SPPC, had the contractual right to manage, control, trade, sell or otherwise deal in the generation capacity of the Ilijan Power Plant pursuant to the Ilijan IPPA Agreement. Although the installed capacity of the Ilijan Power Plant totals 1,271 MW, ERC records attribute to SPPC a capacity of 1,200 MW for the Ilijan Power Plant. Accordingly, for purposes of this Offer Supplement, the contracted capacity of the Ilijan Power Plant is referred to as 1,200 MW.

During the term of the Ilijan ECA and the Ilijan IPPA Agreement, NPC/PSALM was required to deliver and supply to KEILCO the fuel necessary to operate the Ilijan Power Plant. If natural gas is unavailable, San Miguel Global Power, through SPPC, may require KEILCO to run the Ilijan Power Plant using diesel fuel. During the term of the Ilijan IPPA Agreement, NPC/PSALM remained responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant.

Power Offtakers

The entire capacity of the Ilijan Power Plant is contracted to Meralco. In a CSP conducted by Meralco on January 23, 2024, SPPC emerged as the lowest bidder and is therefore set to supply the entire 1,200 MW power requirement of Meralco[33]. The contract is for a term of 15 years[34] and has full fuel pass-through scheme.

In the years ended December 31, 2021, 2022, and 2023, and 89%, 96%, and 93% respectively, of the volume of power sold from the Ilijan Power Plant were derived from sales made under offtake agreements. In the years ended December 31, 2021, 2022 and 2023, 11%, 4% and 7% of the volume of power sold from the Ilijan Power Plant, respectively, were derived from sales made through the WESM.

[33] https://mb.com.ph/2024/1/23/smc-unit-submits-best-bid-for-meralco-s-power-supply
[34] https://company.meralco.com.ph/csp/ongoingbids

Fuel Supply

During the term of the Ilijan IPPA Agreement, NPC was responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant. Pursuant to a fuel supply and management agreement among Shell Philippines Exploration B.V., Occidental Philippines, Inc., and NPC, NPC supplied natural gas to the Ilijan Power Plant through a 480-km undersea pipeline from the Camago-Malampaya field in Palawan to the Shell Refinery in Tabangao. From there, the natural gas was transported through a 16-inch diameter onshore pipeline running 15 km to the Ilijan Power Plant. The Malampaya GSPA expired simultaneously with the Ilijan IPPA Agreement on June 4, 2022.

SPPC executed fuel supply agreements for imported LNG from international suppliers and contracted Linseed Field Corporation ("**LFC**"), the developer of an integrated LNG import terminal at Barangay Ilijan, Batangas City, adjacent to the Ilijan Plant, and designed to utilize onshore regasification and storage facilities supplemented with a floating storage unit ("**Batangas LNG Terminal**"), for the receipt, regasification and storage of its imported LNG through the Batangas LNG Terminal.

Operations and Maintenance

KEILCO was responsible for the operations and maintenance of the Ilijan Power Plant for 20 years from June 2002. Under the Ilijan ECA, KEILCO was required to operate the Ilijan Power Plant pursuant to certain operating criteria and guidelines, governing the output of 1,200 MW guaranteed contracted capacity, baseload operation, and spinning reserve capability. Under the Ilijan ECA, KEILCO was responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Ilijan Power Plant. Upon turnover, Luzon Power Dynamics Services Inc. (formerly known as Mantech Power Dynamics Services Inc. and hereinafter referred to as "**LPDSI**"), a wholly-owned subsidiary of San Miguel Global Power, became responsible for the operation and maintenance of the Ilijan Power Plant.

Power Transmission

Power from the Ilijan Power Plant is transmitted through a 500 KV transmission line that connects to the Luzon Grid through the Ilijan-Dasmarinas line and Ilijan-Tayabas line. The transmission line is owned by TransCo, and operated and maintained by NGCP.

San Roque Power Plant

The 345 MW San Roque Power Plant in San Manuel, Pangasinan, commenced operations on May 1, 2003, and is a peaking plant that was constructed by a consortium composed of Marubeni Corporation, Sithe Philippines Holdings, Ltd., and Italian-Thai Development Public Company Limited (the "**Consortium**") pursuant to a power purchase agreement ("**PPA**") with NPC under a BOT scheme ("**San Roque PPA**").

On December 15, 2009, SRHI, a wholly-owned subsidiary of San Miguel Global Power, successfully bid for the appointment to be the IPPA for the San Roque Power Plant and received a notice of award on December 28, 2009. SRHI assumed administration of the San Roque Power Plant on January 26, 2010 in accordance with the IPPA Agreement with PSALM ("**San Roque IPPA Agreement**"). PSALM remains responsible under the San Roque PPA to remunerate the IPP of the San Roque Power Plant for the electricity it produces.

San Roque IPPA

Under the San Roque IPPA Agreement, SRHI has the right to manage, control, trade, sell or otherwise deal in the electrical generation capacity of the San Roque Power Plant, while NPC, which owns and operates the dam and related facilities thereof, obtained and maintains water rights necessary for the testing and operation of the power plant. SRHI is required to assist PSALM so that the San Roque Power Plant can draw water from the Agno River required by the power plant and necessary for it to generate the electricity required to be produced under the San Roque PPA of NPC with San Roque Power Corporation ("**SRPC**").

Under the San Roque IPPA Agreement, SRHI has the right to acquire the San Roque Power Plant in May 2028, which is the end of the cooperation period between NPC and SRPC under the San Roque PPA, or on some earlier date due to certain events such as changes in applicable law or non-performance by SRPC of its obligations under the San Roque PPA.

The San Roque Power Plant is a peaking plant. Under the terms of the San Roque PPA, power and energy are delivered to SRHI at the delivery point (the high voltage side of the step-up transformers) located at the perimeter fence of the San Roque Power Plant site. SRHI is responsible for contracting with NGCP to wheel power from the delivery point.

Water Rights

The generated output energy of the San Roque Power Plant is limited by the "Irrigation Diversion Requirements" set by the NIA of the Philippines.

Generally, the output energy of San Roque Power Plant is high during planting seasons which cover the months of December through April (dry planting season) and July through September (wet planting season). The water releases from the dam, and thus, energy generation, during the dry planting season is much higher due to the absence of rain. The water rights of NPC are used by the San Roque Power Plant, and NPC, until the date of transfer of the San Roque Power Plant to NPC (or SRHI, as the case may be), must obtain such renewals or extensions as may be required to maintain the water rights in full force and effect at all times. NPC derives its water rights from a permit granted by the NWRB.

Operations and Maintenance

SRPC, the successor-in-interest of the Consortium, is responsible for the operations and maintenance of the San Roque Power Plant for 25 years effective May 1, 2003. SRPC is owned by Marubeni Corporation and Kansai Electric Power Company Ltd. Under the San Roque PPA, SRPC is responsible for the management, operation, maintenance and repair of the San Roque Power Plant at its own cost until transfer to NPC or SRHI, as the case may be. The San Roque Power Plant utilizes the Agno River for peaking power, irrigation, flood control and water quality improvement for the surrounding region and comprises three (3) power generation units of 115 MW each.

Power Transmission

Power from the San Roque Power Plant is transmitted through a nine (9) km 230 KV transmission line from the San Roque Power Plant switchyard to the San Manuel substation located in Pangasinan. The transmission line is owned by TransCo, and operated and maintained by NGCP.

Angat Hydroelectric Power Plant

The AHEPP is an operating hydroelectric power plant located at the Angat reservoir in San Lorenzo, Norzagaray, Bulacan, approximately 58 km northeast of Metro Manila. The AHEPP was privatized through an asset purchase agreement between PSALM and Korea Water Resource Corporation ("**K-water**"). K-water assigned its rights in favor of AHC, a joint venture between K-water and PVEI.

The project has a total electricity generating capacity of 218 MW, comprised of four (4) main units of 50 MW capacity each and three (3) auxiliary units of 6 MW capacity each. Main units 1 and 2, together with auxiliary units 1 and 2, were commissioned in 1967. Main units 3 and 4 were commissioned in 1968 and auxiliary unit 3 was commissioned in 1978. Auxiliary unit 3 was manufactured by Allis-Chalmer and Ebara and all the other units were manufactured by Toshiba Corporation of Japan. All units are run by Francis-type turbines, which are the most commonly used model in hydroelectric power generation. In August 2018, AHC completed the rehabilitation and turnover of the Angat Dam and Dykes in accordance with the Operations and Maintenance Agreement with PSALM and NPC.

In September 2021, AHC entered into a Rehabilitate-Operate-Maintain Agreement ("**ROM**") for auxiliary units 4 and 5 with combined capacity of 28 MW, owned by the MWSS and located at the AHEPP. Under the agreement, AHC will rehabilitate auxiliary units 4 and 5 and thereafter operate and maintain the same for 23 years under a profit-sharing arrangement with MWSS.

Fuel Supply and Water Rights

The AHEPP utilizes water resources of the Angat reservoir. The Angat reservoir is 35-km long and three (3)-km wide at its widest points and has surface of 2,300 hectares and viable storage volume of 850 million cubic meters. The water discharged by the project is used for the following two (2) purposes: (i) water discharged through auxiliary units and through the spillway that flows to the Ipo reservoir is used to supply 97% of the residential drinking water of Metro Manila; and (ii) water discharged through Main Units that flows downstream to the Bustos reservoir is utilized for irrigation purposes.

Water rights surrounding the AHEPP are co-owned and governed by the following entities, with its respective purposes, pursuant to the Water Code of the Philippines, Angat Reservoir Operation Rules issued and regulated by NWRB as implemented by a Memorandum of Agreement on the Angat Water Protocol between MWSS, NIA, AHC, PSALM, NPC and NWRB: (i) MWSS, for domestic water supply to Metro Manila; (ii) provincial government of Bulacan, for water supply in the Bulacan Province; (iii) NIA, for irrigation diversion requirements; and (iv) AHC (through a lease contract with KWPP Holdings Corporation ("**KWPP**"), for power generation.

Power Offtakers

AHC sells majority of its generated capacity to the WESM at the prevalent spot price. The main units are operated as peaking units. The strategy for the main units is to allocate daily water release during peak hours. The auxiliary units are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discrete optionality to choose the hour of allocation.

Operations and Maintenance

AHC undertakes the operation and maintenance of AHEPP. The operations and maintenance team consists of the local technical team who have been operating the AHEPP, supported by technical experts seconded from K-water.

Limay Greenfield Power Plant

The Limay Greenfield Power Plant owned by SMGP through its subsidiary, LPI, is a 4 x 150 MW CFB coal-fired power plant located in Limay, Bataan. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant achieved commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively.

The EPC contractors of the Limay Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation. In June 2017, LPI acquired Units 3 and 4 of the Limay Greenfield Power Plant from another wholly-owned subsidiary, Lumiere Energy Technologies Inc. (formerly Limay Premiere Power Corp.)

Power Offtakers

The Limay Greenfield Power Plant is fully contracted to various directly connected customers, electric cooperatives, distribution utilities and contestable customers, including facilities of SMC subsidiaries, under long-term offtake agreements mostly expiring in ten (10) years from its effective date, subject to extension upon mutual agreement between the parties. In a CSP conducted by Meralco on February 26, 2024, Limay Power Inc. emerged as the winning bidder for the latter's 400 MW power requirement[35]. The contract is for

[35] https://www.philstar.com/business/2024/02/28/2336572/meralco-secures-400-mw-supply-requirement-smcs-limay-power

a term of one (1) year[36] and has full fuel pass-through scheme. For the year ended December 31, 2023, 93% of revenues were from bilateral contracts while the remaining 7% was attributable to revenue from WESM. LPI was granted a RES license which is valid until September 29, 2028. The RES license enables LPI to directly contract with contestable customers.

Fuel Supply

LPI has executed long-term coal supply agreements with Bayan with terms expiring January 31, 2029 and January 31, 2032. Pricing under the coal supply agreements is subject to adjustment based on certain formula applicable to the quality or grade of the coal delivered by the supplier. LPI has also executed a spot coal supply contract with Semirara Mining and Power Corporation.

Operations and Maintenance

LPDSI is responsible for the operation and maintenance of the plant.

Power Transmission

Power from the Limay Greenfield Power Plant is transmitted through a 230 KV transmission line that connects to the Luzon Grid through the Lamao, Limay Bataan Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

Davao Greenfield Power Plant

The Davao Greenfield Power Plant owned by San Miguel Global Power through its subsidiary, MPI, is a 2 x 150 MW CFB coal-fired power plant located in Malita, Davao Occidental. Units 1 and 2 of the Davao Greenfield Power Plant achieved commercial operations in July 2017 and February 2018, respectively.

The EPC contractors of the Davao Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation.

Power Offtakers

Units 1 and 2 of the Davao Greenfield Power Plant are substantially contracted to various electric cooperatives and directly connected customers under long-term offtake agreements mostly expiring in ten (10) years from effective date, subject to extension upon mutual agreement between the parties. For the year ended December 31, 2023, 79% of revenues were from bilateral contracts while the remaining 21% was attributable to revenue from WESM.

Fuel Supply

MPI executed two (2) long-term coal supply agreements with Bayan, effective until January 31, 2029, and January 31, 2032. Pricing under the coal supply agreements is subject to adjustment based on a certain formula applicable to the quality or grade of the coal delivered by the supplier. MPI has also executed a spot coal supply contract with PT Arutmin Indonesia.

Operations and Maintenance

VisMin Power Dynamics Services Inc. (formerly known as Safetech Power Services Corp. and hereinafter referred to as "**VPDSI**"), a wholly-owned subsidiary of San Miguel Global Power, is responsible for the operation and maintenance of the Davao Greenfield power plant.

[36] https://company.meralco.com.ph/csp/ongoingbids

Power Transmission

Power from the Davao Greenfield Power Plant is transmitted through a 230 KV transmission line that connects to the Mindanao grid through the Culaman, Malita Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

Masinloc Power Plant and Masinloc BESS

The Masinloc Power Plant comprises 1 x 344 MW (Unit 1), 1 x 344 MW (Unit 2) and 1 x 335 MW (Unit 3) coal-fired power plant located in Masinloc, Zambales, and is owned and operated by MPCL. Units 1 and 2 of the Masinloc Power Plant commenced commercial operations in June 1998 and December 1998, respectively, and were originally developed and owned by NPC. Unit 3, which is a brownfield/expansion project within the Masinloc Power Plant, commenced commercial operations on September 26, 2020. MPCL also owns the 10 MWh Masinloc BESS.

The Masinloc Power Plant and Masinloc BESS were acquired by San Miguel Global Power on March 20, 2018, pursuant to its acquisition of 51% and 49% equity interests in SMCGP Masin from AES Phil and Gen Plus B.V., respectively.

Power Offtakers

Units 1, 2, and 3 of the Masinloc Power Plant are substantially contracted through medium to long-term bilateral contracts with Meralco, distribution utilities and contestable customers. For the year ended December 31, 2023, 93% of revenues were from bilateral contracts while the remaining 7% was attributable to revenue from WESM. The RES license of MPCL is valid until September 29, 2028. The Masinloc BESS provides regulating reserve ancillary services to the Luzon Grid under an ASPA with NGCP, with a take-or-pay scheme for capacity payments for both charging and discharging capacity, subject to dispatch protocols and guidelines.

Fuel Supply

MPCL continues to maintain multiple supply agreements, both short and long-term, with various reputable mining companies and traders that can deliver the qualities required by the Masinloc Power Plant with different boiler designs and required coal specifications. MPCL has two (2) units with sub-critical boiler technology and one (1) unit with supercritical boiler technology that require different qualities of coal for optimal operations. MPCL's contracts with Semirara Mining and Power Corporation, KPC, PT Bayan and Vitol covered majority of the coal requirements of the Masinloc Power Plant. All contracts had standard adjustments based on a certain formula applicable to the quality or grade of the coal delivered.

Operations and Maintenance

LPDSI is responsible for the operation and maintenance of the Masinloc Power Plant and the Masinloc BESS effective June 1, 2019.

Power Transmission

Power from the Masinloc Power Plant is transmitted through a 230 KV transmission line that connects to the Luzon Grid through the Bolo Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

Battery Energy Storage System (BESS)

San Miguel Global Power, through its subsidiaries, SMGP BESS, MPCL and SMGP Kabankalan, is undertaking the expansion of its portfolio of BESS projects by 1,000 MWh. Of these 1,000 MWh BESS projects, 580 MWh across 16 sites attained substantial completion as of date, including the 30 MWh Kabankalan (Phase 1 and 2)

and 20 MWh Masinloc (Phase 2). A total of 30 MWh across two (2) sites are expected to be substantially completed in 2024.

The 1,000 MWh BESS projects were inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

Retail Services

Retail Electric Supply

San Miguel Global Power is pursuing downstream vertical integration by capitalizing on changes in the Philippine regulatory structure to expand its sales of power to a broader range of customers, including retail customers. The two (2) RES licenses issued to San Miguel Global Power, through LPI and MPCL, which allow these entities to enter into RSCs with contestable customers and expand its customer base, have a term of five (5) years each and are valid until September 29, 2028. The RES licenses allow the relevant subsidiary of San Miguel Global Power to enter into RSCs with contestable customers and expand its customer base. As of July 2023, LPI and MPCL supply an equivalent of 466 MW to various facilities of SMC subsidiaries and other contestable customers. Based on data obtained from the ERC, San Miguel Global Power believes that it is a major player in the RES markets where it operates, supplying over 90 contestable customers as of July 2023. San Miguel Global Power currently holds a market share of 11% of the contestable customer market, with Aboitiz, Meralco, Ayala and the EDC group holding 32%, 29%, 9% and 5%, respectively, based on the Competitive Retail Electricity Market Report from the ERC as of July 2023.

Sales Strategy and Customers

San Miguel Global Power seeks to sell substantially all of the power generated by its portfolio of power plants to offtakers, whether in the form of distribution utilities, electric cooperatives or contestable customers. For the year ended December 31, 2023, approximately 41% and 44% of consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers and ancillary services, respectively. Based on publicly available disclosures of Meralco, San Miguel Global Power believes that it is one of Meralco's largest power suppliers as of December 31, 2023, supplying approximately 18% of Meralco's power purchases. Meralco is the largest distribution utility in the Philippines.

If the generation output available from subsidiaries of San Miguel Global Power plants exceeds the amount deliverable under their offtake agreements, such subsidiaries of SMGP offer the excess power for sale through the WESM at the market clearing price. For the year ended December 31, 2023, sales volume through bilateral offtake agreements compared to sales through the WESM for the Sual Power Plant, San Roque Power Plant, Limay Greenfield Power Plant, and Masinloc Power Plant were 87% to 13%, 82% to 18%, 92% to 8%, and 92% to 8%, respectively.

The power generation capacity of the San Roque Power Plant and the AHEPP at any given time depends on the water levels in the reservoir and downstream irrigation requirements. As such, these plants sell majority of their generated capacity to the WESM at the prevailing spot prices. The San Roque Power Plant and the main units of the AHEPP are operated as peaking units. Available water is used to generate power during peak hours when prices are higher. The auxiliary units of AHEPP are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discretion to choose the hour of allocation. AHC is exploring options to contract the capacity of its auxiliary units.

San Miguel Global Power plans to contract a substantial portion of the capacity of BESS projects to provide ancillary services to the grid. It can also take advantage of arbitrage opportunities in the WESM, particularly during peak hours when prices may be more than double. BESS projects may also be contracted with other entities such as electric cooperatives or power plants.

In the years ended December 31, 2021, 2022, and 2023 approximately 91%, 91%, and 86% respectively, of consolidated volume of power sold by San Miguel Global Power were to customers pursuant to bilateral offtake agreements. Sales to Meralco accounted for approximately 48%, 46%, and 41% of the total consolidated sales volume of San Miguel Global Power for the years ended December 31, 2021, 2022, and 2023, respectively. Sales through the WESM accounted for approximately 9%, 9%, and 14% of San Miguel Global Power's total consolidated sales volume for the years ended December 31, 2021, 2022, and 2023, respectively.

Competition

Based on the total installed generating capacities in the ERC Resolution on Grid Market Share Limitation, San Miguel Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 25% of the Luzon Grid, 4% of the Visayas Grid and 8% of the Mindanao Grid, in each case, as of March 31, 2024. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of National Grid, Luzon Grid, Visayas Grid, or Mindanao Grid (25,567,270 kW, 17,961,724 kW, 3,417,708 kW and 4,187,838 kW, respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation). Its main competitors are the Aboitiz Group, which holds interests in Aboitiz Power Corporation ("**AboitizPower**") and Hedcor, Inc., among others, ACEN Corporation ("**ACEN**") and First Gen Corporation ("**FGEN**").

With the government committed to privatizing the majority of NPC-owned power generation facilities and the establishment of WESM, the generation facilities of San Miguel Global Power will face competition from other power generation plants that supply the grid during the privatization phase. San Miguel Global Power will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. The performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects within the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

San Miguel Global Power is one of the largest power companies in the Philippines in terms of baseload and net reliable generation and in terms of ownership of the underlying assets. As a matter of corporate strategy, SMGP contracts its available capacity to qualified offtakers primarily to distribution utilities such as Meralco and has contracted over 90% of its installed capacity. SMGP is currently one of the biggest suppliers for the energy requirement of Meralco and also one of the biggest suppliers in the overall utility sector.

Customers

San Miguel Global Power, through its subsidiaries, sells power, through PSAs, either directly to customers (distribution utilities, electric cooperatives, industrial customers and retail electricity suppliers) or through the WESM.

	For the years ended December 31,					
	2021		2022		2023	
Customers	**Volume Sold (in GWh)**	**Revenue (in millions ₱)**	**Volume Sold (in GWh)**	**Revenue (in millions ₱)**	**Volume Sold (in GWh)**	**Revenue (in millions ₱)**
Meralco	12,967	53,313	12,713	82,050	10,456	70,420
WESM	2,513	11,221	2,345	21,656	3,640	24,054
Total Major Customers	15,480	64,534	15,058	103,706	14,096	94,474
Others[(1)]	11,741	69,176	12,344	117,683	11,147	75,116
Total Sales	27,221	133,710	27,402	221,389	25,243	169,590

Note:

(1) Includes non-Meralco distribution utilities, electric cooperatives, retail electricity suppliers, directly connected customers, contestable customers, sales to distribution customers, sales to related parties and to NGCP for ancillary services.

Safety, Health and Environmental Regulation

Power operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations include the Philippine Clean Air Act of 1999 ("**Clean Air Act**"), the Philippine Clean Water Act of 2004 ("**Clean Water Act**"), Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, the Department of Labor and Employment Occupational Safety and Health Standard of 1989, as amended, and Republic Act No. 11058 (otherwise known as "**An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Therefor**"). Such legislation addresses, among other things, air emissions, wastewater discharges as well as the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste. It also regulates workplace conditions within power plants and employee exposure to hazardous substances. The Occupational Safety and Health Standard, meanwhile, was formulated to safeguard the workers' social and economic well-being, as well as their physical safety and health.

For its BESS sites, San Miguel Global Power is committed to ensuring the safety of its employees and the community and has designed measures such as a fire protection system, with a fire wall, automatic fire shutters, and sprinkler system, and a double wall system composed of the blast wall and fire wall, to add additional layers of safety. The fire wall (Boral) has a 60/60/60 fire resistance level meaning it is able to maintain structural adequacy, integrity, and insulation for at least 60 minutes during fire testing. Its thermal regulation features include louver-type windows and doors and dedicated high-voltage air conditioning units. The prismatic cell design of the BESS with can-type battery enclosures provides additional safety features such as its fuse countermeasure and overcharge safety device while also promoting stability, space-efficiency and flexibility. The BESS also has a disaster resilient design, and is able to withstand 7-9 magnitude earthquakes (Seismic Zone 4) and super typhoons (i.e., wind speeds up to 270 kph).

San Miguel Global Power complies for its company-owned generation plants, and it believes that the IPPs for each of the IPPA Power Plants managed by San Miguel Global Power comply, in all material respects with all applicable safety, health and environmental laws and regulations.

Moreover, San Miguel Global Power has dedicated teams who monitor environmental compliance with international standards. For example, the Sual Power Plant has an Environmental and Management System Certificate (ISO 14001), Occupational Standard on Health Safety Certificate (OHSAS 18001) and Quality Management System Certificate (ISO 9001). The same ISO certifications were received by the Davao Greenfield Power Plant and Limay Greenfield Power Plant in 2017 and 2018, respectively, while the Masinloc Power Plant and Masinloc BESS received an Environmental and Management System Certificate (ISO 14001) and Occupational Standard on Health Safety Certificate (OHSAS 18001) in 2014, and the Asset Management

System (ISO 55001) in 2018. The Davao Greenfield Power Plant was the first power plant in the Philippines to receive an Energy Management System Certificate (ISO 50001) in December 2018. The Davao Greenfield Power Plant also received its certification for Asset Management System (ISO 55001) in October 2019 and certification for Business Continuity Management System in January 2021. In 2018, the Occupational Standard on Health Safety Certificate (OHSAS 18001) was replaced by the Occupational Health and Safety Management System (ISO 45001). The Masinloc Power Plant and Masinloc BESS received their certifications for Occupational Health and Safety Management System in October 2019, while the Davao Greenfield Power Plant, Limay Greenfield Power Plant and Sual Power Plant received their certifications in April 2020, February 2021 and March 2021, respectively.

For each of its Greenfield power plants, SMGP will comply with all applicable safety, health and environmental laws and regulations, including securing the necessary environmental compliance certificate (ECC) in accordance with Philippine law.

SMGP's coal-fired power plants have maintained levels of emission lower than the standards set by the Department of Environment and Natural Resources ("**DENR**"). The following table sets forth the level of nitrogen oxide ("**NOx**"), sulfur dioxide ("**SO2**") and particulate matter ("**PM**") emissions of the power plants owned and operated by SMGP, as well as the applicable emission control standards, for the year ended December 31, 2023:

Power Plant	**NOx**		**SOx**		**PM**	
	Emission level	**DENR Standard**	**Emission level**	**DENR Standard**	**Emission level**	**DENR Standard**
	(in ppm)		**(in ppm)**		**(in Mg/Nm3)**	
Sual Power Plant*	156.3	732.0	274.1	524.0	16.6	200.0
Masinloc Power Plant	191.7	732.0	334.8	524.0	164.2	200.0
Limay Greenfield Power Plant	62.8	487.0	57.6	245.0	3.5	150.0
Davao Greenfield Power Plant	62.8	487.0	58.5	245.0	6.9	150.0

** Operated under IPPA Agreement*

In addition, coal mining in the Philippines is subject to environmental, health and safety laws, forestry laws and other legal requirements. These laws govern the discharge of substances into the air and water, the management and disposal of hazardous substances and wastes, site clean-up, groundwater quality and availability, plant and wildlife protection, reclamation and rehabilitation of mining properties after mining is completed and the restriction of open-pit mining activities in conserved forest areas.

Notwithstanding the foregoing, the discharge of chemicals, other hazardous substances and pollutants into the air, soil or water by the power plants owned or managed by San Miguel Global Power may give rise to liabilities to the Government and to local Government units where such facilities are located, or to third parties. In addition, SMGP may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that SMGP make additional capital expenditures or incur additional operating expenses in order to maintain the operations of its generating facilities at their current level, curtail power generation or take other actions that could have a material adverse effect on the financial condition, results of operations, and cash flow of San Miguel Global Power.

INFRASTRUCTURE BUSINESS

The Infrastructure business, conducted through SMHC, consists of investments in companies that hold long-term concessions in the Infrastructure sector in the Philippines. Currently operating toll roads include the SLEX Skyway Stages 1, 2 and 3, STAR, TPLEX, NAIAx. Ongoing projects include Skyway Stage 4, the extension of SLEX-TR4, SLEX Toll Road 5, Pasig River Expressway, NALEX, SALEX, CBEX, NBEX, PLEX, MALEX, and the MRT-7. SMHC also operates and is currently expanding the Boracay Airport and has investments in MNHPI and LCWDC for the Bulacan Bulk Water Supply Project. As of December 31, 2023, SMC's ownership interest in SMHC was 100.00%.

SMC has made investments in the Infrastructure industry in the Philippines, through its wholly-owned subsidiary, SMHC, consisting of concessions for toll roads, airports, a seaport, bulk water supply and a mass rail transit system.

Certain details of these investments are set forth in the table below:

% SMC Effective Ownership Interest		**Expected Project Cost**	**Concession Length**	**Start of Concession Period**
		(in millions)		
Concession				
TPLEX	72.55%[1]	₱29,969	35 years	2008
Boracay Airport	99.92%[2]	₱15,312	25 years	2012
MRT-7	100.00%[3]	$1,540[3]	25 years	From issuance of Certificate of Substantial Completion
SLEX Toll Road (TR) 1, 2, & 3	76.00%[4]	Completed	30 years	2006
SLEX TR4	76.00%[4]	₱27,491[4]	30 years	2006
Skyway Stages 1 & 2	83.45%[5]	Completed	30 years	2011
Skyway Stage 3	85.50%[6]	₱70,348	30 years	From issuance of Toll Operation Certificate
Skyway Stage 4	80.01%[7]	₱56,531	30 years	From issuance of Toll Operation Certificate for each Phase
NAIAx	100.00%	Completed	30 years	2015
Star Tollway	100.00%[8]	Completed	35 years	2000
Manila North Harbor	50.00%[9]	₱11,881	25 years	2009
Bulacan Bulk Water Supply Stage 1 & 2	90.00%[10]	Completed	30 years	2016
MIA	100.00%[11]	₱343,576	50 years	From issuance of Certificate of Substantial Completion for the First Implementation Phase
SLEX TR5	90.00%[12]	₱28,154	30 years	From issuance of Toll Operation Certificate for each Segment
PAREX	90.00%[13]	₱81,528	30 years	From issuance of Toll Operation Certificate
NALEX	90.00%[14]	₱148,344	30 years	From issuance of Toll Operation Certificate
SALEX	90.00%[15]	₱152,394	30 years	From issuance of Toll Operation Certificate
CBEX	100.00%[16]	₱27,014	35 years	From issuance of Toll Operation Certificate or Toll Operation Permit for any Section
NBEX	100.00%[17]	₱52,835	35 years	From issuance of Toll Operation Permit

PLEX	100.00%[18]	₱34,342	35 years	From issuance of Toll Operation Certificate
MALEX	100.00%[19]	₱36,767	50 years	

Notes:

[1] Ownership through SMC TPLEX Corporation (formerly Private Infra Dev Corp.), through STHCI through SMHC equity interest
[2] Ownership through TADHC, through SMHC equity interest
[3] Ownership through SMC Mass Rail Transit 7 through SMHC equity interest. Project cost at $1.54 billion
[4] Ownership through SMHC equity interest: 95% SMHC to AAIBV, 100% AAIBV to SMC SLEX Holdings Company, Inc. and 80% SMC SLEX Holdings Company, Inc. to SLEX. All major capex has been completed prior to equity acquisition except for TR4.
[5] Ownership through SMHC equity interest: 95% SMHC to AAIBV, 100% AAIBV to SMC Tollways Corporation and 87.84% SMC Tollways Corporation to Skyway. All major capex has been completed prior to equity acquisition
[6] Ownership through SMHC equity interest: 95% SMHC to AAIBV, 100% AAIBV to S3CTHC and 90% S3CTHC to MMSS3
[7] Ownership through SMHC equity interest: 100% SMHC to SMCI, 80.01% SMCI to MMSS4
[8] Ownership through SMHC equity interest: 100% SMHC to Wiselink, 60% Wiselink to CTCII, 100% CTCII to SIDC and 40% SMHC to CTCII and 100% CTCII to SIDC
[9] Ownership through SMHC common equity interest: 50.00% SMHC to MNHPI
[10] Ownership through SMHC common equity interest: 90% SMHC to LCWDC
[11] Ownership through SMHC equity interest: 100% SMHC to SMAI
[12] Ownership through SMHC equity interest: 90% SMHC through South Luzon Toll Road-5 Expressway Inc. to SLEX TR5
[13] Ownership through SMHC equity interest: 100% SMHC to PAREX
[14] Ownership through SMHC equity interest: 100% SMHC to NALEX
[15] Ownership through SMHC equity interest: 100% SMHC to SALEX
[16] Ownership through SMHC equity interest: 100% SMHC to CBEX
[17] Ownership through SMHC equity interest: 100% SMHC to NBEX
[18] Ownership through SMHC equity interest: 100% SMHC to PLEX
[19] Ownership through SMHC equity interest: 100% SMHC to MALEX

For each of the years ended December 31, 2021, 2022, and 2023, the Infrastructure business had revenues of ₱19,690 million, ₱29,008 million and ₱34,006 million; gross profit of ₱10,019 million, ₱17,684 million and ₱21,663 million and net income/(loss) before tax of ₱2,998 million, ₱ 11,538 million and ₱14,163 million, respectively.

The following table sets forth selected data in respect of SMC Infrastructure's interests as of December 31, 2023:

	For the years ended December 31,		
	2021	**2022**	**2023**
	(in millions, except for percentages)		
	₱	₱	₱
Sales	19,690	29,008	34,006
Gross profit	10,019	17,684	21,663
Gross profit margin[1]	50.9%	61.0%	63.7%
EBITDA[2]	13,804	23,843	27,579
EBITDA margin[3]	70.1%	82.2%	81.1%
Net income before tax	2,998	11,538	14,163
Net income before tax margin[4]	15.2%	39.8%	41.6%

Notes:

(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.
(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.
(3) EBITDA margin is calculated by EBITDA divided by sales.
(4) Net income before tax margin is calculated by net income before income tax divided by sales.

Strengths and Strategies

Strengths

Project portfolio vital to the growth of the Philippine economy

SMHC has ownership interests in various companies that hold concession rights in Infrastructure projects, which are vital to the development and growth of the Philippine economy. These include operating tollways, such as the SLEX TR 1, 2 & 3, Skyway Stages 1,2 & 3, STAR tollway, TPLEX and NAIAx, serving as the main thoroughfares for motorists. For example, according to the Philippine Statistics Authority data, in 2023, the gross regional domestic product of the Southern Luzon Region is at ₱3.59 billion which accounts for 16.4% of the total gross domestic product of the country. The SLEX is a key gateway through which business and commerce are transported and conducted throughout this region. The Skyway Stage 3 has been opened to motorists and received Notice to Collect Toll from the Toll Regulatory Board ("**TRB**") last July 12, 2021. SMHC is also spearheading the development of the following projects: Boracay Airport, Manila North Harbor, Skyway Stage 4, SLEX TR4, MRT-7, and the MIA which are projected to further support the growth in the areas they will serve.

Highly experienced technical team

The Infrastructure business is composed of a highly experienced and qualified technical team, with extensive knowledge in the Philippine Infrastructure industry. In addition, the technical team has gained further expertise in the regulatory, business development and financial aspect of the Infrastructure business during construction and operations of various Infrastructure projects. Strong professional relationships have also been developed with key industry participants, such as DOTr, Department of Public Works and Highways of the Philippines ("**DPWH**"), Civil Aviation Authority of the Philippines ("**CAAP**"), Philippine National Construction Company ("**PNCC**") and Toll Regulatory Board ("**TRB**") as well as reputable construction contractors.

Strong principal shareholder

With SMC being one of the largest and most diversified conglomerates in the Philippines, the Infrastructure business believes that it can increase its leverage and bargaining ability that is vital for the implementation and completion of its projects. SMC has continuously provided the necessary financial support to the capital-intensive Infrastructure business.

Under the stewardship of SMC, the Infrastructure business has become one of the major players in the industry in a relatively short period of time. SMHC believes it will continue to benefit from the extensive business networks of SMC, its in-depth understanding of the Philippine economy, and the expertise of its senior managers to identify and capitalize on growth opportunities.

Strategies

Focusing on the improvement of Infrastructure in the Philippines

SMHC believes there are significant opportunities in building and participating in Infrastructure projects in the country that has historically under-invested in Infrastructure. These Infrastructure projects are expected to support and contribute to the continued growth of the Philippine economy. Thus, SMHC believes its long-term concessions and obtaining new long-term concessions from Government's Infrastructure projects in the pipeline will provide strong and stable cash flows.

Potential to extract synergies across businesses

SMC's push for Infrastructure development supports other businesses of SMC. These capital-intensive Infrastructure projects propel businesses like cement, oil, and energy especially during the construction stage.

Completed or operating Infrastructure projects on the other hand create an ecosystem for other businesses to operate more efficiently and enhance its strong distribution network.

Areas and projects being developed by the Infrastructure business present opportunities for the other businesses of SMC. For example, the TPLEX, Boracay Airport, MRT-7, other road projects and the MIA are expected to complement and present opportunities for fuel and oil, energy, and other businesses of SMC, as well as further expand the distribution network for food and beverages business of SMC.

Synergies with the other businesses of SMC will also contribute to the growth of SMHC as partnerships with these companies can create additional income for SMHC through the use of service facilities and advertising space rentals.

Toll Road Concessions

Presidential Decree No. 1112 was signed authorizing the establishment of toll facilities on public improvements, creating a board for the regulation thereof and for other purposes. It is the same decree that states that the resources of the private sector can be tapped to provide certain Infrastructure services to the general public and in return would have the right to collect toll fees in order to get a reasonable rate of return. The TRB (under the DOTr) was established to be the governing authority of all tolled Infrastructure facilities in the Philippines. It is also empowered to enter into contracts, determine public improvements that can be operated as tolls, monitor operations and maintenance of tolled facilities, and approve tariff or toll rates for public Infrastructure projects.

Currently, there are nine (9) operational toll road facilities in the country recognized by the TRB, which are the TPLEX, Skyway Stages 1, 2 and 3, NAIAx, SLEX TR1, 2 and 3, STAR, SCTEX, NLEX, CAVITEX, and MCX. Out of these nine (9) operating toll facilities in the country, five (5) are owned and controlled by SMHC namely Skyway Stages 1, 2 and 3, SLEX, STAR tollways, TPLEX, and NAIAx. Projects such as SLEX TR4 is currently under construction while Skyway Stage 4, PAREX, NALEX, SALEX, MALEX, CBEX, NBEX, PLEX and SLEX TR5 are in design and planning stage. SMHC has rights to approximately 1,099.35 kilometers of total road length serving Metro Manila and other fast growing regions of Luzon.

TOLL ROAD PROJECT	**Length (in km)**	**Status**
Tarlac Pangasinan La Union Expressway (TPLEX)	89.21	Section 1, 2, 3A & 3B Operational
Skyway (Stage 1 and 2) with Extension	33.64	Operational
South Luzon Expressway (SLEX TR1-TR3)	36.13	Operational
Southern Tagalog Arterial Road (STAR)	41.90	Operational
NAIAx with Tramo Extension	6.30	Operational
Skyway Stage 3 (NLEX-SLEX Link SMC)	17.93	Operational
Skyway Stage 4/SEMME/ C6 Expressway (Phase 1&2)	56.74	For Implementation upon delivery of ROW
SLEX TR4	66.74	For Implementation upon delivery of ROW
SLEX TR5	416.81	Approved by the Office of the President
Pasig River Expressway (PAREX)	19.37	Approved by the Office of the President
Northern Access Link Expressway (NALEX)	136.00	Approved by the Office of the President
Southern Access Link Expressway (SALEX)	40.65	Approved by the Office of the President
Cavite-Batangas Expressway (CBEX)	27.06	Signed Toll Concession Agreement
Nasugbu-Bauan Expressway (NBEX)	60.90	Signed Toll Concession Agreement
Pangasinan Link Expressway (PLEX)	42.76	Ongoing Detailed Engineering Design
Marilao Access link Expressway (MALEX)	7.21	Ongoing Detailed Engineering Design
TOTAL SMC	**1,099.35**	**75.33%**
Others (Non-SMC)		
Subic Clark Tarlac Expressway (SCTEX)	94.00	Operational
North Luzon Expressway (NLEX)	106.40	Operational
CAVITEX	22.40	Operational
Cavite Laguna Expressway (CALAX)	46.08	Awarded by DPWH – Partially Operational
Muntinlupa Cavite Expressway (MCX)	4.00	Operational
NLEX-SLEX Connector Road	8.00	Partially Operational
Cebu-Cordova Link Expressway (CCLEX)	8.50	Operational

Harbor Link Segment 10	8.18	Operational
Camarines Sur Expressway	15.21	Ongoing Construction
C5 South Link Expressway	7.70	Partially Operational
Subic Freeport Expressway (SFEX)	8.80	Operational
Central Luzon Link Expressway (CLLEX) Phase 1	30.70	Operational
TOTAL OTHERS (Non-SMC)	359.97	24.67%
GRAND TOTAL	**1,459.32**	**100.00%**

Tarlac-Pangasinan-La Union Expressway ("TPLEX")

In August 2009, SMC made its first Infrastructure investment by acquiring a 35% (currently 72.55%) stake in SMCTC. SMCTC holds the 35-year BTO concession for TPLEX. The TPLEX is an 89.21 km toll expressway that connects the northern part of Luzon to Manila. The TPLEX is expected to be integrated with other major expressways (including the NLEX and SCTEX) for seamless toll system management and for the convenience of motorists.

Project cost for the development of TPLEX is estimated at ₱29,969 million, which is funded by a combination of debt, equity and Philippine government subsidy.

Construction commenced in October 2010. Section 1 (from Tarlac to Carmen) was completed in April 2014. Section 2 (from Carmen to Urdaneta) was completed December 2014. Binalonan exit in Section 2 opened in July 2016. Section 3A until Pozzorubio was completed in December 2018. Construction from Talogtog to Pozzorubio and the Bued Viaduct is already completed. The last segment from Pozzorubio to Rosario was opened last July 15, 2020. For the years ended December 31, 2021, 2022, and 2023 the AADT of TPLEX was around 17,484, 26, 510, and 29,744 vehicles, respectively.

South Luzon Expressway (SLEX)

SMC SLEX is the concessionaire of the SLEX which currently spans 36.13 km from Alabang, Muntinlupa to Sto. Tomas, Batangas. SLEX is composed of four (4) toll road segments, namely TR1, TR2, TR3, and TR4 which are intended to operate as an integrated expressway. Currently operational are TR1, TR2, and TR3. These were classified into four (4) segments to clearly define the scope of work (including rehabilitation and/or construction works) for each.

TR1 involved the rehabilitation and upgrade of the Alabang viaduct which included the widening of the at-grade portion of the roads, retrofitting of the existing structure, and the replacement and expansion of the elevated portion from six (6) to eight (8) lanes. TR2 involved the widening of the SLEX segment between Filinvest exit and Sta. Rosa, Laguna from four (4) to eight (8) lanes and segment between Sta. Rosa, Laguna to Calamba, Laguna from four (4) to six (6) lanes. TR3 involved the construction of a four (4)-lane roadway from Calamba, Laguna to Sto. Tomas, Batangas. The construction of this section connected Metro Manila, SLEX, and STAR. For the years ended December 31, 2021, 2022, and 2023, the AADT of SLEX was around 335,901, 376,268, and 351,722 vehicles, respectively.

The Detailed Engineering Designs of Sections A to E of TR4 from Sto. Tomas, Batangas to Lucena City, Quezon, which were submitted last December 2014, were approved by the TRB in the first quarter of 2019. The SLEX TR4 groundbreaking ceremony was held last March 26, 2019. Updated parcellary plans for Section A (Sto. Tomas Batangas to Makban Laguna) were submitted to the TRB last August 30, 2019. Construction is ongoing within the Escudero Properties in Tiaong, Quezon. Ongoing coordination with the DPWH to expedite acquisition of ROW. TR4, a 66.74-km four (4)-lane road, is expected to start operation by 2025. This will shorten the travel time to about an hour from the current four (4) hours. It is divided into six (6) sections: Sto. Tomas to Makban in Laguna; Makban to San Pablo City; San Pablo to Tiaong, Quezon; Tiaong to Candelaria, Quezon; Candelaria to Tayabas, Quezon; and Tayabas to Lucena City. It will include seven (7) interchanges in Sto. Tomas, Makban, San Pablo City, Tiaong, Candelaria, Sariaya and Lucena City. The whole project is estimated to cost around ₱27,491 million.

South Luzon Expressway Toll Road 5 ("SLEX TR5")

SLEX TR5, also known as the Quezon-Bicol Expressway, is a 416.81 km two (2)-lane each direction, toll road project which starts from SLEX TR4 in Brgy. Mayao, Lucena City, Quezon, and ends at Matnog, Sorsogon, near the Matnog Ferry Terminal. This four (4)-lane expressway project will be made up of eight (8) segments: Lucena to Gumaca, Quezon (59.60 kms), Gumaca to Tagkawayan, Quezon (62.40 kms), Tagkawayan to Sipocot, Camarines Sur (59.0 kms), Sipocot to Naga City, Camarines Sur (35.40 kms), Naga City to Polangui, Albay (48.00 kms), Polangui to Legaspi City, Albay (35.00 kms), Legaspi to Sorsogon City, Sorsogon (54.30 kms), and Sorsogon City to Matnog, Sorsogon (62.78 kms).

Centered on the proposal submitted by the ("**JV**") of the PNCC and SMHC, the SLEX TR 5 was officially designated as a certified toll road project in a TRB resolution dated June 29, 2020. On June 3, 2022, the Supplemental Toll Operations Agreement was signed and granted by TRB.

The SLEX TR5 will run parallel to the current Philippine National Railway, Maharlika Highway, and Padre Burgos National Road or Quirino Highway, facilitating the creation of new growth centers in the Quezon and Bicol areas, as well as other southern sections of the country. The project aims to reduce the travel time from Lucena to Matnog from nine (9) hours to five and a half (5 1/2) hours, and connect major urban centers in Quezon and Bicol, providing access to tourist destinations, roro ports, fish ports, and food production/agriculture areas.

As of December 31, 2023, SMHC has an ownership interest of 90% in the South Luzon Toll-road 5 Expressway, Inc.

Pasig River Expressway ("PAREX")

PAREX is a 19.37 km six (6)-lane, all elevated expressway which runs through the entirety of the Pasig River. The project begins at Radial Road 10 (R10) in Manila and ends at Circumferential Road 6 (C6), where it will connect to the South East Metro Manila Expressway. This will link and utilize a 2.7-kilometer section of Skyway Stage 3 between Nagtahan and Plaza Azul. Once finished, the ₱81,528 million project will have the following segments: 251 R-10-Plaza Azul (5.74 km), Plaza Azul-San Juan River via Skyway Stage 3 (2.70 km), San Juan River-C5 Intersection (7.32 km), and C5 Intersection-C6 Intersection (6.30 km).

The Pasig River Expressway is a joint project agreement between the Philippine National Construction Corporation ("**PNCC**") and the SMHC. Last September 21, 2021, SMC, through its affiliate Pasig River Expressway Corporation, together with DPWH, DOTr and TRB signed the Execution of the Supplemental Toll Operations Agreement ("**STOA**") for the financing, construction, operations and maintenance of the project. The groundbreaking ceremony was held last September 24, 2021.

The PAREX will run through Manila, Makati, Mandaluyong, Pasig, Taguig, municipality of Pateros in Metro Manila and Taytay in Rizal province, establishing a direct link between Metro Manila's western and eastern cities through an elevated expressway. It is expected to ease the decongestion of R-10, EDSA, and C-5 by creating a link between Metro Manila's toll roads and freeways. Not only that this will contribute to the Philippine Road transportation system's efficiency by delivering safe and dependable Infrastructure, but this would also lead a historic endeavor to rehabilitate Metro Manila's main river, the Pasig River.

As of December 31, 2023, SMHC has an ownership interest of 90% in the PAREX.

Southern Access Link Expressway ("SALEX")

The Southern Access Link Expressway is a 40.65 km toll elevated expressway network comprising of Section 1: C3-R10 Extension, Section 2 Segment 1: Shoreline Expressway, Section 2 Segment 2: Quirino Extension, and Section 2 Segment 3: Buendia Extension. Section 1 (4.52km) is a four (4)-lane elevated structure connecting MMSS3 at Sgt. Rivera in Quezon City to Shoreline Expressway at R-10. Section 2 Segment 1 (25.29km), an elevated six (6)-lane expressway, is the main spine along Manila Bay that will link MMSS3 and PAREX with Shoreline Expressway. It will begin at a connection with NALEX and runs south until it joins PAREX at Delpan

Bridge, where it breaks. It will start again from PAREX at Ayala Bridge until it reaches Manila Cavite Toll Expressway and NAIAX. Section 2 Segment 2, an elevated four (4)-lane structure, starts from the intersection of Quirino Avenue and Osmena Highway and ends at its connection with the Shoreline Expressway along Roxas Boulevard. Section 2 Segment 3, an elevated four (4)-lane structure, is a vital link of NAIAx with Shoreline Expressway and Makati Central Business District at Buendia Avenue.

The SALEX is a joint project between PNCC and SMHC. The STOA for the ₱152,394 million project was signed on June 20, 2022.

The SALEX aims to provide vital links and road capacity to deliver the full economic potential of the Airport. Moreover, due to congested traffic in NLEX, McArthur Highway, EDSA, SLEX, the project intends to provide alternative routes and road networks that will service passenger traffic.

As of December 31, 2023, SMHC has a 90% ownership interest in the SMC Southern Access Link Expressway Corporation, the joint venture company for the SALEX.

Northern Access Link Expressway ("NALEX")

The NALEX is a toll expressway that aims to connect the MIA, Metro Manila, and Central Luzon. The project is composed of two (2) phases: Phase 1, with an estimated project cost of ₱148,344 million, is divided into Section 1 (Balintawak – Airport), and Section 2 (Airport – Tarlac City and TPLEX), and Phase 2 which runs from Masantol, Pampanga to Tarlac City. The NALEX Phase 1 Section 1 is a 19.4-km elevated toll road that begins at Skyway Stage 3 – Balintawak and ends at Airport. Meanwhile, the project's Phase 1 Section 2 is an at-grade expressway that runs from MIA to Tarlac City and TPLEX. This 117-km toll road is divided into three (3) segments: Bulacan-Guagua (41 km), Guagua-Mabalacat (31 km), and Mabalacat-Tarlac (45 km), with 8 interchanges/exits in total. NALEX Phase 2, on the other hand, will be a demand-driven expansion that will serve as an alternate route for Phase 1 Section 2. This expansion is a 69.2 km toll road divided into two (2) segments: Macabebe-Arayat, and Arayat-Tarlac. Once constructed, this project intends to provide a more accessible and convenient route from Metro Manila and Central Luzon to Airport, and vice versa.

As of December 31, 2023, SMHC has 90% ownership interest in the SMC Northern Access Link Expressway Corporation, the joint venture company for the NALEX.

Cavite-Batangas Expressway ("CBEX")

The CBEX, a 27.06-km unsolicited toll road project, is a joint venture between the Provincial Government of Cavite and SMHC. It is a four (4)-lane expressway which begins with a connection to Cavite-Laguna Expressway (CALAX) in Silang, Cavite and travels southwest parallel with the Emilio Aguinaldo Highway and ends at Tagaytay-Nasugbu Highway. It will traverse the municipalities of Silang, Amadeo, Tagaytay, Indang, Mendez, Alfonso in Cavite and Nasugbu, Batangas, and will have three (3) access/interchange points in Silang, Tagaytay, and Nasugbu/Alfonso. This ₱27,014 million project aims to provide an additional highway that will help mitigate the road congestion in CALABARZON.

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

Nasugbu-Bauan Expressway ("NBEX")

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

and Bauan. There will be five (5) access/interchange points in (1) Nasugbu (Kaylaway), (2) Nasugbu, (3) Balayan, (4) Lemery, (5) Bauan.

The NBEX is a joint venture between the Provincial Government of Batangas and SMHC. The Certificate of Acceptance was signed on April 21, 2022, and its Notice of Award was signed last March 10, 2023. On March 22, 2023, the Joint Venture agreement was signed between the parties. The Toll Concession Agreement of this ₱52,835 million project was signed on July 31, 2023.

Pangasinan Link Expressway ("PLEX")

PLEX, a 42.76-km unsolicited expressway proposal, is a joint venture between the Provincial Government of Pangasinan and SMHC. The project is composed of two (2) phases: Phase 1, which runs from the Binalonan section of TPLEX to Lingayen, and Phase 2, which extends from Lingayen to Alaminos. PLEX's Phase 2 will be implemented once the traffic demand is met/upon reaching a certain level of traffic. This ₱34,342 million project aims to improve the intra-provincial traffic and create a more accessible route within the province of Pangasinan.

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

Marilao Access Link Expressway ("MALEX")

MALEX is an 8-km toll road that aims to link North Luzon Expressway (NLEX) to the MIA. Also known as the Airport Toll Road, MALEX is part of the 50-year MIA Concession Agreement signed on September 18, 2019 with ROP through DOTR. This six (6)-lane expressway project, which has an estimated cost of P36.7B before financing, will have three (3) interchanges in (1) NLEX-McArthur, (2) McArthur-Taliptip and (3) Taliptip-MIA.

As of December 31, 2023, the detailed engineering and design has been completed, and ROW acquisition activities are ongoing.

Skyway System
Skyway Stage 1 and 2

The Republic of Indonesia was invited by the Philippine government to assist in the realization of the Infrastructure development of the Philippines in 1994 through an Indonesian company. As a result of this initiative, a Memorandum of Agreement ("**MOA**") was signed in Jakarta in 1993 between P.T. Citra Lamtoro Gung Persada ("**Citra**") and PNCC in the presence of former President Fidel V. Ramos. In 1995, a Business and Joint Venture Agreement ("**BJVA**") was signed by the said parties to undertake the construction of the Metro Manila Skyway ("**MMS**") and Metro Manila Expressway ("**MME**").

On November 27, 1995, SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) was incorporated as a stock corporation under the laws of the Republic of the Philippines, as a joint venture between Citra and PNCC, with the primary purpose to finance, design and construct (under a BOT scheme with the Philippine government) the Skyway Stage 1 and 2 projects.

Skyway Stage 1 consists of the construction of a 9.30 km elevated road from Bicutan, Parañaque City to the Buendia, Makati City as well as the rehabilitation of the 13.43 km at-grade road from Alabang, Muntinlupa to Magallanes, Makati City. Skyway Stage 1 was first opened to traffic in 1999, with an AADT of 160,000 vehicles, broken down into 25,000 and 135,000 vehicles on the elevated highway and at-grade road, respectively. Skyway Stage 2 consists of a 6.86 km elevated toll road from Bicutan, Parañaque City to Alabang, Muntinlupa, to be integrated with Skyway Stage 1 and operated as 1 sub-system of the MMS.

Originally scheduled for completion in April 2011, Phase 1 of Skyway Stage 2 was completed in November 2010 and opened to the public in December the same year. Phase 2 of Skyway Stage 2 was completed in March 2011. For the years ended December 31, 2021, 2022, and 2023 the AADT of Skyway was around 199,466, 246,340, and 272,383 vehicles, respectively.

On June 29, 2019, the construction of the Skyway-Alabang South Extension Project (also known as Skyway Extension) began. This project aims to decongest the existing Skyway System and SLEX by widening the existing lanes approaching Sucat exit, and providing an elevated viaduct running from Susana Heights, connecting it to the existing Alabang Viaduct. This is foreseen to lessen the at-grade traffic through the diversion of motorists from at-grade to elevated. The northbound side of the Skyway Elevated Extension was opened to the public last April 2021, while the southbound side was also opened last December 2021.

As of December 31, 2023, SMC Tollways Corporation, a 100% owned subsidiary of SMHC through AAIBV, has an ownership interest of 83.85% in SMC Skyway Corporation ("**SMCSC**").

Skyway Stage 3

Skyway Stage 3 is a 17.93 km elevated roadway from Buendia, Makati City to Balintawak, Quezon City. Skyway Stage 3 is a priority Infrastructure project of the government meant to decongest major thoroughfares within Metro Manila and stimulate growth of trade and industry in Southern, Central and Northern Luzon. The project covers a concession period of 30 years (from start of operations) with an estimated cost of ₱70,348 million. Partial operations commenced last December 29, 2020. This was open to the public as scheduled last January 14, 2021, and was free of toll fee until formal toll operation permit from TRB was obtained on July 12, 2021.

On November 16, 2012, SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.) was incorporated as a stock corporation under the laws of the Republic of the Philippines with the primary purpose to finance, design and construct (under a BOT scheme with the Philippine government) the Skyway Stage 3 project. Subsequently, the STOA covering the Skyway Stage 3 project was signed on September 26, 2013, among TRB, PNCC, and MMSS3. For the year ended December 31, 2022 and 2023 the AADT of Skyway Stage 3 was around 120,954 and 154,736 vehicles, respectively.

As of December 31, 2023, Stage 3 Connector Tollways Holdings Corporation ("**S3CTHC**"), a 100% owned subsidiary of SMHC through SMC Tollways Corporation, has an ownership interest of 85.50% in SMC Skyway Stage 3 Corporation.

Skyway Stage 4

Skyway Stage 4 is a 56.74 km roadway from South Metro Manila Skyway to San Jose Del Monte, Bulacan and another spur to Luzon Avenue. Skyway Stage 4 serves as another expressway system that aims to further decongest EDSA, C5 and other major arteries of the Metropolis. Further, it aims to provide faster alternate routes and accessibility for the motorist when travelling from the province of Rizal and Calabarzon area to Metropolis. The project covers a concession period of 30 years (from start of operations), with an estimated cost of ₱56,351 million.

On February 17, 2014, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways Inc) was incorporated as a stock corporation under the laws of the Republic of the Philippines to engage in the construction of toll roads, toll road facilities, including but not limited to the Metro Manila Expressway ("**MME**") or C6 and any of its stages, linkages and extensions pursuant to a build and transfer or other scheme duly approved by the appropriate Philippine authorities. Subsequently, the Supplemental Toll Operation Agreement ("**STOA**") covering the Skyway Stage 4 project was executed on July 4, 2014, among TRB, PNCC, and MMSS4.

As of December 31, 2023, SMC Infraventures Inc. ("**SMCI**"), a 100% owned subsidiary of SMHC, has an ownership interest of 80.01% in SMC Skyway Stage 4 Corporation ("**MMSS4**").

STAR Tollway

In 2013, SMHC acquired equity interest in SIDC which holds the concession over the STAR Tollway, through its 58.31% membership interest in Sleep Coop and 50% shares in Wiselink. Sleep Coop and Wiselink own 40% and 60% of Cypress Tree Capital Investments, Inc. ("**CTCII**"), respectively, which owns 100% of SIDC.

STAR Tollway is composed of two (2) stages - Stage 1 which involves the operation and maintenance of the 22.16 km toll road from Sto. Tomas, Batangas to Lipa City, Batangas and Stage 2 which involves the financing, design, construction, operation and maintenance of the 19.74 km toll road from Lipa City, Batangas to Batangas City, Batangas.

For the years ended December 31, 2021, 2022, and 2023, the AADT in STAR Tollway were 61,609, 69,790, and 76,775 vehicles, respectively.

As of December 31, 2023, CTCII, a subsidiary wholly owned by SMHC with 60% through WIHI, has an ownership interest of 100% in SIDC.

NAIAx

SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc.), a wholly-owned subsidiary of SMHC, was incorporated on May 31, 2013, for the purpose of holding the 30-year concession rights (including a two (2)-year construction period) for the NAIAx project.

This was the third PPP project awarded under the administration of President Benigno Aquino III. It was awarded by the DPWH through a competitive bidding process to Optimal Infrastructure Development, Inc. ("**Optimal**") in 2013. Eventually, Optimal nominated VTDI as the concessionaire of the said project. The concession agreement between DPWH and VTDI was finalized and signed on July 8, 2013.

The project covers the financing, design, construction, operation and maintenance of a new tollway system, approximately 5.46 km in length, serving as interface to the Skyway Stage 1 and 2 and CAVITEX. The NAIAx: significantly reduces travel time from Skyway Stage 1 and 2 to Roxas Boulevard; provides easy access to airports in Metro Manila, linking them to Skyway Stages 1 and 2 and the CAVITEX and boosts tourism by providing access to and from Entertainment City, paving the way for further developments within the PAGCOR Entertainment City.

Partial operations of Phase 2A commenced in September 2016 and Phase 2B was completed and became fully operational in December 2016, with toll collections starting in January 31, 2017. Ramps 1 and 17 opened in June 2017, with toll collections starting in July 2017. Furthermore, the construction of an 836-meter, two (2)-lane entry on-ramp structure along Aurora Boulevard in Pasay City (also known as Tramo) has been opened to the public on March 1, 2024. It is expected to enhance the accessibility of NAIA Terminals 1 and 2 for vehicles coming from EDSA Southbound. The elevated viaduct will connect to NAIAx at the intersection of Aurora Boulevard and Domestic Road from the existing Tramo Flyover and EDSA.

For the years ended December 31, 2021, 2022, and 2023 the AADT was at 52,883, 94,482, and 123,977 vehicles, respectively.

Airport Concession

Boracay Airport

In April 2010, SMHC acquired a 93.0% stake in Caticlan International Airport Development Corporation (subsequently renamed TADHC), while the remaining 7% interest was held by Akean Resorts Corporation, a non-affiliated entity. TADHC holds a 25-year concession for the Boracay Airport, granted by the Republic of the Philippines, through the DOTC (now, DOTr), under a contract, add, operate and transfer scheme under the BOT law.

As of December 31, 2023 SMHC owns 99.92% of TADHC.

Boracay Airport is the principal gateway to the Boracay Island, a popular resort for passengers traveling from Manila. The airport has seen recent upgrades including a longer runway and accommodation of international flights. With the influx of tourist during the holidays, the Boracay Island has welcomed 2.0 million tourists by end of 2017. With the closure in 2018, tourists dropped to about 550,000 according to the Department of Tourism. For the years ended December 31, 2021, 2022, and 2023 tourists of Boracay Airport were around 259,848, 1,264,381, and 1,581,026 respectively, according to data from the Airport Operations and Control Centre of Boracay Airport.

The planned expansion of the airport is expected to be completed in stages and involves the following: (i) upgrade and extension of the runway, from original scale of 950 meters long and 30 meters wide, to 2,100 meters long and 45 meters wide to accommodate larger international and domestic aircraft; (ii) upgrade of the Boracay Airport and its facilities to comply with International Civil Aviation Organization standards and the Manual of Standards for Aerodromes of the CAAP; (iii) replacement of the old 550 square meter terminal with a new world class passenger and cargo terminal and to commence construction of new terminal in 2016; (iv) improvement of road networks around Boracay Airport and its facilities; and (v) upgrade of air navigational systems.

The construction of the new passenger terminal building is 31.31% complete. Meanwhile, the supply, installation, testing, and commissioning of an outdoor substation is 63.79% completed. However, both works are currently suspended until further notice, while the revision of the DED for the new passenger terminal building has already been completed. On the other hand, the covering of the open ditch & drainage is at 98.23% complete. Works for this are currently ongoing.

Manila International Airport

SMHC was granted the Original Proponent Status (OPS) by the DOTr for the construction of the MIA in Bulakan, Bulacan last September 22, 2017. The site of the airport has an aerial distance of 28.5km from NAIA and 61.3km from Clark International Airport. Total available area for the airport site and other development, is around 2,500 hectares.

The submission and opening for the Swiss Challenge commenced on July 31, 2019. Since there were no qualified challengers that participated, the Notice of Award (NOA) was issued on August 14, 2019 and was officially received by SMHC on August 19, 2019. SMAI, the special purpose company incorporated by SMHC to implement to the project, then proceeded with the execution of the Concession Agreement with the DOTr on September 18, 2019.

Land development works are ongoing and expected to be completed by Q1 2026. As of December 31, 2023, the overall progress is at 76.89%. Site clearance, land filling works, and ground improvement works are 100.0%, 78.50%, and 88.59% complete, respectively. The San Miguel Team continues to work on the Airport Masterplan along with the critical components of the Airport.

SMAI is also working with various parties for the design, construction, and financing of other critical components of the Airport.

Ninoy Aquino International Airport

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

On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA is expected to be turned-over by the Manila International Airport Authority to the concession company, six (6) months after the execution of the Concession Agreement.

The Consortium is required to rehabilitate, operate, optimize, and maintain NAIA, which covers improvements to its runway, main terminals and other facilities.

Mass Rail Transit Concession
MRT-7

In October 2010, SMC acquired a 51% stake in Universal LRT, which holds the 25-year concession for the MRT-7 project, a planned expansion of the Metro Manila mass transit rail system, home to over 10 million inhabitants. MRT-7 is a Build-Gradual Transfer-Operate-Maintain ("**BGTOM**") project for the development, financing, operation and maintenance of a 22-km light rail transit that will be linked with the existing MRT-3 Line at SM North EDSA, Quezon City. The construction period for the project is about 42 months. The rail component of the MRT-7 is envisioned to have 14 stations plus a depot and will operate 108 rail cars in a 3-car train configuration, with capacity of 448,000 to as many as 850,000 passengers daily. The project also includes an Intermodal Transport Terminal that can accommodate up to 60 buses and other public utility vehicles, and a 22-km six (6)-lane access road connecting the Intermodal Transport Terminal to the Bocaue exit of NLEX.

SMC fully acquired 100% stake in Universal LRT, effective July 1, 2016. The MRT-7 project is progressing well, with construction returning to normal levels. Work on sections from Quezon Memorial Circle to Quirino Highway traversing Commonwealth Avenue and Regalado Avenue, is currently ongoing. As of December 31, 2023, the total project accomplishment is 68.7%. Two (2) batches of train sets have been delivered and additional train sets are expected to be delivered at the end of the year. The target completion of the entire construction is within 2025 with a partial completion in phased manner zone by zone such as Stations 4 to 9, 4 to 12, 1 to 12, and 1 to 14.

Bulacan Bulk Water Supply Project

The Bulacan Bulk Water Supply Project aims to provide clean and potable water to the province of Bulacan that is environmentally sustainable and with a price that is equitable. The project also aims to help various water districts in Bulacan to meet the increasing water demand of consumers, expand its current service area coverage and increase the number of households served by providing a reliable source of treated bulk water. On December 17, 2015, LCWDC was incorporated as a stock corporation under the laws of the Republic of the Philippines with the primary purpose to finance, design, construct, maintain, and operate water treatment and conveyance facilities. LCWDC and MWSS officially signed the Concession Agreement on January 15, 2016.

SMC through SMHC owns 90% of LCWDC, which will serve as the concessionaire for a period of 30 years (inclusive of the two (2)-year construction period). The construction of the Water Treatment Plant and Pipeline Conveyance Facility for Stages 1 & 2 has been completed. The ongoing system improvement projects for Stages 1 & 2 consist of the construction of the Multi-Purpose Building (Warehouse and Workshop) and the installation of Fiber Optic Network to the existing Remote Terminal Units (RTUs). The MWSS Board has approved the updated business plan for Stage 3. The Final DED of Stage 3A-1 (Pipe Conveyance Extension) has also been approved. Procurement activities for Stages 3A-1 (Pipe Conveyance Extension) & Stage 3A-2 (Norzagaray Water System) are also ongoing. Lastly, there is an ongoing Hydrological Study for Stage 3A-3 (Angat-Bustos Water System) and a study and exploration of potential water sources for future demand. ECC was already secured for Stage 3.

Ports Concession

Manila North Harbor

MNHPI is the terminal operator of Manila North Harbor, a port facility situated at Tondo, City of Manila. The port can accommodate all types of vessels such as containerized and non-container type vessels. Under the Contract for the Development, Operation and Maintenance of the Manila North Harbor entered with the Philippine Ports Authority on November 19, 2009, the Philippine Ports Authority awarded MNHPI the sole and exclusive right to manage, operate, develop and maintain the Manila North Harbor for 25 years, renewable for another 25 years. MNHPI commenced operations on April 12, 2010.

To ensure fast, efficient and effective delivery of port services, MNHPI has increased its cargo handling capacity which now boasts of major equipment such as six (6)-ship-to-shore quay container cranes and 20 rubber-tyred gantry cranes, all part of the plans and programs of MNHPI to transform Manila North Harbor into a premier and modern port.

On October 19, 2013, MNHPI formally inaugurated the North Passenger Terminal Complex, a passenger terminal facility which boasts of facilities designed to provide utmost safety, security and comfort to passengers and is the first of its kind in the Philippines, able to accommodate 2,000 passengers at any given time.

The ownership of SMC in MNHPI through SMHC as of December 31, 2023, is 50%.

Competition

SMC is one of the major players in the Infrastructure sector holding investments in companies with long term concession agreements with the Philippine government. It is currently managing and operating various Infrastructure projects, namely: (1) TPLEX, (2) Skyway Stages 1 to 3, (3) NAIA Expressway, (4) SLEX TR1 to TR4, (5) STAR, (6) Boracay Airport, and (7) Manila North Harbor.

Infrastructure development in the Philippines is key in helping in the economic development of the country that will help cut cost of doing business, attract more investments and improve productivity. With the government's push to increase spending for infrastructure and amendments in economic policies, development of more infrastructure projects will be seen.

Other major players in this sector include Metro Pacific Investment Corporation operating the following: (1) the NLEX, (2) SCTEX, (3) CAVITEX, (4) the CALAX Expressway, (5) LRT1 Extension and O&M in partnership with Ayala Corporation and (6) Maynilad; and Ayala Corporation, which was awarded the concession for the Daang Hari Expressway, a 4-kilometer toll road in Cavite in 2011.

Another major player is the Megawide Construction Corporation (Megawide). It currently operates the Parañaque Integrated Terminal Exchange ("**PITX**") and also entered into a joint venture for the construction of the Metro Manila Subway Project ("**Tokyu-Tobishima-Megawide JV**") and the Malolos-Clark Railway Project ("**HDEC-Megawide-Dongah JV**"). PITX is an intermodal terminal in southwest Metro Manila developed by the MWM Terminals Inc., a consortium led by the Megawide. It serves as a hub with departure and arrival bays for buses, jeepneys, and taxis; and has a maximum daily capacity of 100,000 passengers.

GMR-Megawide Cebu Airport Corporation ("**GMCAC**"), a consortium between the Megawide and India's GMR Group, was formed to develop and operate MCIA for the next 25 years. However, last September 2022, GMCAC signed into a deal with Aboitiz Infracapital, Inc. ("**AIC**") for the acquisition of MCIA shares. AIC currently owns 33 1/3 interest in MCIA and is expected to take full control of the project in 2024. In addition to the MCIA acquisition deal, AIC also has existing unsolicited proposals to develop and operate two (2) more regional airports which are the New Bohol International Airport in Panglao, Bohol and Laguindingan International Airport in Laguindingan, Misamis Oriental. Apart from working towards the airport business, AIC has several water projects, including the Apo Agua (Davao City Water District), Lima Water Corporation, and minority stake in Balibago Waterworks System.

The Luzon International Premier Airport Development ("**LIPAD**") Corporation, which consists of Filinvest Development Corporation, JG Summit Holdings Inc., Philippine Airport Ground Support Solutions Inc. and Changi Airports Philippines (I) Pte. Ltd., was formally awarded the operations and management of the Clark International Airport. The new airport was designed to accommodate 8 million passengers per year and connects the 9,450-hectare New Clark City. The structure was completed in September 2020 and began its operations last May 2022.

CEMENT BUSINESS

SMC conducts the cement business through San Miguel Equity Investments Inc. ("**SMEII**"), which owns 100% of the common stock of Northern Cement Corporation ("**NCC**"), Southern Concrete Industries Inc. (SCII), and 99.96% of Eagle Cement Corporation ("**Eagle Cement**") as of December 31, 2023.

The cement business owns and operates (a) two (2) fully-integrated cement production facilities in Sison, Province of Pangasinan (NCC) and in Barangay Akle, San Ildefonso, Province of Bulacan (Eagle Cement), (b) a cement grinding plant in Santa Cruz, Province of Davao Del Sur (SCII), (c) a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant in San Ildefonso, Bulacan (Eagle Cement), and (d) a grinding and packaging facility in Limay, Bataan (Eagle Cement). As a whole, the cement business has a total annual rated cement production capacity of approximately 17.53 million metric tonnes per year ("**MTPY**") of finished cement as of December 31, 2023.

Details of the cement production facilities per business are as follows.

Northern Cement Corporation

NCC operates a fully-integrated cement manufacturing plant in Barangay Labayug, Sison, Pangasinan consisting of production lines and is undertaking the construction, development and establishment of additional state-of-the-art cement production lines from crushing to cement packaging. Its integrated cement production lines have total annual rated cement production capacity of approximately 2.2 million MTPY of finished cement, while its new and additional integrated production lines are estimated to have an annual rated cement production capacity of 4.73 million MTPY of finished cement. Presently, Line A of the new and additional production line is on full commercial operations which further enhance the total capacity of the Pangasinan Plant. Its production facility is located in proximity with its quarry areas that enables it to maintain end-to-end production of cement from raw material sourcing and processing, clinker production, grinding and mixing, to packaging and cargo loading, thereby providing it with significant process, cost, and quality control and more efficient operations.

The production lines utilize state-of-the-art technology in the production of Type 1, Type 1T, and Type N cement, the major cement products in the industry. The facilities are regularly checked, maintained and upgraded with the latest machinery to consistently achieve improved operating efficiencies. Constant improvement and rehabilitation of the facilities and manufacturing process ensure a high quality of cement produced in the most efficient manner. The plant also has a post-production facility where cement is stored in silos until such a time that these are sold and delivered to distributors and/or consumers in 40-kilogram bags, tonner bag and in bulk. The plant maintains a total of nine (9) roto packing machine that can accommodate about 450 trucks per day and five (5) bulk and three (3) tonner loading facilities capable of simultaneously loading eight (8) bulk carriers.

It distributes the majority of its cement products through its qualified and accredited dealers that transport the cement products from the plant to various destinations with no additional outlay for transportation equipment. The rest of the cement products are directly delivered to end consumers through bulk carriers which enables it to distribute to the highest value and fastest growing markets, particularly in Northern Luzon.

The end-to-end production strategy, which seamlessly integrates critical raw material sourcing with modern manufacturing technology resulting in one of the most efficient cement manufacturing operations in the

country. It also enables it to manage cost and margins in every stage of the cement production and distribution process, allowing for higher efficiency, profitability, and operating synergy.

NCC owns and operates an integrated cement manufacturing plant in Pangasinan composed of three (3) dry-process rotary kilns and three (3) finish mills. The existing production facility has an annual rated capacity of 4.565 MTPY of finished cement. The raw materials used in its cement manufacturing process are generally a mixture of quarried materials – limestone, shale and gypsum. Additionally, the construction of a fourth cement production line is ongoing. With the completion of its fourth line, NCC is projected to have an overall capacity of 6.93 million MTPY of finished cement, or 173 million 40-kg bags.

On June 14, 2021, the SEC approved the merger of NCC and San Miguel Northern Cement, Inc. ("**SMNCI**"), a wholly-owned subsidiary of SMEII which was incorporated and registered with the SEC on October 2, 2017 to engage in the business of manufacturing, developing, processing, exploiting, importing, exporting, buying, selling or otherwise dealing in such goods as cement and other products of similar nature. The effective date of the merger is July 1, 2021, with NCC as the surviving corporation.

On April 23, 2023, Kiln A and Finish Mill A started commercial operations while the target commercial operation for Finish Mill B will be on May, 2024.The SMNCI project is projected to have an overall capacity of 1.825 million MTPY of clinker and 4.73 million MTPY of finished cement, or 118.3 million 40-kg bags.

With the merger having been approved by the board of directors and stockholders of NCC and SMNCI, respectively, on March 3, 2021, and subsequently by the SEC as aforementioned, NCC, as the surviving corporation, is now undertaking the SMNCI project. As of June 1, 2023, NCC declared the commencement of commercial operations of Line A.

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

Selected financial highlights for NCC are provided below for the periods indicated:

	For the years ended December 31,		
	2021	**2022**	**2023**
Sales	7,519	8,984	9,442
Gross profit.....	1,848	570	1,147
Gross profit margin[(1)]	24.6%	6.3%	12.1%
EBITDA[(2)]	1,959	599	1,542
EBITDA margin[(3)].....	26.1%	6.7%	16.3%
Net income before tax.....	1,295	(63)	702
Net income before tax margin[(4)]	17.2%	(0.7%)	7.4%

Notes:

(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.

(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.

(3) EBITDA margin is calculated by EBITDA divided by sales.

(4) Net income before tax margin is calculated by net income before income tax divided by sales

Southern Concrete Industries Inc. (formerly, Oro Cemento Industries Corporation)

Southern Concrete Industries Inc. (formerly, Oro Cemento Industries Corporation), a wholly owned subsidiary of SMEII, was incorporated and registered with the SEC on June 1, 2016 to engage in the business of manufacturing, developing, processing, exploiting, importing, exporting, buying, selling or otherwise dealing in such goods as cement and other goods of similar nature and/or products derived therefrom. SCII has constructed a cement grinding plant in Santa Cruz, Province of Davao del Sur with world-class equipment capable of producing two (2) million MTPY of finished cement while minimizing impact to the environment. SCII is in the process of completing the commissioning stage of its plant simultaneous with its promotional trial campaign and distribution activities. As of 1H2023, SCII has been in full commercial operations.

Eagle Cement Corporation

Eagle Cement was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 21, 1995.

On October 4, 2022, the Board of Directors of SMEII approved the acquisition of 99.9581% of Eagle Cement, a company engaged in the business of manufacturing, marketing, sale and distribution of cement. The acquisition price is ₱22.02 per share.

SMC, through SMEII completed the acquisition of Eagle Cement at the end of December 2022 through an initial 88.5% of the equity interest and tender offer which got 11.46% of the outstanding shares. Post the tender offer, SMC now owns 99.96% of Eagle Cement via wholly owned subsidiary San Miguel Equity Investments Inc.

Eagle Cement is primarily engaged in the business of manufacturing, developing, processing, marketing, sale and distribution of cement, cement products, minerals and other by-products. It is now the third largest player in the Philippine cement industry in terms of revenue in 2022, with the fastest growing market share amongst all competitors in the industry since it started its commercial operations in 2010.

Eagle Cement has three (3) subsidiaries as follows:

South Western Cement Corporation (SWCC)

SWCC was incorporated in the Philippines on December 26, 1994. Its primary purpose is to engage in manufacturing, marketing, sale and distribution of cement, cement products and by-products. SWCC holds two (2) Mineral Production Sharing Agreements (MPSAs) covering mining areas in Malabuyoc, Province of Cebu, granted by the Department of Environment and Natural Resources (DENR) in November 1996. In July 2019, the DENR also granted SWCC a Special Use Agreement in Protected Area for Seaport Facility (covering the Tanon Strait Seascape) located in Malabuyoc, Cebu. The company acquired 100% equity interest in SWCC in December 2016. To date, SWCC has not commenced commercial operations.

Solid North Mineral Corporation (SNMC)

SNMC was incorporated in the Philippines on July 19, 1995. Its primary purpose is to engage in mining and quarrying activities, and to manufacture and distribute cement products and other minerals. It was acquired by the company on November 4, 2021. SNMC holds Mineral Production Sharing Agreements (MPSA) covering mining areas located in the Province of Bulacan.

SNMC is operating a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant in San Ildefonso, Bulacan with an annual capacity of 1,000,000 metric tonnes. Bulk of its production are used as input in the company's cement production and are supplied to power companies.

Armstrong Flyash and Logistics Inc. (AFALCI)

Armstrong Fly-ash and Logistics Company, Inc. (AFALCI) was incorporated in the Philippines and registered with SEC on June 2, 2015. AFALCI is engaged in the business of manufacturing, sale and distribution of fly-ash, bottom ash, hi carbon and other by-products

Selected financial highlights for Eagle Cement are provided below for the periods indicated:

	For the years ended December 31,		
	2021	**2022**	**2023**
Sales	21,397	26,384	25,443
Gross profit	8,974	8,247	8,889
Gross profit margin[(1)]	41.9%	31.3%	34.9%
EBITDA[(2)]	8,143	7,013	7,414
EBITDA margin[(3)].....	38.1%	26.6%	29.1%
Net income before tax.....	6,830	6,362	5,391
Net income before tax margin[(4)]	31.9%	24.1%	21.2%

Notes:

(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.

(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.

(3) EBITDA margin is calculated by EBITDA divided by sales.

(4) Net income before tax margin is calculated by net income before income tax divided by sales

Strengths and Strategies

Strengths

For the Cement business, it believes that its principal competitive strengths include the following:

Strong player in the cement industry

An established reputation in the industry with long experience in cement production and domestic sales. It has a leading and contemporary cement plants with new integrated production line showcasing sustainable, environment-friendly, world-class and state-of-the art equipment capable of producing high quality cement products with comprehensive strength above and beyond the prescribed specifications.

It has a strong market presence and is considered a leading cement player in Luzon with significant growth in other market areas/regions as a result of its improved operations and upgraded production capacity.

Fully-integrated manufacturing facility with state-of-the art production lines

The cement business owns and operates two (2) fully-integrated cement production facilities in Sison, Province of Pangasinan (NCC) and in Barangay Akle, San Ildefonso, Province of Bulacan (Eagle Cement), a cement grinding plant Santa Cruz, Province of Davao Del Sur (SCII), a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant in San Ildefonso, Bulacan (Eagle Cement), and a grinding and packaging facility in Limay, Bataan (Eagle Cement). As a whole, the cement business has a total annual rated cement production capacity of approximately 17.53 million metric tonnes per year (MTPY) of finished cement as of end-December.

Strategic location of plant and access to vast limestone reserves

Plants are strategically located in the Province of Bulacan and Pangasinan that allows it to readily serve key markets in Luzon. Its location likewise provides a positive outlook on the expansion of its market areas. These,

together with its reliable and established dealership network, provide a significant competitive advantage in the distribution of cement in the key markets in its covered areas.

NCC is a holder of a Mineral Production Sharing Agreement ("**MPSA**") granting it the rights to a total of 630.4978 hectares of land in Sison, Pangasinan as a source of raw materials for its plant, with an estimated limestone deposit of approximately 715 million MT. The extensive limestone deposits provide ample supply to support the company's raw material requirements in the long-term covering both the current operations and expansion plans.

Eagle Cement and its subsidiaries have several MPSAs granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) either through direct grant or through deed of assignment.

Competent management, operating and marketing teams with proven track record in the cement industry

The group is managed by professional management team with extensive experience and highly trained technical and marketing workforce composed of goal-oriented young professionals, ensuring the company's growth and continued excellence. Its lean organization is responsive and immediately adapts to market changes with a deep knowledge of the operating environment with long standing relationships with customers, suppliers and distributors.

Unique Sales and Marketing Structure

The cement business has an established highly technical customer service that provides technical assistance and training to customers in the evaluation of concrete raw materials, mix design preparation and trial mix through its own Concrete Academy and Mobile Concrete Laboratory, the first in the industry.

The continuous improvement of the cement products is likewise made possible through the establishment of an in-house concrete laboratory duly accredited with the government as part of the company's thrust to ensure the quality of its products.

Well positioned for growth opportunities in the infrastructure industry of the country

The Philippine cement market grew by 5.3% compound annual growth rate in a period ten (10) years from 2014 to 2023. The cement market showed a strong recovery in 2021 driven by infrastructure and residential projects after COVID-19 pandemic interrupted the growth pattern of the cement market in 2020. The government intends to expand the infrastructure modernization initiatives and implement the new "Build, Better, More" program which includes, among others, transportation infrastructure programs, network development program for the expansion of connectivity and road systems across the country and asset preservation program involving maintenance, rehabilitation and reconstruction.

The integrated cement manufacturing plants, along with the ongoing development and establishment of its additional production lines combined with its annual rated capacity of 17.53 million MTPY of finished cement or 438.25 million bags per annum, will ensure its strong position in the market, taking advantage of this opportunity.

Strategies

Cement business' principal strategies are set out below:

Increase production capacity and grow distribution channels in key growth areas

For the Cement business, it continues to develop and improve the plant operations, production and capacity through innovative technology and measures to ensure increase in supply of cost-efficient cement products. It will proceed with its expansion project that involves the construction and completion of its additional two (2) integrated cement production lines. The new lines will ensure a steady supply of cement products that will cater to the existing and new market areas in Northern Luzon, and Regions 2 and 3.

With the growing supply of cement products, it will tap on additional qualified dealers to become its partner in reaching out to new market areas and increase its market coverage.

Expand market presence through development of product portfolio and enhancement of customer proposals

For the Cement business, it continues to offer different varieties of fighting brands that are descriptive of the quality of the products and are identifiable with the region or area where the products will be distributed.

Further enhance its products' visibility and value through various brand-building activities that maximizes on social media and other digital media platforms, and still backed by traditional mass media and extensive below-the-line activations and loyalty programs.

Strengthen its partnerships with dealers and distributors through various below-the-line activations and participation in industry-specific events which are aligned with the positioning of its products. To maintain its strong relationships with dealers and distributors, it has established (i) the key accounts group which handle the requirements of the large-scale distributors/dealers and institutional clients; and (ii) loyalty programs that provide incentives to dealers and distributors which achieve a certain order volume within a specific period of time.

It continues to provide efficient and effective technical solutions, support and resources to the customers to establish and gain market trust and continued partnership. It is also strengthening its existing Concrete Academy and Mobile Concrete Laboratory programs to be able to reach more institutional accounts and customers.

Further enhance its sustainability programs

For the Cement business, it enhances its sustainability programs to ensure business continuity. Its ESG initiatives include environment protection and enhancement programs, promotion of innovative and environment-friendly products, programs geared towards strict monitoring and enforcement of regulatory compliances, strengthening of customer technical and mobile laboratory services, social development and management program and extension of *Malasakit* program to Indigenous Cultural Communities, and employee welfare and development programs that offer continuous holistic personnel development to create a resilient and engaged workforce who fully embrace and live the company values, among others.

Production Facilities

Northern Cement Corporation

NCC operates a fully-integrated cement manufacturing plant in Barangay Labayug, Sison, Pangasinan consisting of production lines and is undertaking the construction, development and establishment of additional state-of-the-art cement production lines from crushing to cement packaging. Its integrated cement production lines have total annual rated cement production capacity of approximately 2.2 million MTPY of finished cement, while its new and additional integrated production lines are estimated to have an annual rated cement production capacity of 4.73 million MTPY of finished cement. Presently, Line A of the new and additional production line is on full commercial operations which further enhance the total capacity of the Pangasinan Plant. Its production facility is located in proximity with its quarry areas that enables it to maintain end-to-end production of cement from raw material sourcing and processing, clinker production, grinding and mixing, to packaging and cargo loading, thereby providing it with significant process, cost, and quality control and more efficient operations.

The production lines utilize state-of-the-art technology in the production of Type 1, Type 1T, and Type N cement, the major cement products in the industry. The facilities are regularly checked, maintained and upgraded with the latest machinery to consistently achieve improved operating efficiencies. Constant improvement and rehabilitation of the facilities and manufacturing process ensure a high quality of cement

produced in the most efficient manner. The plant also has a post-production facility where cement is stored in silos until such a time that these are sold and delivered to distributors and/or consumers in 40-kilogram bags, tonner bag and in bulk. The plant maintains a total of nine (9) roto packing machine that can accommodate about 450 trucks per day and five (5) bulk and three (3) tonner loading facilities capable of simultaneously loading eight (8) bulk carriers.

It distributes the majority of its cement products through its qualified and accredited dealers that transport the cement products from the plant to various destinations with no additional outlay for transportation equipment. The rest of the cement products are directly delivered to end consumers through bulk carriers which enables it to distribute to the highest value and fastest growing markets, particularly in Northern Luzon.

The end-to-end production strategy, which seamlessly integrates critical raw material sourcing with modern manufacturing technology resulting in one of the most efficient cement manufacturing operations in the country. It also enables it to manage cost and margins in every stage of the cement production and distribution process, allowing for higher efficiency, profitability, and operating synergy.

NCC owns and operates an integrated cement manufacturing plant in Pangasinan composed of three (3) dry-process rotary kilns and three (3) finish mills. The existing production facility has an annual rated capacity of 4.565 MTPY of finished cement. The raw materials used in its cement manufacturing process are generally a mixture of quarried materials – limestone, shale and gypsum. Additionally, the construction of a fourth cement production line is ongoing. With the completion of its fourth line, NCC is projected to have an overall capacity of 6.93 million MTPY of finished cement, or 173 million 40-kg bags.

On June 14, 2021, the SEC approved the merger of NCC and San Miguel Northern Cement, Inc. ("**SMNCI**"), a wholly-owned subsidiary of SMEII which was incorporated and registered with the SEC on October 2, 2017 to engage in the business of manufacturing, developing, processing, exploiting, importing, exporting, buying, selling or otherwise dealing in such goods as cement and other products of similar nature. The effective date of the merger is July 1, 2021, with NCC as the surviving corporation.

On April 23, 2023, Kiln A and Finish Mill A started commercial operations while the target commercial operation for Finish Mill B will be on May, 2024.The SMNCI project is projected to have an overall capacity of 1.825 million MTPY of clinker and 4.73 million MTPY of finished cement, or 118.3 million 40-kg bags.

With the merger having been approved by the board of directors and stockholders of NCC and SMNCI, respectively, on March 3, 2021, and subsequently by the SEC as aforementioned, NCC, as the surviving corporation, is now undertaking the SMNCI project. As of June 1, 2023, NCC declared the commencement of commercial operations of Line A.

Southern Concrete Industries Inc. (formerly, Oro Cemento Industries Corporation)

SCII has constructed a cement grinding plant in Santa Cruz, Province of Davao del Sur with world-class equipment capable of producing two (2) million MTPY of finished cement while minimizing impact to the environment. While SCII is in the process of completing the commissioning stage of its plant, it already conducted its promotional trial campaign and distribution activities. SCII declared the commencement of its commercial operations on May 31, 2023.

Eagle Cement Corporation

Eagle Cement is one (1) of the top four (4) largest cement players in the Philippines and owns a large cement plant with three (3) integrated production lines, a grinding plant and a limestone pulverizing plant. It has the largest integrated single plant production capacity in terms of cement output in the Philippines through its primary cement production facility located in Barangay Akle, San Ildefonso, Bulacan. Through its four (4) distribution centers, it serves 18 distribution areas across five (5) regions in Luzon. It is vertically integrated with strategic locations and on-site quarries that provide access to raw material reserves. Eagle Cement has the newest, state-of-the art, and single largest fully-integrated cement production facility in the Philippines

located in Barangay Akle, San Ildefonso, Bulacan (the "Bulacan Cement Plant"). The Bulacan Cement Plant consists of three (3) integrated production lines with a combined annual cement production capacity of approximately 8,600,000 Metric Tonnes ("**MT**") or 215,000,000 bags per annum. This is inclusive of the 12,000,000 bags of cement per annum produced by its grinding and packaging facility in Limay, Bataan. It is strategically located near demand-centric areas and in close proximity to rich limestone and shale reserves covered by the exclusive mineral rights of Eagle Cement.

Raw Materials

The Cement business obtains its principal raw materials on a competitive basis from various suppliers here and abroad. It is not aware of any dependency upon one (1) or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done on a regular basis. It has contracts with various suppliers for varying periods ranging from three (3) to twelve (12) months. All contracts contain renewal options.

Competition

For the Cement business, it owns leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies, and strong financial position.

As of December 2023, the Philippine cement industry has an estimated annual cement capacity of 50 million MT based on nameplate capacities of integrated cement manufacturing and grinding plants in the country. The Cement business of SMC competes with Holcim Philippines, Inc., Republic Cement and Building Materials, Inc., and Cemex Holdings Philippines, Inc., as well as with imported traded cement which has gained market share starting 2017.

Eagle Cement

About 63% of the country's total cement demand comes from Luzon region. Eagle Cement currently distributes its products in the following areas of the Luzon region: National Capital Region, Region I (La Union, Pangasinan), Region II (Cagayan, Isabela, and Nueva Vizcaya), Region III (Nueva Ecija, Bulacan, Pampanga, Tarlac, Bataan, Zambales, and Aurora), and Region IVA (Cavite, Laguna, Batangas, Rizal, and Quezon). As of 2023, NCR still serve as the center of construction and infrastructure activities in the country. Eagle Cement is considered as one of the leading players in areas with the highest economic activity in the Philippines with an estimated market share of 29% in the combined area of NCR, Region III, and Region IVA, based on internal market survey.

Eagle Cement does not sell its products in other countries. With the foreseen increase in both private and public construction activities, supported by the commitment of the national government towards infrastructure development, there remains a strong positive outlook on the Philippine economy which translates to sustained and impressive growth prospects for the cement industry. Eagle Cement is uniquely well-positioned to capitalize on these market conditions to maintain its robust financial performance through modern production technology, strategic raw material sources, strong brand equity and established customer and dealer relationships

NCC

NCC's major competitor in its core market area (Region 1 and CAR) is LafargeHolcim Philippines ("LHP"). LHP has a cement production facility located in La Union, a nearby province of Pangasinan where NCC's cement plant is located.

OTHERS

Other investments of SMC include property development and leasing, through San Miguel Properties, Inc., car distributorship through SMC Asia Car Distributors Corp., and Velocità Motors Inc., banking services through BankCom, and insurance through Petrogen Insurance Corporation.

Properties Business

Established in 1990 as the corporate real estate arm of SMC, SMPI is aiming to be one of the major players in the property development sector of the country. SMPI is 99.98% owned by SMC and is primarily engaged in the management, development, sale and lease of the conglomerate's real estate assets.

Moving forward, SMPI is considering to venture into integrated township developments and sustainable tourism projects.

Cavite Projects

SMPI offers a diverse portfolio of mid-range homes in General Trias, Cavite, namely Bel Aldea, Maravilla, and Asian Leaf, offering townhouse units and single attached house-and-lots, with floor areas ranging from 41.75 to 132.00 square meters.

Bel Aldea

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

Maravilla

Spanning 17-hectare, Maravilla is a mid-range residential community located at General Trias, Cavite, offering Spanish Mediterranean houses, which offered new house models to suit the changing needs of the market.

Asian Leaf

Asian Leaf is a seven (7)-hectare premier residential community at the heart of General Trias, Cavite, composed of single attached house and lots, with floor areas ranging from 64.91 to 140.00 square meters. Fusing modern Asian architecture and vibrant landscaping, Asian Leaf is perfect for homeowners looking for a tranquil and ideal haven.

Wedge Woods

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

Bugsuk Island Resort Development

Located at the southern-most tip of Palawan is the 12,000-hectare Bugsuk Island with a powdery 40-kilometer coastline that intends to be a world-class island resort development with commitment to conserve its natural resources for future generations to enjoy.

Mariveles Economic Zone Project

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

Metro Manila Projects

The first project of SMPI is the SMC Head Office Complex, now considered as a landmark, which has served as a catalyst in transforming the area now known as the Ortigas Business District.

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

Dover Hill

A 95-unit luxury townhouse development in Addition Hills, San Juan City that offers three (3) to five(5)-bedroom units ranging from 202 up to 355 square meters. A three-car parking area located directly below each unit ensures maximum convenience. Aside from its amenities like the swimming pool and playground, within the Dover Hill compound is Dover Club, a five (5)-storey amenity building which includes a fully equipped, state-of-the-art fitness gym, and a party venue with its own kitchen and dining area good for up to 30 guests. Dover Hill also has a swimming pool and playground.

One Dover View and *Two Dover View*

Both located along Lee St., Mandaluyong, One Dover View and Two Dover View are exclusive and premier condominium-townhouse projects, offering three (3) and four (4) bedrooms, with only 23 and eight (8) units, respectively. Floor areas range from 222.80 to 327.10 square meters.

Emerald 88

Located along Dr. Sixto Avenue, Pasig City, Emerald 88 is a 14 three (3)-level townhouse unit development, with generous floor areas ranging from 187.48 to 216.94 square meters. Each unit has a two (2)-car garage.

Makati Diamond Residences (MDR)

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

Banking

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

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

On December 23, 2021, the Monetary Board of the Bangko Sentral ng Pilipinas, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license. On February 22, 2022, the BOD of BankCom approved the amendments to the Articles of Incorporation to change its purpose from commercial bank to universal bank pursuant to BSP Monetary Board Resolution No. 1798 dated December 23, 2021. On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering ("IPO"). On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom,

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

After completion of initial public offering and as at December 31, 2023, the Group through SMPI and SMCEC has 31.94% and 4.87% equity interest in BankCom, respectively

BankCom, an affiliate of SMC, is one of the country's fast-growing universal banks and is licensed by the Bangko Sentral ng Pilipinas. The Bank has been operating since 1963 and was listed in the PSE on March 31, 2022. BankCom provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, trust, and investments. In terms of service reach, BankCom has retail and corporate internet banking facilities, 140 branches and 242 automated teller machines strategically located nationwide as of December 31, 2023.

BankCom aims to strengthen its presence in the domestic market and deepen its relationship with clients through a range of financial solutions focused on supplier and customer relationships within conglomerates.

DESCRIPTION OF PROPERTY

The general asset description and locations of the various plants and farms owned and leased by the SMC Group are included as Appendix “B” of this Offer Supplement.

The properties included in Appendix “B” of this Offer Supplement that are owned by the SMC Group are free of liens and encumbrances.

The properties in Appendix “B” of this Offer Supplement are in good condition, ordinary wear and tear excepted.

The SMC Group is continuously evaluating available properties for sale the cost or details of which cannot be determined at this time.

MANAGEMENT

The overall management and supervision of SMC is undertaken by the board of directors (the "**Board of Directors**"). The executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning SMC's business operations, financial condition and results of operations for its review.

Board of Directors

Currently, the Board consists of fifteen (15) members, four (4) of whom are independent directors. The table below sets forth certain information regarding the members of the Board:

Name	Age	Citizenship	Position
Ramon S. Ang	70	Filipino	Chairman and Chief Executive Officer
John Paul L. Ang	44	Filipino	Vice Chairman, President and Chief Operating Officer
Aurora T. Calderon	69	Filipino	Director
Joselito D. Campos, Jr.	73	Filipino	Director
Jose C. De Venecia, Jr.	87	Filipino	Director
Menardo R. Jimenez	91	Filipino	Director
Estelito P. Mendoza	94	Filipino	Director
Ernesto M. Pernia	80	Filipino	Director
Alexander J. Poblador	70	Filipino	Director
Ramon F. Villavicencio	82	Filipino	Director
Iñigo U. Zobel	67	Filipino	Director
Teresita J. Leonardo-de Castro	75	Filipino	Independent Director
Diosdado M. Peralta	72	Filipino	Independent Director
Reynato S. Puno	83	Filipino	Independent Director
Margarito B. Teves	80	Filipino	Independent Director

Ramon S. Ang is the Chairman and the Chief Executive Officer since June 11, 2024. He was President and CEO from November 2, 2021 until June 11, 2024. He was the Vice Chairman of the Company from January 28, 1999 until June 11, 2024. He was the President and Chief Operating Officer since March 6, 2002 to November 2, 2021. He has been a member of the Board of Directors of the Company for 25 years. He is the Chairman of the Executive Committee of the Company. He also holds, among others, the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel, Inc.; Chairman of the Board of Directors of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia) ; and Chairman of the Board of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc.; Chairman of the Board and Chief Executive Officer, and President and Chief Operating Officer of San Miguel Global Power Holdings Corp.; Chairman of the Board and President of San Miguel Holdings Corp., SMC SLEX, Inc., San Miguel Equity Investments Inc., San Miguel Properties, Inc., and San Miguel Aerocity Inc.; Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp.; Chairman of the Board of San Miguel Foods, Inc., Eagle Cement Corporation, San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc. SEA Refinery Corporation and New NAIA Infra

Corp.; President and Chief Executive Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He is also a director of Metro Pacific Investments Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

John Paul L. Ang is the Vice Chairman, President and Chief Operating Officer since June 11, 2024. He was elected as a director of the Company on January 21, 2021 and has been a member of the Board of Directors for three (3) years. He is also a Member of the Executive Committee of the Company. Mr. Ang holds directorships in other listed companies namely, Petron Corporation, San Miguel Food and Beverage, Inc., and Top Frontier Investment Holdings, Inc. He is also the President and Chief Executive Officer of San Miguel Food and Beverage Inc. since 2024, Eagle Cement Corporation since 2016, Solid North Mineral Corp., and Southwestern Cement Corporation since 2017. He is the Chairman and President of San Miguel Equity Investments, Inc. He is also the Vice Chairman of San Miguel Global Power Holdings Corp. since 2021. He is also a director of San Miguel Brewery Inc. He is the President of Armstrong Ash-fly and Logistics Company Inc. He is also a director of SMC SLEX Inc., Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, and KB Space Holdings, Inc. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 20, 2023.

Aurora T. Calderon has been a director of the Company since June 10, 2014. She has been a member of the Board of Directors of the Company for ten (10) years. She is also Senior Vice President and the Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011. In line with the change in designation of the office of the "President and Chief Operating Officer" to "President and Chief Executive Officer," on December 2, 2021 her designation is now Senior Executive Assistant to the President and Chief Executive Officer. She is a member of the Corporate Governance Committee and Sustainability Committee of the Company. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia). She is also a member of the Board of Directors of San Miguel Global Power Holdings Corp., SMC SLEX, Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp., and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated magna cum laude from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries. As a director of a number of companies including listed companies, Ms. Calderon has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

Joselito D. Campos, Jr. has been a Director since May 31, 2010. He has been a member of the Board of Directors of the Company for 14 years. He is a member of the Related Party Transactions Committee of the Company. He is the Managing Director and Chief Executive Officer of Del Monte Pacific Ltd., President and Chief Executive Officer of Del Monte Philippines, Inc. He is also the Chairman of the Board and Chief Executive Officer of the NutriAsia Group of Companies, Chairman of the Board of Fort Bonifacio Development Corp. and Vice Chairman of the Board of Ayala Greenfield Development Corp. He is also a Director of FieldFresh Foods

(P) Ltd. He was the former Chairman of the Board and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and a member of the WWF (World Wildlife Fund) for Nature - Philippines. He graduated with a degree in BS Commerce, Major in International Business from the University of Santa Clara, California and a Masters in Business Administration degree from Cornell University, New York. As a director of a number of companies including listed companies, Mr. Campos has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

Jose C. De Venecia, Jr. is a Director of the Company since March 16, 2017. He has been a member of the Board of Directors of the Company for seven (7) years. He was former Speaker of the House of Representatives (from 1992 to 1998, and from 2001 to 2008). Before joining politics, he was an international entrepreneur, engaged in the business of port operations in Saudi Arabia, agriculture in Africa, mass housing in Iraq and oil exploration in the United Arab Emirates. He has a Bachelor of Arts degree in Journalism from the Ateneo de Manila University. He completed his secondary education at De La Salle College, Manila. As a director of a number of companies including listed companies, Mr. De Venecia, Jr. has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

Menardo R. Jimenez has been a Director of the Company since February 27, 2002 and a Member of the Executive Committee and Corporate Governance Committee of the Company. He has been a member of the Board of Directors of the Company for 22 years. He is also a Director of San Miguel Food and Beverage, Inc., a publicly listed company, and Magnolia, Inc. He is the Chairman of Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Majent Management and Development Corporation, Meedson Properties Corporation, Menarco Holdings, Inc., Next Century Building Systems, Inc., Television International Corporation and the Table Group, Inc. He is also Chairman Emeritus of Majent Agro Industrial Corporation, and Nuvoland Philippines, Inc. He is also a director of Cunickel Mining & Industrial Corporation, Dasoland Corporation, Menarco Development Corporation, Menarco Property Development & Management Corporation, Modesto Holdings Philippines, Inc., and Unicapital Equities Ventures Inc. He is a graduate of Far Eastern University with a degree of Bachelor of Science in Commerce and is a certified public accountant. As a director of a number of companies including listed companies, Mr. Jimenez has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 8, 2023.

Estelito P. Mendoza was first elected as a Director of the Company on October 30, 1991 and served until April 21, 1993. He was re-elected as Director of the Company on April 21, 1998 up to the present. He has been a member of the Board of Directors of the Company for a total of 31 years. He is a Member of the Executive Committee and the Audit and Risk Oversight Committee of the Company. He is also a Director of Petron Corporation and Philippine National Bank which are both publicly listed companies. He was formerly a director of the Manila Electric Company and Philippine Airlines, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office, and was also formerly Chairman of the Board of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank. He graduated from the University of the Philippines College of Law cum laude. He also holds a Master of Laws degree from Harvard Law School. As a director of a number of companies including listed companies, Atty. Mendoza has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on December 1, 2023.

Ernesto M. Pernia was elected as a Director of the Company on August 4, 2022 and is a Member of the Sustainability Committee of the Company. Mr. Pernia was the Secretary of Socioeconomic Planning and Director General of the National Economic and Development Authority of the Philippines from 2016 until 2020. Since 2013, he has served as Professor Emeritus of Economics, University of the Philippines (U.P.), after having been on the faculty of the U.P. School of Economics for several years. He likewise held the position of Lead Economist at the Asian Development Bank from 1999-2003. Mr. Pernia obtained his MA Economics

degree from the University of Bridgeport, Connecticut in 1969, his AB Economics degree from the University of San Carlos in 1967, his degree of Bachelor of Theology from the UST Central Seminary in 1965, and his AB in Philosophy degree from the San Carlos Major Seminary (Cebu) in 1963. Mr. Pernia has served as Chairman of the Board of Trustees of the University of San Carlos, and a Director on the board of the Philippine-American Academy of Science and Engineering. He was also a former President of the Philippine Economic Society. Mr. Pernia has most recently attended the training on Corporate Governance conducted by the Center for Global Best Practices on November 10, 2023.

Alexander J. Poblador has been a Director of the Company since September 1, 2009 and a Member of the Related Party Transactions Committee and Sustainability Committee of the Company. He has been a member of the Board of Directors of the Company for 15 years. He is the Founding Partner and Chairman of the Executive Committee of Poblador Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization. He also sits as a member of the Board of Directors of Alpha Aviation Group (Phil), Inc., Alsa Industries, Inc., Delfi Foods Inc., Delfi Marketing Inc., Xytron International, Inc. and B-Light Universal Trading, Inc. He is a graduate of the University of the Philippines with a degree in Bachelor of Laws cum laude, class valedictorian, and Bachelor of Arts in Political Science cum laude. He also holds a Master of Laws degree from the University of Michigan, at Ann Arbor, School of Law (De Witt Fellow). As a director of a number of companies including listed companies, Atty. Poblador has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

Ramon F. Villavicencio is a Director of the Company since March 15, 2018. He has been a member of the Board of Directors of the Company for six (6) years. Prior to his election as director of the Company, he owns the ICVI Financial Consultancy Services, has ownership interests in JoyToAll Amusement Corporation and is a consultant of Petro Finance Services, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Commerce and a Masters in Business Administration. As a director of a number of companies including listed companies, Mr. Villavicencio has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

Iñigo U. Zobel has been a Director of the Company since October 2009 and was an Independent Director of the Company from May 5, 1999 until October 2009. He has been a member of the Board of Directors of the Company for 25 years. He is a Member of the Executive Committee of the Company. He holds the position of Chairman of the Board of Top Frontier Investment Holdings, Inc. and is a Director of PAL Holdings, Inc., which are both publicly listed companies. He is also the Chairman of the Board and President of Zygnet Prime Holdings Inc.; Chairman of the Board of IZ Investment Holdings, Inc. and E. Zobel, Inc.; Director of E. Zobel Foundation, Inc. Calatagan Golf Club, Inc., Calatagan Bay Realty, Inc., Hacienda Bigaa, Inc., MERMAC, Inc., among others. He was formerly Chairman (2015-2016), Vice Chairman (since 2016) and President (since 2015) of Manila North Harbour Port, Inc., Philippine Airlines, Inc., and President and Chief Operating Officer of Air Philippines Corporation. He was formerly an Independent Director of San Miguel Brewery Inc., San Miguel Pure Foods Company, Inc., San Miguel Properties, Inc., and Ginebra San Miguel, Inc. He attended Santa Barbara College, California, U.S.A. As a director of a number of companies including listed companies, Mr. Zobel has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

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

Associate Justice of the Sandiganbayan (1997-2004). She completed her Bachelor of Laws in 1972 and Bachelor of Arts degree in political science cum laude in 1968, both from the University of the Philippines. As a director of a number of companies including listed companies, Madame De Castro has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

Diosdado M. Peralta was elected as an Independent Director of the Company on June 8, 2021 and was appointed as a member of the Audit and Risk Oversight Committee, Corporate Governance Committee, and Sustainability Committee. He is an independent director of International Container Terminal Service, Inc., Bloomberry Resorts Corporation, and Philippine Business Bank. He is also an independent director of the Manila Hotel, the Chairman and President of the Heavenly Palace Memorial Park, and a member of the Board of Trustee of the University of the East and U.E.R.M. Hospital. He has been a member of the Board of Directors of the Company for three (3) years. He was the Chief Justice of the Supreme Court from October 23, 2019 until his early retirement on March 27, 2021. He joined the Supreme Court as an Associate Justice in 2011 and was previously Associate Justice of the Sandiganbayan since 2002 prior to his appointment to the Supreme Court. He was previously a judge at the Regional Trial Court of Quezon City, and prosecutor in the City of Manila and Laoag City, Ilocos Norte. He completed his Bachelor of Laws degree from the University of Santo Tomas in 1979 and his undergraduate degree from Colegio de San Juan de Letran in 1974. He was admitted to the Bar in 1980. As a director of a number of companies including listed companies, Mr. Peralta has attended various trainings and seminars on Corporate Governance, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

Reynato S. Puno was elected to the Board as an Independent Director of the Company on January 20, 2011 and is the Chairman of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee and Related Party Transaction Committee of the Company. He has been a member of the Board of Directors of the Company for 14 years. He is also an independent director of San Miguel Brewery Inc., San Miguel Brewery Hong Kong Ltd. (a company publicly listed in the Hong Kong Stock Exchange) and a member of the Board of Commissioners of PT Delta Djakarta Tbk (a company listed in the Indonesia Stock Exchange). He is also the Chairman of the Environmental Heroes Foundation, CyberCool Defcon, Inc., Philippine Bible Society and GenWatt Solar Energy Solutions (Philippines). He is a member of the Board of Trustees of the World Vision Development Foundation, Inc., and a member of the Board of Regents of the Manuel L. Quezon University. He is Vice Chairman of the Board of the GMA Kapuso Foundation; and Director of The New Standard newspaper. He is a legal consultant of the Department of Energy and Union Bank. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Supreme Court as an Associate Justice on June 1993 and was previously Associate Justice of the Court of Appeals (1980, 1986 to 1993), Appellate Justice of the Intermediate Appellate Court (1983), Assistant Solicitor General (1974-1982) and City Judge of Quezon City (1972-1974). He also served as Deputy Minister of Justice from 1984-1986. He completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern Methodist University, Dallas, Texas (1967). As a director of a number of companies including listed companies, Mr. Puno has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

Margarito B. Teves was elected as an Independent Director of the Company on June 14, 2012 and is the Chairman of the Audit and Risk Oversight Committee and a Member of the Corporate Governance Committee and Related Party Transactions Committee of the Company. He has been a member of the Board of Directors of the Company for 13 years. He is also an Independent Director of Petron Corporation, a publicly listed company, SMC Tollways Corporation (formerly, Atlantic Aurum Investments Philippine Corporation), AB Capital Investment Corp., Alphaland Corporation, Alphaland Balesin Island Club, Inc., Alphaland Corporation, The City Club at Alpahaland Makati Place, Inc., and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of the Board of Think Tank Inc. and a director of Pampanga Sugar Development Co. He was Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City

of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics. As a director of a number of companies including listed companies, Mr. Teves has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 20, 2023.

As of the date of this Offer Supplement, the position of Chairman of the Board remains vacant in view of the demise of Mr. Eduardo M. Cojuangco, Jr. on June 16, 2020. Said position was held by Mr. Cojuangco since July 7, 1998.

Senior Management

The table below sets forth the executive officers of the SMC Group as of the date of this Offer Supplement.

Name	Age	Citizenship	Position
Ferdinand K. Constantino	72	Filipino	Senior Vice President - Chief Finance Officer and Treasurer
Virgilio S. Jacinto	67	Filipino	Senior Vice President, General Counsel, Corporate Secretary and Compliance Officer
Aurora T. Calderon	69	Filipino	Senior Vice President and Senior Executive Assistant to the Office of the President and Chief Executive Officer
Joseph N. Pineda	61	Filipino	Senior Vice President - Deputy Chief Finance Officer and Head of Treasury
Lorenzo G. Formoso III	62	Filipino	Senior Vice President and Head of SMC Infrastructure Business
Cecile Caroline U. De Ocampo	58	Filipino	Senior Vice President and Head of Corporate Mergers and Acquisitions
Bryan U. Villanueva	54	Filipino	Senior Vice President for Special Corporate Projects – Office of the President
Bella O. Navarra	63	Filipino	Senior Vice President and Comptroller
Susan Y. Yu	48	Filipino	Senior Vice President and Head of Corporate Procurement

Ferdinand K. Constantino was a Director of the Company from May 31, 2010 to February 28, 2018. He is the Senior Vice President - Chief Finance Officer and Treasurer of the Company. He is also a Director of Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia), President of Anchor Insurance Brokerage Corporation; Director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, San Miguel Foods International Limited (formerly, San Miguel Pure Foods International Limited), SMC Skyway Corporation (formerly, Citra Metro Manila Tollways Corporation), San Miguel Aerocity Inc. and Northern Cement Corporation; and a Trustee of the San Miguel Foundation, Inc. Mr. Constantino is also a member of the board of directors of The Philippine Stock Exchange, Inc. He was formerly a Director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009); Director of San Miguel Properties, Inc. (2001-2009); Chief Finance Officer of Manila Electric Company (2009); Director of Top Frontier Investment Holdings, Inc. (2010-2021); Director (2010-2021), Treasurer (2010-2011), and Vice Chairman (2011-2021) of San Miguel Global Power Holdings Corp.; and Director and Chief Finance Officer of San Miguel Northern Cement, Inc. (2017-2021). He has held directorships in various domestic and international subsidiaries of the Company during the last five (5) years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree. On

September 8, 2023, and November 10, 2023, he attended the corporate governance trainings conducted by SGV & Co., and the Center for Global Best Practices, respectively.

Virgilio S. Jacinto is the Senior Vice President - Corporate Secretary, General Counsel, and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc. and Corporate Secretary of Ginebra San Miguel, Inc. and other subsidiaries and affiliates of SMC. He is a Director of Petron Corporation. He was formerly the Vice President and First Deputy General Counsel from 2006 to 2010 and appointed as SMC General Counsel in 2010. He was Director and Corporate Secretary of United Coconut Planters Bank, Partner at Villareal Law Offices and Associate at SyCip, Salazar, Feliciano & Hernandez Law Office. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines cum laude where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard Law School. He holds various directorships in various local and offshore subsidiaries of SMC. On September 20, 2023, he attended the corporate governance training conducted by SGV &Co.

Joseph N. Pineda is the Senior Vice President and Deputy Chief Finance Officer. Effective June 1, 2021, he was also appointed Head of Treasury of SMC. He was formerly Vice President prior to his promotion on July 27, 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since January 2005. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries. On September 8, 2023, he attended the corporate governance training conducted by CGV & Co.

Lorenzo G. Formoso III is the Senior Vice President and Head of SMC Infrastructure Business. Atty. Formoso holds various directorships in various local and offshore subsidiaries of SMC. He is a member of the Board of Directors of SMC SLEX, Inc., SMC Mass Rail Transit Inc., SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC TPLEX Corporation, Trans Aire Development Holdings Corp., Previously, he was a consultant of the Company for Infrastructure and Transportation from July 2009 to August 2010. He was previously Assistant Secretary of the Department of Transportation and Communication of the Philippine Government from September 2006 to June 2009 and Deputy Commissioner of the Commission on Information and Communications Technology. He obtained his Juris Doctor degree from University of California, Davis School of Law and a degree in Bachelor of Arts in Philosophy from the University of the Philippines. Atty. Formoso is a director in various SMC subsidiaries. On November 10, 2023, he attended the corporate governance training conducted by Center for Global Best Practices.

Cecile Caroline U. De Ocampo is the Senior Vice President and Head of Corporate Mergers and Acquisitions of SMC. She has been the head of Corporate Mergers and Acquisitions since 2016. She has been an officer of the Company since 2002 as Assistant Vice President for Planning and Project Development, and later as Vice President in 2007. She was Planning and Product Development Manager of the Company since 2002. She has been with the Company in various positions since 1990 and has been with Corporate Planning and Development since 2002 until 2007. She is a graduate of Ateneo de Manila University with a degree in BS Management Engineering. On November 10, 2023, she attended the corporate governance training conducted by Center for Global Best Practices.

Bryan U. Villanueva is the Senior Vice President for Special Corporate Projects – Office of the President of SMC since November 2023. He is concurrently serving as Chief Finance Officer of San Miguel Aerocity Inc., a position which he has held since 2020. He has been a consultant of SMC since 2018. Prior to joining SMC, Mr. Villanueva was the Managing Director, Global Head of Finance Sponsors Coverage at Standard Chartered Bank (Singapore) from 2008 to 2017. He was previously with Framework Capital Corporation (Singapore) as Director from 2006 to 2008, Executive Director at UBS Investment Bank (Hong Kong) from 2002 to 2006 and an Associate at Goldman Sachs (US/Singapore/Hong Kong) from 1998 to 2002. In 1991, he obtained a degree in BS Management Engineering from Ateneo de Manila University. He also has a Masters degree in Business Administration, Major in Finance from Wharton Business School. On October 21, 2021, he attended the corporate governance training conducted by Center for Global Best Practices.

Bella O. Navarra is the Senior Vice President and Comptroller of the Company. Ms. Navarra holds various directorships in various local and offshore subsidiaries of SMC. Since 2000, Ms. Navarra was VP and Comptrollership Manager of the Company. Prior to joining SMC, Ms. Navarra was Vice President – Office of the Treasurer at SGV & Company from 1989 to 2000. She was also audit manager at PCI Bank from 1980 to 1989. She graduated with a degree in BS Accounting from the University of the East. On November 10, 2023, she attended the corporate governance training conducted by Center for Global Best Practices.

Susan Y. Yu is the Senior Vice President of the Company and Head of Corporate Procurement. Ms. Susan Yu holds various directorships in various local and offshore subsidiaries of SMC. Prior to this appointment, Ms. Susan Yu was Vice President for Special Projects at Petron Corporation from January to February 2024, and Vice President, Senior Procurement Manager at Petron Corporation from April 2009 to December 2023. She was also AVP and Senior Procurement Manager at San Miguel Brewery Inc from March 2008 to March 2009, AVP and Senior Procurement Manager at CSU from 2006 to 2008 and was at CSU Corporate Procurement from 2003 to 2006. She was Fuel Purchasing and Risk Management Manager at Philippine Airlines from 1997 to 2003. She graduated with a degree in BS Management from De La Salle University and has an MBA from Ateneo de Manila University. On September 20, 2023, she attended the corporate governance training conducted by SGV&Co.

Committees of the Board of Directors

The Company's Board of Directors appoints directors to the five (5) Board committees set forth below. Each member of the respective committees named below holds office as of the date of this Offer Supplement and will serve until his successor is elected and qualified. The five (5) committees are: (i) the Executive Committee; (ii) the Audit and Risk Oversight Committee; (iii) the Related Party Transactions Committee; (iv) the Corporate Governance Committee; and (v) the Sustainability Committee. The attendance of a majority of its members will constitute a quorum for the committee to transact business. The committee will act only on the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum.

Executive Committee

The Executive Committee is tasked to help and assist the officers in the management and direction of the affairs of the Company. It acts within the powers and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of the power to appoint any entity as general managers or management or technical consultants, to guarantee obligations of other corporations in which the Company has lawful interest, to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests, and to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.

The Executive Committee is currently composed of four (4) directors that includes the President. The acting Chairman of the Executive Committee is the Vice Chairman, Mr. Ramon S. Ang. The members of the committee are Messrs. Estelito P. Mendoza, Menardo R. Jimenez, and Iñigo U. Zobel.

Audit and Risk Oversight Committee

The Audit and Risk Oversight Committee is responsible for assisting the Board in the performance of its oversight responsibility on financial reports and financial reporting process, internal control system, audit process and plans, directly interfacing with internal and external auditors, and in monitoring and facilitating compliance with both the internal financial management manual and pertinent accounting standards, including regulatory requirements, elevating to international standards the accounting and auditing processes, practices and methodologies of the Company. The committee performs financial oversight management functions, specifically in the areas of credit management, markets liquidity, operational, legal and other risks, as well as crisis management. The Audit and Risk Oversight committee has primary responsibility for recommending the appointment and removal of the Company's external auditor. Presently, the Company's external auditor is R.G. Manabat & Co.

The Audit and Risk Oversight Committee is composed of five (5) members, four (4) of whom are non-executive and independent directors. All committee members have relevant background, knowledge, skills or experience in the areas of accounting, auditing and finance. The members of the committee are Mr. Reynato S. Puno (Independent), Ms. Teresita J. Leonardo-De Castro (Independent), Mr. Diosdado M. Peralta (Independent), and Mr. Estelito P. Mendoza. The chairperson of the Audit Committee is Mr. Margarito B. Teves (Independent).

Related Party Transactions Committee

The Related Party Transactions Committee is tasked to review all material related party transactions ("**RPTs**") of the Company to make certain that these are entered into, as a matter of policy, on an arms-length basis and at market rates. It shall evaluate existing relations between and among businesses and counterparties to ensure the identification of all related parties, including changes in relationships of counterparties, and that RPTs are monitored. The committee is responsible for ensuring that appropriate disclosures are made relating to the Company's RPT exposures and policies on conflict of interest. It shall also oversee the periodic review of RPT policies and procedures.

The Related Party Transactions Committee is composed of five (5) members. The members of the committee are Messrs. Margarito B. Teves (Independent), Joselito D. Campos, Jr., Alexander J. Poblador, and Reynato S. Puno (Independent). The Chairman of the Related Party Transactions Committee is Ms. Teresita J. Leonardo-De Castro (Independent).

Corporate Governance Committee

The Corporate Governance Committee is tasked to ensure the Company's compliance and proper observance of corporate governance principles and practices. It oversees the implementation of the Company's corporate governance framework and the performance evaluation of the Board and its committees, as well as top management, to ensure that management's performance is at par with the standards set by the Board. The committee advises the Board on the establishment of a formal and transparent procedure for developing policy on remuneration of directors and senior management that is aligned with the long-term interests of the Company, ensuring that compensation is consistent with the Company's culture and strategy, as well as the business environment in which it operates. It likewise reviews and oversees the implementation of policies relating to business interest disclosures and conflict of interest, appointments and promotions of officers, and succession planning. Further, the committee determines the nomination and election process for the Company's Board of Directors, and screens and shortlists candidates to the Board in accordance with the qualifications and disqualifications for directors defined in the Company's by-laws, Manual on Corporate Governance, and applicable laws and regulations.

The Corporate Governance Committee is composed of five (5) directors of the Company, three (3) of whom are Independent Directors. The Corporate Governance Committee chairperson is Mr. Reynato S. Puno (Independent). The members of the committee are Messrs. Margarito B. Teves (Independent), Menardo R. Jimenez, Diosdado M. Peralta (Independent) and Ms. Aurora T. Calderon.

Sustainability Committee

The Sustainability Committee is tasked to assist the Board in fulfilling its oversight responsibilities in relation to the objectives, policies, and practices of the Company pertaining to sustainability. The main functions and duties of the Sustainability Committee include the following: review the effectiveness of the strategies, policies, principles, and practices of the Company pertaining to sustainability and operational excellence, as a Group; provide oversight and input to management to ensure that the strategies, goals, and principles of the Group pertaining to sustainability and operational excellence (i.e., pertaining to the environment, employees, and communities in which it operates) are aligned with, promote, and encourage its commitment toward sustainability; advise on the Sustainability Report prior to reporting to the Board; review issues relating to sustainability arising from independent audits and assurance reports, as well as any matters highlighted by the consultants; consider and recommend to the Board positioning on relevant emerging

sustainability issues; provide the Board with assurance of the quality and technical content of the sustainability information used by the Board, and of the sustainability information issued publicly by the Group; oversee the stakeholder dialogue process and its outcomes that address social and environmental matters regarding the strategic sustainability goals; and oversight of the Corporate Sustainability Office, among others.

The Sustainability Committee is composed of five (5) directors of the Company. The Sustainability Committee chairperson is Ms. Teresita J. Leonardo-De Castro (Independent). The members of the committee are Ms. Aurora T. Calderon, Messrs. Diosdado M. Peralta (Independent), Ernesto M. Pernia, and Alexander J. Poblador.

Corporate Governance

The Company recognizes that good governance helps the business to deliver strategy, generate and sustain shareholder value, and safeguard shareholders' rights and interests. The Company's Board of Directors, management and employees adhere to the highest standards of corporate governance as a vital component of sound business management.

The Company's Board of Directors, led by Vice Chairman Ramon S. Ang, believes in conducting the business affairs of the Company in a fair and transparent manner and in maintaining the highest ethical standards in all the Company's business dealings.

Manual on Corporate Governance

The first Manual on Corporate Governance of the Company was approved by the Board of Directors on June 27, 2002. On May 10, 2017, the Board of Directors approved a new Manual on Corporate Governance (the "**Manual**") to align with the Code of Corporate Governance for Publicly-Listed Companies issued by the SEC under SEC Memorandum Circular No. 19, series of 2016. The Manual is available for examination in the Company's corporate website at *https://www.sanmiguel.com.ph/disclosures/manual-of-corporate-governance*.

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual is vested by the Board of Directors on the compliance officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Compliance Officer has certified that the Company has substantially adopted all the provisions of the Manual.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders. On April 14, 2010, the Board of Directors amended the Manual pursuant to the Revised Code of Corporate Governance issued by the SEC under its Memorandum Circular No. 6, series of 2009. On March 27, 2014, the Board of Directors approved further amendments to the Manual to reflect the requirements of the SEC on the annual training requirement of directors and key officers of the Company, and the requirements on the reporting of compliance with the Manual. On May 10, 2017, the Company amended the Manual on Corporate Governance in compliance with the regulations of the SEC Memorandum Circular No. 19, Series of 2016 which adopted the Code of Corporate Governance for Publicly Listed Companies.

There are no such material deviations from the Company's Manual of Corporate Governance for which a satisfactory explanation was not offered.

Compliance and Monitoring System

To ensure adherence to corporate governance principles and best practices, the Board of Directors has appointed a Compliance Officer for the Company, Atty. Virgilio S. Jacinto. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of the Manual,

as may be amended from time to time, applicable laws and the rules and regulations of the relevant regulatory agencies. The Compliance Officer holds the position of Senior Vice President and has direct reporting responsibilities to the Chairman of the Board.

In the regular board meeting held on August 10, 2017, the Board approved the adoption by the Corporate Governance Committee, and the Related Party Transactions Committee of their respective Charters, as reviewed and endorsed by each Committee. The approval of the adoption by the Audit and Risk Oversight Committee of its Charter was approved by the Board on August 13, 2012 upon the endorsement of the Audit Committee. The Charters of the Audit and Risk Oversight Committee, the Corporate Governance Committee, and the Related Party Transactions Committee each outline the purpose, membership and qualifications, structure and operations, duties and responsibilities, reporting process and performance evaluation of the said Board Committees, and the procedures which shall guide the conduct of its functions, to ensure adherence by the Company to the best practices of good corporate governance. The full texts of said Charters may be viewed at the Company's corporate website at *https://www.sanmiguel.com.ph/page/company-policy*.

The Company submits its Integrated Annual Corporate Governance Reports (I-ACGR) in accordance with SEC Memorandum Circular No. 15, series of 2017. Such I-ACGRs are posted in the Company's corporate website at *https://www.sanmiguel.com.ph/disclosures/annual-corporate-governance-report-acgr* for the guidance of the investing public.

The Company encourages its directors and officers to attend continuous professional education programs.

The Company organizes an annual seminar or program on Corporate Governance for directors and key officers, in accordance with SEC regulations.

The Company continues to review and strengthen its policies and procedures on corporate governance, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of the Company and its stockholders.

Shareholder and Investor Relations

The Company responds to information request from the investing community and keeps shareholders informed through timely disclosures to the PSE and SEC, annual shareholders meeting, investors briefing and conferences, the website of the Company and responses to email and telephone queries. The disclosures of the Company and other filings with the PSE and SEC are available for viewing and download from the website of the Company.

The Company through the Investor Relations Group under Corporate Finance holds regular briefings and meetings with investment and financial analysts.

Family Relationships

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

Involvement in Certain Legal Proceedings

Save for the pending cases in the ordinary course of business of the Company and its subsidiaries and affiliates, and their clients, where they are impleaded as executive officer and/or director or counsel, none of the directors, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, which is not

subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date that is material to the evaluation of his or her ability or integrity to hold the relevant position in the Company.

Compensation of Directors and Executive Officers

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

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers: (1) Ramon S. Ang, (2) Ferdinand K. Constantino, (3) Aurora T. Calderon, (4) Virgilio S. Jacinto and (5) Joseph N. Pineda	2024 (estimated)	₱174.5 million	₱52.4 million	₱15.9 million	₱242.8 million
	2023	₱184.8 million	₱49.7 million	₱28.3 million	₱262.8 million
	2022	₱182.3 million	₱149.7 million	₱26.8 million	₱358.8 million
All other officers and directors as a group unnamed	2024 (estimated)	₱282.0 million	₱84.8 million	₱61.5 million	₱428.3 million
	2023	₱265.7 million	₱80.6 million	₱62.6 million	₱408.9 million
	2022	₱240.9 million	₱94.7 million	₱63.3 million	₱398.9 million
Total	2024 (estimated)	₱456.5 million	₱137.2 million	₱77.4 million	₱671.1 million
	2023	₱450.5 million	₱130.3 million	₱90.9 million	₱671.1 million
	2022	₱423.2 million	₱244.4 million	₱90.1 million	₱757.7 million

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

Name of Director	Per Diems	Directors' Fees	Total
1. Ramon S. Ang	₱450,000.00	₱4,826,031.70	₱5,276,031.70
2. John Paul L. Ang	₱350,000.00	₱4,826,031.70	₱5,176,031.70
3. Aurora T. Calderon	₱550,000.00	₱4,826,031.70	₱5,376,031.70
4. Joselito D. Campos, Jr.	₱420,000.00	₱4,826,031.70	₱5,246,031.70
5. Teresita L. De Castro	₱500,000.00	₱4,826,031.70	₱5,326,031.70

6. Jose C. De Venecia, Jr.	₱350,000.00	₱4,826,031.70	₱5,176,031.70
7. Menardo R. Jimenez	₱480,000.00	₱4,826,031.70	₱5,306,031.70
8. Estelito P. Mendoza	₱410,000.00	₱4,826,031.70	₱5,236,031.70
9.Diosdado M. Peralta	₱560,000.00	₱4,826,031.70	₱5,386,031.70
10. Ernesto D. Pernia	₱400,000.00	₱3,619,523.78	₱4,019,523.78
11.Alexander J. Poblador	₱420,000.00	₱4,826,031.70	₱5,246,031.70
12.Reynato S. Puno	₱580,000.00	₱4,826,031.70	₱5,406,031.70
13.Margarito B. Teves	₱580,000.00	₱4,826,031.70	₱5,406,031.70
14.Ramon F. Villavicencio	₱400,000.00	₱4,826,031.70	₱5,226,031.70
15.Inigo U. Zobel	₱400,000.00	₱4,826,031.70	₱5,226,031.70
TOTAL	**₱6,850,000.00**	**₱71,183,967.58**	**₱78,033,967.58**

Section 10 of Article III of the Amended By-laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper. The Company provides each director with reasonable per diem of ₱50,000 and ₱20,000 for each Board and Committee meeting attended, respectively. In 2023, the members of the Board of Directors of the Company were paid an aggregate amount of ₱72.39 million.

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

On March 1, 2007, the Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and 26, 2008, the Company approved the grant of options to 755 executives consisting of 5.77 million shares and to 742 executives consisting of 7.46 million shares, respectively.

As of December 31, 2023, there are no more outstanding options under the LTIP held by the Chief Executive Officer and Senior Executive Officers of the Company, and officers and middle managers as a group. There are no more outstanding, exercised and cancelled options to date.

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

Other Arrangements

There are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

Employment Contract

In lieu of an employment contract, the directors are elected at the annual meeting of stockholders for a one (1) year term. Any director elected in the interim will serve for the remaining term until the next annual meeting.

Warrants or Options

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

OWNERSHIP AND CAPITALIZATION

Share Capital

As of March 31, 2024, the Company had the following outstanding capital stock:

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding as of March 31, 2024	
Common Shares	2,383,896,588	
SUB-TOTAL (Common Shares)		2,383,896,588
Series "2-F" Preferred Shares	223,333,500	
Series "2-I" Preferred Shares	169,333,400	
Series "2-J" Preferred Shares	266,666,667	
Series "2-K" Preferred Shares	183,904,900	
Series "2-L" Preferred Shares	165,358,600	
Series "2-M" Preferred Shares	173,333,325	
Series "2-N" Preferred Shares	100,115,100	
Series "2-O" Preferred Shares	187,859,700	
SUB-TOTAL (Preferred Shares)		1,469,905,192
TOTAL Outstanding Shares		**3,853,801,780**

List of Top 20 Stockholders

The top 20 common and preferred stockholders of the Company as of March 31, 2024 are as follows:

	Stockholder Name	Common	Preferred S2	Total Shares	% to Total Outstanding Capital Stock
1.	Top Frontier Investment Holdings, Inc.	1,424,111,661	0	1,424,111,661	36.95%
2.	PCD Nominee Corporation (Filipino)	294,515,816	1,049,140,612	1,343,656,428	34.87%
3.	Privado Holdings, Corp.	368,140,516	0	368,140,516	9.55%
4.	Government Service Insurance System	0	133,333,330	133,333,330	3.46%
5.	PCD Nominee Corporation (Non- Filipino)	116,167,684	9,105,055	125,272,739	3.25%
6.	Social Security System	0	52,461,833	52,461,833	1.36%
7.	Republic of the Philippines	27,636,339	0	27,636,339	0.72%
8.	SGOC Holdings Corporation	1,512,895	18,798,000	20,310,895	0.53%
9.	San Miguel Brewery Inc. Retirement Plan	0	20,153,700	20,153,700	0.52%
10.	Social Security System Assigned to Mandatory Provident Fund	0	17,999,999	17,999,999	0.47%
11.	LOCC Holdings Corporation	0	16,098,000	16,098,000	0.42%
12.	Tincobar Holdings Corporation	0	16,098,000	16,098,000	0.42%
13.	Saint Bruno Holdings Corporation	0	16,098,000	16,098,000	0.42%
14.	CCJ Holdings Corporation	0	16,098,000	16,098,000	0.42%
15.	Juan Bruno Holdings OPC	252,148	13,865,000	14,117,148	0.37%

16.	The Insular Life Assurance Company Ltd.	0	13,333,330	13,333,330	0.35%
17.	Petron Corporation Employees' Retirement Plan	12,237,100	0	12,237,100	0.32%
18.	Greater Reunion Holdings Inc.	0	11,785,250	11,785,250	0.31%
19.	Millennium Energy, Inc.	10,807,380	0	10,807,380	0.28%
20.	San Miguel Corporation Retirement Plan FIP	0	8,233,400	8,233,400	0.21%
	TOTAL	**2,255,381,539**	**1,412,601,509**	**3,667,983,048**	**95.18%**

Foreign Ownership by Nationality as of March 31, 2024

Nationality	SMC-Common	SMC2F	SMC2I	SMC2J	SMC2K	SMC2L	SMC2M	SMC2N	SMC2O
American	629	-	-	-	-	-	-	-	-
Australian	26	-	-	-	-	-	-	-	-
Austrian	3	1	-	-	-	-	-	-	-
Belgian	1	-	-	-	-	-	-	-	-
British	37	-	-	-	-	-	-	-	-
Canadian	41	1	-	-	-	-	-	-	-
Chinese	429	2	1	-	-	-	-	-	-
Chinese/Hong Kong	2	-	-	-	-	-	-	-	-
Danish	6	-	-	-	-	-	-	-	-
Dutch	3	-	-	-	-	-	-	-	-
Filipino	31,915	128	101	49	20	22	5	37	36
French	3	-	-	-	-	-	-	-	-
German	19	-	-	-	-	-	-	-	-
Indian	5	-	-	-	-	-	-	-	-
Irish	3	-	-	-	-	-	-	-	-
Israeli	3	-	-	-	-	-	-	-	-
Italian	1	-	-	-	-	-	-	-	-
Jamaican	1	-	-	-	-	-	-	-	-
Japanese	15	-	-	-	-	-	-	-	-
Korean	5	-	-	-	-	-	-	-	-
Lithuanian	1	-	-	-	-	-	-	-	-
Malaysian	5	-	-	-	-	-	-	-	-
New Zealand	5	-	-	-	-	-	-	-	-
Others	14	1	1	1	1	1	-	1	1
Pakistani	1	-	-	-	-	-	-	-	-
Portuguese	5	-	-	-	-	-	-	-	-
Singaporean	5	-	-	-	-	-	-	-	-
Spanish	118	-	-	-	-	-	-	-	-
Swedish	3	-	-	-	-	-	-	-	-
Swiss	8	-	-	-	-	-	-	-	-

Taiwanese	6	-	-	-	-	-	-	-	-
Ukrainian	1	-	-	-	-	-	-	-	-
TOTAL	**33,319**	**133**	**103**	**50**	**21**	**23**	**5**	**38**	**37**

Security Ownership of Directors and Officers

The owners of more than 5% of the Company's voting[a] securities (both common and preferred shares) as of March 31, 2024 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Total Outstanding Capital Stock
Common	**Top Frontier Investment Holdings, Inc.**[b] 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	Iñigo U. Zobel, Filipino, Director of the Company; and Ramon S. Ang, Filipino, the President and Chief Executive Officer of the Company, are beneficial owners of 52.82% and 34.86%[c] of the outstanding common stock of Top Frontier Investment Holdings, Inc., respectively.	Filipino	1,472,668,340	38.21%
Common	**PCD Nominee Corporation (Filipino)** Makati City	Various individuals/ Entities	Filipino	294,515,816	34.87%
Series 2 Preferred Shares	**PCD Nominee Corporation (Filipino)** Makati City	Various individuals/ Entities	Filipino	1,049,140,612	
Common	**Privado Holdings, Corp.** 5th Floor, ENZO Building, No. 339, Sen. Gil Puyat, Makati City	Ramon S. Ang, Filipino, as beneficial owner of 100% of the outstanding capital stock of Privado Holdings, Corp.	Filipino	373,623,796[d]	9.69%

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

[b] The shares owned by Top Frontier Investment Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of March 31, 2024, Top Frontier Investment Holdings, Inc. has voting rights to a total of 1,472,668,340 shares of the Company, inclusive of 48,556,679 common shares that are lodged with the PDTC, which represent about 61.78% of the outstanding common capital stock of the Company.

[c] As of March 31, 2024, through Privado Holdings, Corp., Far East Holdings, Inc. and Master Year Limited, all stockholders of record of Top Frontier Investment Holdings, Inc.

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

The following are the number of shares comprising the Company's capital stock owned of record by the Chief Executive Officer, the directors, and key officers of the Company, as of March 31, 2024:

Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares and Percent to Total Outstanding Capital Stock
	Common	Preferred		
Ramon S. Ang	1,345,429 (D) 368,140,516 (I)[a] 5,483,280 (I)[b] 194,076,265 (I)[c] 143,642,255 (I)[d] 175,370,472 (I)[e] 295,741 (I)[f]		Filipino	888,353,958 (23.05%)
John Paul L. Ang	5,000 (D)		Filipino	5,000 (0.00%)
Aurora T. Calderon	22,600 (D)		Filipino	22,600 (0.00%)
Joselito D. Campos, Jr.	9,149 (D)		Filipino	9,149 (0.00%)
Teresita J. Leonardo-De Castro	5,000 (D)		Filipino	5,000 (0.00%)
Jose C. de Venecia, Jr.	5,000 (D)		Filipino	5,000 (0.00%)
Menardo R. Jimenez	5,000 (D)		Filipino	5,000 (0.00%)
Estelito P. Mendoza	31,972 (D)		Filipino	31,972 (0.00%)
Diosdado M. Peralta	5,000 (D)		Filipino	5,000 (0.00%)
Ernesto M. Pernia	5,000 (D)		Filipino	5,000 (0.00%)
Alexander J. Poblador	5,000 (D)		Filipino	5,000 (0.00%)
Reynato S. Puno	5,000 (D)		Filipino	5,000 (0.00%)
Margarito B. Teves	5,000 (D)		Filipino	5,000 (0.00%)
Ramon F. Villavicencio	35,000(D) 9,000 (I)		Filipino	44,000 (0.00%)
Iñigo U. Zobel	16,171 (D) 777,871,381 (I)[g]		Filipino	777,887,552 (20.18%)
Ferdinand K. Constantino	477,692 (D)	66,600 (I)	Filipino	544,292 (0.01%)
Virgilio S. Jacinto	180,830 (D)		Filipino	180,830 (0.00%)
Joseph N. Pineda	62,715 (I)		Filipino	62,715 (0.00%)
Lorenzo G. Formoso III	20,000(D)		Filipino	20,000 (0.00%)
Cecile Caroline U. De Ocampo	1,950 (D)	47,800 (I)	Filipino	49,750 (0.00%)
Bryan U. Villanueva	0 (N/A)		Filipino	0 (0.00%)
Bella O. Navarra	116,913 (D)	65,000 (I)	Filipino	181,913 (0.00%)
Susan Y. Yu	0 (N/A)		Filipino	0 (0.00%)

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

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

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

[d] *Through his direct shareholdings in Privado Holdings Corp. which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.*
[e] *Through his direct shareholdings in Far East Holdings, Inc. which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.*
[f] *Through his direct shareholdings in Top Frontier Investment Holdings, Inc. which has shares in the Company.*
[g] *Through his 52.82% shareholdings in the common stock of Top Frontier Investment Holdings, Inc.*

The aggregate number of shares directly or indirectly owned of record by the President and Chief Executive Officer, key officers and directors (as a group) of the Company as of March 31, 2024 is 1,667,433,731 or approximately 43.27% of the outstanding capital stock of the Company.

Voting Trust of Holders of 5% and more

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

Changes in Control

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

MARKET PRICE OF AND DIVIDENDS ON THE EQUITY OF SMC AND RELATED SHAREHOLDER MATTERS

Market Information

The common shares of SMC are listed on the PSE. The high and low sales prices for each period are indicated in the table below.

The common shares and Series 2 Preferred Shares of SMC are traded on the PSE. The high and low closing prices for each quarter from 2021 to 2023 and for the first quarter of 2024 are as follows.

Class of Shares	2024	
	1st	
	High	Low
Common	124.70	101.10
Preferred – 2F	73.50	71.50
Preferred – 2I	73.75	70.10
Preferred – 2J	73.90	67.00
Preferred – 2K	75.00	66.00
Preferred – 2L	79.00	75.25
Preferred – 2N	78.80	76.50
Preferred – 2O	80.70	76.75

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

Class of Shares	2022							
	1st		2nd		3rd		4th	
	High	Low	High	Low	High	Low	High	Low
Common	115.00	98.95	110.00	100.00	107.80	92.10	103.40	92.80
Preferred – 2F	79.75	75.05	78.20	75.00	77.50	75.30	76.50	74.00
Preferred – 2H	77.40	75.20	76.70	74.50	76.00	74.00	75.50	73.80
Preferred – 2I	79.60	76.00	80.00	76.00	77.00	75.30	75.75	72.00
Preferred – 2J	78.00	76.20	76.50	70.50	75.00	70.00	74.00	67.50
Preferred – 2K	77.00	74.25	76.00	72.15	74.50	71.15	73.00	67.10

Class of Shares	2021							
	1st		2nd		3rd		4th	
	High	Low	High	Low	High	Low	High	Low
Common	134.00	110.00	121.70	111.10	118.00	102.30	122.00	109.60
Preferred – 2C	80.90	77.70	80.00	77.65	79.90	75.90	-	-
Preferred – 2E	78.00	75.40	77.85	75.70	77.45	75.50	-	-
Preferred – 2F	79.75	77.25	79.90	78.00	79.90	77.60	80.00	78.25
Preferred – 2G	77.00	75.40	-	-	-	-	-	-
Preferred – 2H	79.00	75.65	78.85	76.00	78.20	76.60	77.50	75.60
Preferred – 2I	79.00	76.70	79.80	77.00	79.50	76.00	79.80	76.00
Preferred – 2J	77.20	75.10	80.00	75.00	77.00	75.50	77.80	76.25
Preferred – 2K	77.50	75.00	77.15	75.00	77.00	75.15	76.95	75.30

Class of Shares	2020							
	1st		2nd		3rd		4th	
	High	Low	High	Low	High	Low	High	Low
Common	165.00	72.50	110.00	90.80	105.10	95.70	142.90	98.35
Preferred – 2C	78.95	74.80	78.95	75.50	79.00	76.80	79.00	77.05
Preferred – 2D	76.05	73.00	76.15	73.40	75.90	75.00	--	--
Preferred – 2E	76.50	73.00	76.35	73.05	77.15	75.00	77.10	75.20
Preferred – 2F	78.00	74.00	80.00	74.50	79.50	76.20	79.00	76.80
Preferred – 2G	76.40	73.00	77.00	73.75	77.85	75.25	77.80	75.05
Preferred – 2H	76.50	74.00	77.00	73.80	77.30	75.05	78.00	75.45
Preferred – 2I	77.00	73.50	78.90	75.50	79.00	75.50	79.00	75.80
Preferred – 2J	-	-	-	-	-	-	77.10	75.00
Preferred – 2K	-	-	-	-	-	-	76.40	75.00

Dividends and Dividend Policy

Cash dividends declared by the Board of Directors of SMC and paid to common shareholders amounted to ₱1.40 per share in 2023.

Cash dividends declared by the Board of Directors of SMC and paid to all Series "2" – Subseries "2-F", Subseries "2-I", Subseries "2-J", Subseries "2-K" and Subseries "M" preferred shareholders amounted to ₱5.1054, ₱4.751625, ₱3.5625, ₱3.375 and ₱1.5703125 per share, respectively, in 2023.

Dividends may be declared at the discretion of the Board of Directors and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors the Board of Directors may deem relevant.

The table below sets forth the amount of dividends declared and paid since 2020.

Common Shares					
Year	Type	Per Share Amount (₱)	Date Declared	Record Date	Payment Date
2020	Cash	0.35	March 12	April 3	April 30
	Cash	0.35	June 30	July 15	July 31
	Cash	0.35	September 10	October 9	October 30
	Cash	0.35	December 3	January 4, 2021	January 22, 2021
Total:		**1.40**			
2021	Cash	0.35	March 11	April 5	April 30
	Cash	0.35	June 8	July 2	July 28
	Cash	0.35	September 9	October 8	October 29
	Cash	0.35	December 2	January 4, 2022	January 21, 2022
Total:		**1.40**			
2022	Cash	0.35	March 10	April 1	April 29
	Cash	0.35	June 14	July 1	July 27
	Cash	0.35	September 22	October 7	October 28
	Cash	0.35	December 7	January 6	January 27, 2023
Total:		**1.40**			
2023	Cash	0.35	March 9	March 31	April 28
	Cash	0.35	June 13	June 30	July 26
	Cash	0.35	September 7	October 6	October 27
	Cash	0.35	December 7	January 5, 2024	January 26, 2024

Total:		**1.40**			
2024	Cash	**0.35**	March 11	March 27	April 26
Total:		**0.35**			

Preferred Shares - Series 1					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.0565625	January 23	March 20	April 3
Total:		**1.0565625**			

Preferred Shares - Series 2C					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.50	January 23	March 20	April 3
	Cash	1.50	May 28	June 19	July 3
	Cash	1.50	August 6	September 21	October 5
	Cash	1.50	November 5	December 18	January 8, 2021
Total:		**6.00**			
2021	Cash	1.50	January 21	March 19	April 5
	Cash	1.50	May 6	June 21	July 2
	Cash	1.50	August 5	September 21	October 1
Total:		**4.50**			

Preferred Shares - Series 2D					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.11433125	January 23	March 20	April 3
	Cash	1.11433125	May 28	June 19	July 3
	Cash	1.11433125	August 6	September 21	October 5
Total:		**3.34299375**			

Preferred Shares - Series 2E					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.18603125	January 23	March 20	April 3
	Cash	1.18603125	May 28	June 19	July 3
	Cash	1.18603125	August 6	September 21	October 5
	Cash	1.18603125	November 5	December 18	January 8, 2021
Total:		**4.74412500**			
2021	Cash	1.18603125	January 21	March 19	April 5
	Cash	1.18603125	May 6	June 21	July 2
	Cash	1.18603125	August 5	September 21	October 1
Total:		**3.55809375**			

Preferred Shares - Series 2F					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.27635	January 23	March 20	April 3
	Cash	1.27635	May 28	June 19	July 3
	Cash	1.27635	August 6	September 21	October 5
	Cash	1.27635	November 5	December 18	January 8, 2021
Total:		**5.10540**			
2021	Cash	1.27635	January 21	March 19	April 5
	Cash	1.27635	May 6	June 21	July 2
	Cash	1.27635	August 5	September 21	October 1
	Cash	1.27635	November 11	December 21	January 7, 2022
Total:		**5.10540**			
2022	Cash	1.27635	February 10	March 21	April 1
	Cash	1.27635	May 5	June 21	July 4
	Cash	1.27635	August 4	September 21	October 4
	Cash	1.27635	November 14	December 21	January 3, 2023
Total:		**5.10540**			
2023	Cash	1.27635	January 26	March 21	April 4
	Cash	1.27635	May 11	June 21	July 5
	Cash	1.27635	August 3	September 21	October 5
	Cash	1.27635	November 9	December 21	January 4, 2024
Total:		**5.10540**			
2024	**Cash**	1.27635	January 18	March 21	April 4
Total:		**1.27635**			

Preferred Shares - Series 2G					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.23361875	January 23	March 20	April 3
	Cash	1.23361875	May 28	June 19	July 3
	Cash	1.23361875	August 6	September 21	October 5
	Cash	1.23361875	November 5	December 18	January 8, 2021
Total:		**4.93447500**			
2021	Cash	1.23361875	January 21	March 19	April 5
Total:		**1.23361875**			

Preferred Shares - Series 2H					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.1854125	January 23	March 20	April 3
	Cash	1.1854125	May 28	June 19	July 3
	Cash	1.1854125	August 6	September 21	October 5
	Cash	1.1854125	November 5	December 18	January 8, 2021
Total:		**4.7416500**			
2021	Cash	1.1854125	January 21	March 19	April 5
	Cash	1.1854125	May 6	June 21	July 2

	Cash	1.1854125	August 5	September 21	October 1
	Cash	1.1854125	November 11	December 21	January 7, 2022
Total:		**4.7416500**			
2022	Cash	1.1854125	February 10	March 21	April 1
	Cash	1.1854125	May 5	June 21	July 4
	Cash	1.1854125	August 4	September 21	October 4
	Cash	1.1854125	November 14	December 21	January 3, 2023
Total:		**4.7416500**			

Preferred Shares - Series 2I					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	1.18790625	January 23	March 20	April 3
	Cash	1.18790625	May 28	June 19	July 3
	Cash	1.18790625	August 6	September 21	October 5
	Cash	1.18790625	November 5	December 18	January 8, 2021
Total:		**4.75162500**			
2021	Cash	1.18790625	January 21	March 19	April 5
	Cash	1.18790625	May 6	June 21	July 2
	Cash	1.18790625	August 5	September 21	October 1
	Cash	1.18790625	November 11	December 21	January 7, 2022
Total:		**4.75162500**			
2022	Cash	1.18790625	February 10	March 21	April 1
	Cash	1.18790625	May 5	June 21	July 4
	Cash	1.18790625	August 4	September 21	October 4
	Cash	1.18790625	November 14	December 21	January 3, 2023
Total:		**4.751625**			
2023	Cash	1.18790625	January 26	March 21	April 4
	Cash	1.18790625	May 11	June 21	July 5
	Cash	1.18790625	August 3	September 21	October 5
	Cash	1.18790625	November 9	December 21	January 4, 2024
Total:		**4.751625**			
2024	Cash	1.18790625	January 18	March 21	April 4
Total:		**1.18790625**			

Preferred Shares - Series 2J					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2020	Cash	0.890625	November 5	December 18	January 8, 2021
Total:		**0.890625**			
2021	Cash	0.890625	January 21	March 19	April 5
	Cash	0.890625	May 6	June 21	July 2
	Cash	0.890625	August 5	September 21	October 1
	Cash	0.890625	November 11	December 21	January 7, 2022
Total:		**3.562500**			
2022	Cash	0.890625	February 10	March 21	April 1

	Cash	0.890625	May 5	June 21	July 4
	Cash	0.890625	August 4	September 21	October 4
	Cash	0.890625	November 14	December 21	January 3, 2023
Total:		**3.562500**			
2023	Cash	0.890625	January 26	March 21	April 4
	Cash	0.890625	May 11	June 21	July 5
	Cash	0.890625	August 3	September 21	October 5
	Cash	0.890625	November 9	December 21	January 4, 2024
Total:		**3.562500**			
2024	Cash	0.890625	January 18	March 21	April 4
Total:		**0.890625**			

Preferred Shares - Series 2K					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2021	Cash	0.84375	January 21	March 19	April 5
	Cash	0.84375	May 6	June 21	July 2
	Cash	0.84375	August 5	September 21	October 1
	Cash	0.84375	November 11	December 21	January 7, 2022
Total:		**3.37500**			
2022	Cash	0.84375	February 10	March 21	April 1
	Cash	0.84375	May 5	June 21	July 4
	Cash	0.84375	August 4	September 21	October 4
	Cash	0.84375	November 14	December 21	January 3, 2023
Total:		**3.37500**			
2023	Cash	0.84375	January 26	March 21	April 4
	Cash	0.84375	May 11	June 21	July 5
	Cash	0.84375	August 3	September 21	October 5
	Cash	0.84375	November 9	December 21	January 4, 2024
Total:		**3.37500**			
2024	Cash	0.84375	January 18	March 21	April 4
Total:		**0.84375**			

Preferred Shares - Series 2L					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2024	Cash	1.48396875	January 18	March 21	April 4
Total:		**1.48396875**			

Preferred Shares - Series 2M					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2023	Cash	1.5703125	November 9	December 21	January 4, 2024
Total:		**1.5703125**			
2024	Cash	1.5703125	January 18	March 21	April 4

Total:		**1.5703125**			

Preferred Shares - Series 2N					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2024	Cash	1.5649875	January 18	March 21	April 4
Total:		**1.5649875**			

Preferred Shares - Series 2O					
Year	**Type**	**Per Share Amount (₱)**	**Date Declared**	**Record Date**	**Payment Date**
2024	Cash	1.611300	January 18	March 21	April 4
Total:		**1.611300**			

Similarly, the subsidiaries of SMC may declare dividends at the discretion of their respective boards of directors and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from their respective subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors their respective boards of directors may deem relevant.

For the years 2021, 2022, and 2023 the Company received the following dividends and distribution income:

	2021	**2022**	**2023**
	(In Millions)		
Dividends and distribution income	₱14,713	₱14,681	₱15,788

Below is the breakdown of the dividend and distribution income of the Company mentioned above as of December 31, 2023:

	December 31, 2021	**December 31, 2022**	**December 31, 2023**
San Miguel Food and Beverage, Inc.	8,917	11,120	14,162
San Miguel Global Power Holdings Corp.	1,996	1,617	-
Top Frontier Investments Holdings, Inc.	1,063	1,328	-
Petron Corporation	423	470	640
San Miguel Yamamura Packaging Corporation	97	-	130
SMITS, Inc.	500	100	100
Others	1,717	46	756
TOTAL	**14,713**	**14,681**	**15,788**

Dividend Policy of San Miguel Food and Beverage, Inc.

Since August 8, 2018, SMFB's dividend policy has been to entitle holders of its common shares to receive annual cash dividends of up to 60% of the prior year's recurring net income. Recurring net income is net income calculated without respect to extraordinary events that are not expected to recur. SMFB expects that the dividend distributions shall be made over the four quarters of the year, subject to the applicable laws and regulations and based on the recommendation of its board of directors. In considering dividend declarations for each quarter, its board has in the past and will in the future, take into consideration dividend payments on the preferred shares, and other factors, such as the implementation of business plans, debt service requirements, debt covenant restrictions, funding of new investments, major capital expenditure requirements, appropriate reserves and working capital, among others.

The board of directors of SFMB may modify its dividend policy or declare special dividends, depending on its capital expenditure plans and/or any terms of financing facilities entered into to fund their current and future operations and projects. SMFB's ability to pay dividends primarily depends on the dividends it receives from subsidiaries, and intends to maintain the dividend policies of its subsidiaries. SMFB cannot assure that it will pay any dividends in the future.

Dividend Policy of San Miguel Global Power Holdings Corp. (SMGP)

SMGP and its subsidiaries are allowed under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the board is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the board shall determine. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the outstanding capital stock of SMGP. The board of SMGP may not declare dividends which will impair its capital.

SMGP and its subsidiaries declare dividends as determined by its board, taking into consideration factors such as the implementation of business plans, debt service requirements, operating expenses, budgets, funding for new investments and acquisitions and appropriate reserves and working capital. However, under its existing loan facilities, SMGP and its certain major subsidiaries are not allowed to distribute any cash dividends to its shareholders, or to purchase, call for redemption or redeem, retire or otherwise acquire for value any shares (including options, warrants or other rights to acquire such shares of common.

Sale of Unregistered or Exempt Including Securities Constituting an Exempt Transaction

There were no securities sold by SMC within the past 3 years which were not registered under the SRC, except for the following:

Name of Security Sold	Underwriters	Date of Sale	Amount of Securities	Basis for Exemption
U.S.$3,000,000,000 Medium Term Note Programme	BofA Securities DBS Bank Ltd. Standard Chartered Bank	July 29, 2020	U.S.$500,000,000.00	Section 10.1 (l) of the SRC
Redeemable Perpetual Securities – U.S. Dollar	N/A	August 5, 2020	U.S.$100,000,000.00	Section 10.1 (k) of the SRC

Series 2-M Preferred Shares	N/A	August 23, 2023	173,333,325 Series 2-M Preferred Shares equivalent to ₱12.9 billion at an issue price of ₱75.00 per share	Section 10.1(k) of the SRC

Effect on Common Equity Holders

The Shelf Registered Shares will not have any dilutive effect on the rights of the holders of the common shares of SMC, as these are non-voting, non-convertible and non-participating.

Foreign Equity Holders

As of March 31, 2024, the percentage of the total outstanding capital stock of SMC held by foreigners is 3.56%.

Class of Shares	Foreign	Percentage	Filipino	Percentage
Common Shares	127,971,455	5.37%	2,255,925,133	94.63%
Series "2-F" Preferred Shares	1,332,962	0.60%	222,000,538	99.40%
Series "2-I" Preferred Shares	1,460,120	0.86%	167,873,280	99.14%
Series "2-J" Preferred Shares	778,510	0.29%	265,888,157	99.71%
Series "2-K" Preferred Shares	2,367,675	1.29%	181,537,225	98.71%
Series "2-L" Preferred Shares	1,084,330	0.66%	164,274,270	99.34%
Series "2-M" Preferred Shares	0	0.00%	173,333,325	100.00%
Series "2-N" Preferred Shares	1,616,000	1.61%	98,499,100	98.39%
Series "2-O" Preferred Shares	681,920	0.36%	187,177,780	99.64%
TOTAL	**137,292,972**	**3.56%**	**3,716,508,808**	**96.44%**

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transactions

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

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

The following are the transactions with related parties and the outstanding balances as at December 31:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	*8, 36*	**2023**	**P8**	**P -**	**P -**	**P515**	On demand; non-interest bearing	Unsecured
		2022	11	-	-	515		
	18	**2023**	**-**	**-**	**3,037**	**-**	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing	Unsecured; no impairment
		2022	-	-	3,037	-		
Retirement Plans	*8, 35*	**2023**	**29**	**-**	**3,332**	**-**	On demand; non-interest bearing	Unsecured; no impairment
		2022	23	-	3,480	-		
	8, 31, 35	**2023**	**239**	**-**	**4,129**	**9**	On demand; interest bearing	Unsecured; no impairment
		2022	246	-	4,127	-		
Associates	*8, 18, 20, 22*	**2023**	**2,466**	**-**	**1,119**	**73**	On demand; non-interest bearing	Unsecured; no impairment
		2022	1,970	11	888	74		
	8, 10, 12, 18, 19, 21, 31	**2023**	**469**	**-**	**4,288**	**25,076**	Less than 1 to 12 years; interest bearing	Unsecured; secured; no impairment
		2022	6	-	12,346	19,875		
Joint Ventures	*8,18, 20, 22*	**2023**	**74**	**65**	**197**	**18**	On demand; non-interest bearing	Unsecured; no impairment
		2022	63	471	117	17		
	8	**2023**	**40**	**-**	**621**	**-**	On demand; interest bearing	Unsecured; with impairment
		2022	-	-	621	-		
	8, 18, 31	**2023**	**77**	**-**	**1,479**	**-**	Less than 1 to 10.5 years; interest bearing	Unsecured; no impairment
		2022	59	-	1,135	-		
Shareholder of the Ultimate Parent Company	*8, 20*	**2023**	-	-	**1,300**	-	On demand; Non-interest bearing	Unsecured; no impairment
Shareholders in Subsidiaries	*8, 20*	**2023**	**30**	**990**	**100**	**1,304**	On demand; non-interest bearing	Unsecured; no impairment
		2022	184	890	91	2,658		
Others	*8, 20, 22*	**2023**	**451**	**2,965**	**157**	**162**	On demand; non-interest bearing	Unsecured; no impairment
		2022	6,157	4,284	173	13		
Total		**2023**	**P3,883**	**P4,020**	**P19,759**	**P27,157**		
Total		2022	P8,719	P5,656	P26,015	P23,152		

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

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

3. Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.

    a) Amounts owed by related parties include interest bearing receivable from the Ultimate Parent Company related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 million and the assignment of certain receivables of the Ultimate Parent Company amounting to P725 million.

        (i) Amounts owed by the Ultimate Parent Company amounting to P2,312 million: On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099 million, plus 5.75% interest rate per annum of any portion thereof

unpaid, and the final payment amounting to P1,213 million, plus 6.00% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

(ii) Amounts owed by the Ultimate Parent Company amounting to P725 million: These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under "Other noncurrent assets - net" account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

b) Amounts owed by related parties include investments in debt securities under investment agreement with BankCom for a total amount of P4,288 million and P12,250 million as at December 31, 2023 and 2022, respectively, presented as part of "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts in the consolidated statements of financial position (Notes 10 and 12).

c) Amounts owed by related parties include non-interest bearing receivable from joint ventures included as part of "Trade and other receivables - net" account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 million as at December 31, 2023 and 2022.

d) Amounts owed by related parties include the receivable from the assignment by ECC to FEHI of the advances for future investment in KSHI, included as part of "Trade and other receivables - net" account in the consolidated statement of financial position as at December 31, 2023 (Note 5).

4. Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" amounted to P4 million and P6 million as at December 31, 2023 and 2022, respectively, and as part of "Lease liabilities - net of current portion" amounted to P5 million as at December 31, 2023. The amount owed to the Ultimate Parent Company pertains to dividends payable (Note 36).

5. The amounts owed to associates include interest bearing loans payable to BankCom presented as part of "Loans payable" account amounting to P6,382 million and P8,172 million and "Long-term debt" account amounting to P18,694 million and P11,703 million in the consolidated statements of financial position as at December 31, 2023 and 2022, respectively (Notes 19 and 21).

   The amounts owed to associates include syndicated project finance loans amounting to P8,315 million and P10,913 million as at December 31, 2023 and 2022, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

6. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	**2023**	2022	2021
Short-term employee benefits		**P544**	P631	P436
Retirement cost	*35*	**47**	17	45
		P591	P648	P481

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

LEGAL PROCEEDINGS

Neither SMC nor any of its subsidiaries is a party to nor its properties subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the issuance of the Offer Bonds and on the results of the financials and the operations of SMC. The Company has not been the subject of any bankruptcy petition, insolvency, receivership, or similar proceedings.

The Company and its subsidiaries are parties to legal proceedings from time to time. The outcome of these proceedings cannot be presently determined or predicted with certainty. This section provides a summary of the legal proceedings involving SMC and its subsidiaries.

1. Lease Agreements with PNOC

On October 20, 2017, Petron filed a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots. Thus, PNOC and Petron executed lease agreements covering said properties, all with an initial lease term of 25 years, with a provision for automatic renewal for another 25 years. In 2009, the lease agreement for the refinery lots was renewed for an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites, and the renewed lease agreement for the refinery lots, on the alleged ground that said agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

After issuing a writ of preliminary injunction which prevented the ouster of Petron from the subject properties until the case is decided, the trial court granted Petron's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance relating to Petron's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993; (ii) the reconveyance by PNOC to Petron of said properties; and (iii) the payment by Petron to PNOC of the amount of ₱143 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration.

Following the trial court's denial of the parties' separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court and elevated the case on appeal to the Court of Appeals where it was assigned to the Court's 5th Division.

In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court. The Court of Appeals upheld Petron's position that PNOC committed a substantial breach of its contractual obligation when it dishonored the automatic renewal clause in the lease agreements. The Court of Appeals ruled, however, that, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the CA decision dismissed Petron's appeal to return the lease payments made by it to PNOC. PNOC also filed its separate motion for reconsideration. In a resolution dated October 6, 2022, the Court of Appeals (Former Special Third Division) denied the respective motions

for reconsideration of the parties, effectively affirming the trial court's earlier resolution in favor of Petron.

In December 2022, PNOC appealed the CA Decision to the Supreme Court. In July 2023, the Supreme Court denied the petition for review of PNOC on the ground that PNOC failed to sufficiently show that the CA committed any reversible error in the challenged decision and resolution that would warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. In December 2023, PNOC filed a motion for reconsideration and moved to refer the case to the Supreme Court *en banc*. The motion of PNOC remains pending with the Supreme Court.

2. Generation Payments to PSALM

South Premiere Power Corp. ("**SPPC**") and the Power Sector Assets and Liabilities Management Corporation ("**PSALM**") are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015 and called on SPPC's Performance Bond.

On September 8, 2015, SPPC filed a Complaint with the Regional Trial Court of Mandaluyong City (the "**RTC**") requesting that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld and asked that a 72-hour TRO be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended until September 28, 2015 when a Preliminary Injunction was issued thereafter enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

PSALM filed with the Court of Appeals ("**CA**") a Petition for Review on Certiorari assailing the RTC's order of denial of its Motion for Reconsideration of the issuance of the writ of preliminary injunction. The CA ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named the Manila Electric Company ("Meralco") as intervenor. (the "CA Decision")

This was also affirmed by the Supreme Court ("**SC**") in its resolution dated March 4, 2019 (the "**March 4, 2019 SC Resolution"**) after PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the CA decision and resolution affirming the RTC's issuance of a writ of preliminary injunction against PSALM. PSALM filed a Motion for Reconsideration thereof and was denied by the SC in a resolution dated August 5, 2019, which became final and executory on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself from the main case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018.

On July 26, 2019, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction with the CA, seeking the reversal of the orders of the RTC dated September 24, 2018 and April 29, 2019 (CA-G.R. SP No. 161706). In compliance with the CA's directive, PSALM filed an Amended Petition (the "**PSALM 2019 CA Petition**").

On April 7, 2022, the CA promulgated a Decision dismissing the PSALM 2019 CA Petition (the "**April 7, 2022 CA Decision**"). In a Resolution dated October 4, 2022, the CA denied PSALM's motion for reconsideration of the CA Decision of April 7, 2022 (the "**October 4, 2022 CA Resolution**").

On December 1, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the April 7, 2022 CA Decision denying its petition for certiorari and October 4, 2022 CA Resolution denying its motion for reconsideration. The Petition for Review has been docketed as G. R. No. 263773. On June 9, 2023, SPPC filed its Comment on the petition. PSALM has filed a Motion for Reconsideration of the SC's Resolution of November 8, 2023.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its opposition to this motion in March 2020.

On May 26, 2020, SPPC filed a Supplemental Opposition to PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM also filed several other pleadings: (i) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (ii) Motion for Reconsideration of the RTC Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (iii) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. SPPC filed a Motion for Leave to File Consolidated Rejoinder with Consolidated Rejoinder dated September 14, 2020 to PSALM's Reply to Opposition to the Motion to Dissolve.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam (the "November 27, 2020 RTC Order"). On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. On January 29, 2021, PSALM filed a Motion for Reconsideration of the November 27, 2020 RTC Order.

In an Order dated March 23, 2021 (the "March 23, 2021 RTC Order"), the RTC denied PSALM's Motion for Reconsideration of the November 27, 2020 RTC Order. In the same Order, the RTC also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

On May 21, 2021, SPPC filed a Motion for Reconsideration of the March 23, 2021 RTC Order. PSALM filed an Opposition to the Motion for Reconsideration and SPPC filed a Motion for Leave to File a Reply to the Opposition with an incorporated Reply.

In June 2021, PSALM also filed a Petition for Certiorari under Rule 65 of the Rules of Court to annul the November 27, 2020 RTC Order and the March 23, 2021 RTC Order with the CA, which was denied

by the CA in its Decision dated May 30, 2022 (the "**May 30, 2022 CA Decision**").

On October 3, 2022, the CA promulgated a Resolution denying PSALM's Motion for Reconsideration of the May 30, 2022 CA Decision (the "October 3, 2022 CA Resolution").

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the SC denied the petition for failure to show any reversible error in the May 30, 2022 CA Decision and October 3, 2022 CA Resolution as to warrant the exercise of the SC of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. In a Resolution dated November 20, 2023, the SC denied PSALM's Motion for Reconsideration with finality, finding that there were no substantial arguments raised to warrant reconsideration. The SC's Resolution of January 25, 2023 thus became final and executory on November 20, 2023 and has been recorded in the Book of Entries of Judgments.

The mediation scheduled on April 19, 2021 did not push through, in view of the restrictions imposed by the enhanced community quarantine and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled the portion of the March 23, 2021 RTC Order, where it set the case for mediation, given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case.

Pre-trial proceeded on November 19, 2021, and the parties filed the Joint Stipulation of Facts on April 6, 2022.

SPPC filed a Motion to Amend Pre-trial Order and Minutes of the Pre-trial issued by the RTC on April 7, 2022 which was later granted by the RTC on May 20, 2022. The RTC accordingly issued an Amended Pre-trial Order. SPPC presented its first witness on July 29, 2022 and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC presented its second witness. No additional trial dates have been scheduled because the presiding judge will retire in June 2024.

Related to the foregoing, in a Resolution dated December 7, 2021, the RTC denied PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction on the grounds that: (a) the arguments in the Motion had been previously denied with finality by the RTC, CA, and SC and the propriety of the issuance of the writ of preliminary injunction in favor of SPPC "should be considered a settled matter, so long as the facts and circumstances upon which the writ was issued still continue to exist"; (b) "PSALM cannot substantiate its contentions that the continuance of the preliminary injunction would cause it damage or that SPPC can be fully compensated for such damages as it may suffer"; and (c) the counter-bond offered by PSALM would be inadequate to answer for the damages that SPPC might sustain as a result of the lifting of the preliminary injunction.

In an Order dated February 17, 2022, the RTC denied PSALM's Motion for Reconsideration of the Resolution of December 7, 2021 for failing to raise any new or substantial ground.

PSALM filed with the CA a Petition for Certiorari dated May 13, 2022, assailing the RTC's Resolution of December 7, 2021 and Order of February 17, 2022 for allegedly having been rendered with grave abuse of discretion. The Petition for Certiorari was denied by the CA in its Decision dated March 21, 2024. Although the proceedings before the RTC remain pending, the Ilijan Power Plant was turned over by PSALM to SPPC pursuant to the IPPA Agreement and the Deed of Sale executed between PSALM and SPPC on June 3, 2022.

3. Temporary Restraining Order ("TRO") Issued to Meralco

On December 5, 2013, MERALCO wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of PhP7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of the remaining PhP3 Billion, representing a portion of the generation costs for the November 2013 supply month which was not passed on to customers in December 2013, subject to the inclusion of the appropriate carrying charge. In response thereto, the ERC, in its letter dated December 9, 2013, granted MERALCO the authority to implement a staggered collection of its generation cost for the power supplied in November 2013. The ERC, however, did not approve Meralco's request to recover the carrying costs and directed it to file a formal application for this instead.

On December 19, 2013, Petitioners Bayan Muna representatives, et al. filed a petition against the ERC and MERALCO questioning the increase in the generation cost for November 2013 supply month, docketed as G.R. No. 210245. On December 20, 2013, Petitioner National Association of Electricity Consumers for Reforms (NASECORE) et al. filed a petition against the ERC, DOE and MERALCO assailing the automatic adjustment of generation cost, docketed as G.R. No. 210255. On December 23, 2013, the SC issued a resolution consolidating both petitions and issued a TRO enjoining: (i) the ERC from implementing its letter dated December 9, 2013, and (ii) Meralco from increasing the rates it charged to its consumers based on its letter dated December 5, 2013. The TRO originally had a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("**Counter-Petition**") which prayed, among others, for the inclusion of Sual Power Inc. ("SPI" and formerly known as San Miguel Energy Corporation), SPPC, San Roque Hydropower Inc. ("SRHI" and formerly known as Strategic Power Devt. Corp., Masinloc Power Company Limited ("MPCL" and formerly Masinloc Power Partners Company Limited) and several generators as respondents to the case. On January 10, 2014, the SC issued an Order treating the Counter-Petition as in the nature of a third-party complaint and granting the prayer to include SPI, SPPC, SRHI and MPCL as respondents in the Petition.

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining the Philippine Electricity Market Corporation ("**PEMC**") and the generators from demanding and collecting the deferred amounts. In a Resolution dated April 22, 2014, the SC extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014.

In the Petition filed by special interest groups, the SC was made aware of the order of the ERC dated March 3, 2014 (the "March 3, 2014 ERC Order") (as defined and discussed under "ERC Order Voiding WESM Prices"), in which the ERC declared void the WESM prices during the November and December 2013 supply months and imposed regulated prices in their stead. The March 3, 2014 ERC Order likewise directed PEMC to: (a) calculate these "regulated prices" based on a formula identified by the ERC as representative of 2013 market prices under normalized conditions and (b) to collect the same from the WESM participants involved.

A decision was promulgated by the Supreme Court En Banc on August 3, 2021 (the "**SC Decision**") affirming the December 9, 2013 ERC letter which approved the staggered imposition by Meralco of its generation rate for November 2013 from its consumers and declared as null and void the March 3, 2014 ERC Order.

On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the SC Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

These motions were denied with finality by the Supreme Court En Banc, in its resolution dated

October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. On January 4, 2023, the external counsel of SPPC, SPI and SRHI received a copy of the Entry of Judgement from the Supreme Court En Banc dated October 11, 2022, while the external counsel of MPCL received a copy of the same on January 5, 2023.

With this, the relevant subsidiaries, namely, SPI, SPPC, and MPCL intend to discuss with Meralco implementation of the SC Decision.

4. ERC Order Voiding WESM Prices

Relative to the above-cited Petition, on December 27, 2013, the Department of energy ("DOE'), ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced-price cap on the WESM of ₱32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, issued an order declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices, and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "**March 3, 2014 Order**"). Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively together with the March 3 2014 Order, the "2014 ERC Orders").

SPI, SPPC, SRHI, and MPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 ERC Order. Other generators also requested the Supreme Court to stop the implementation of the March 3, 2014 ERC Order.

On June 26, 2014, SPI, SPPC and SRHI filed with the CA a Petition for Review assailing the March 3, 2014 Order and other related ERC orders (the "**2014 ERC Orders**"). On the other hand, MPCL filed its Petition for Review with the CA on December 12, 2014.

After consolidating the cases, the CA, in its decision dated November 7, 2017 (the "**November 7, 2017 Decision**"), granted the Petition for Review filed by SPI, SPPC, SRHI, and MPCL, declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

After the filing of several motions for reconsideration of the various intervenors, the CA, on March 29, 2019, issued an Omnibus Resolution affirming the November 7, 2017 Decision.

The intervenors thereafter filed petitions for certiorari before the Supreme Court, First Division, but each was denied by the SC.

MPCL, SPI, SPPC, and SRHI filed their respective Comments on the Petition for Review filed by the ERC. In its petition, the ERC appealed the nullification of the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

In a Resolution dated November 4, 2020, the SC directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the Meralco Petition to the third division of the SC handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

The SC has not yet promulgated a decision. However, on August 3, 2021, a decision was rendered by the SC En Banc in a separate case (as discussed under "Temporary Restraining Order (TRO) Issued to Meralco") declaring the March 3, 2014 ERC Order as null and void which is the subject of the aforementioned Petition. Considering that this decision of the SC En Banc covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on

the March 3, 2014 ERC Order) for WESM sales and purchases by SPI, SPPC, SRHI, SMELC and MPCL amounting to up to ₱2,321,785 will have to be settled with the IEMOP.

5. Claim for Price Adjustment on the Meralco Power Sale Agreements

On October 22, 2019, SPI and SPPC each filed before the ERC a Joint Application with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the "**Application**"). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco ("**SPPC PSA**") while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco ("**SPI PSA**") both for a period of 10 years (collectively, the "**PSAs**"). The PSAs were awarded by Meralco to each of SPPC and SPI after they emerged as the winning bidders in the competitive selection process conducted by Meralco in September 2019.

On March 16, 2020, the ERC released Orders both dated December 10, 2019, granting provisional authority to implement the SPPC PSA and SPI PSA.

On May 11, 2022, each of SPPC and SPI filed a Joint Motion for Price Adjustment with Meralco (the "Joint Motion") seeking approval from the ERC to temporarily increase the contract price under the SPPC PSA and SPI PSA for a period of six (6) months, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of 6 months.

On September 29, 2022, the ERC denied the foregoing Joint Motions filed by each of SPPC and SPI with Meralco requesting for the proposed price adjustments (the "**September 29, 2022 ERC Orders**").

i. SPPC CA Petition
On November 10, 2022, SPPC filed with the CA a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPPC (the "**SPPC CA Petition**").

In a Resolution dated November 23, 2022, the 14th Division of the CA granted SPPC's application for a 60-day TRO, conditioned upon the posting of a bond in the amount of P50 million. SPPC's prayer for the issuance of a writ of preliminary injunction was held in abeyance pending receipt of respondents' comments.

On November 24, 2022, SPPC filed an Urgent Motion to Allow Consolidation of SPI CA Petition with the SPPC CA Petition before the 13th Division of the CA as the SPPC CA Petition was transferred to this division of the CA. This Urgent Motion was granted by the 13th Division subject to the approval of the CA Division handling the SPI CA Petition.

On November 25, 2022, SPPC posted the bond in the amount of P50 million (the "**TRO Bond**"). This was approved in a Resolution dated December 2, 2022, which resulted in the issuance of the TRO on the same date.

On December 7, 2022, SPPC received a copy of the Entry of Appearance with Motion to Lift and/or Dissolve the TRO filed by the ERC through the Office of the Solicitor General. Meralco also filed a Motion to Lift TRO. SPPC filed its Oppositions to said Motions to Lift and/or Dissolve the TRO.

Following the hearing on the application for preliminary injunction held on January 11, 2023, the 13th Division of the CA issued on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditioned upon the posting by SPPC of a bond in the amount of P100 Million (the "**Preliminary Injunction Bond**"). The CA likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within 5 days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the CA's Resolution dated January 25, 2023.

On February 1, 2023, SPPC received copies of the ERC's Comment Ad Cautelam and NASECORE'S Manifestation. On February 6, 2023, SPPC received a copy of MERALCO's Comment. On February 13, 2023, SPPC filed a Motion for Leave to File Consolidated Reply.

In a Resolution dated February 23, 2023, the CA approved the Preliminary Injunction Bond posted by SPPC on January 31, 2023, directed the issuance of a Writ of Preliminary Injunction, and released the TRO Bond.

On February 23, 2023, the writ of preliminary injunction was issued by the CA for the SPPC CA Petition.

In a Resolution dated April 3, 2023, the CA denied the motions for reconsideration of the CA's Resolution dated January 25, 2023 (on the issuance of the writ of preliminary injunction in favor of SPPC) filed by the ERC and Meralco.

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by Power for People Coalition Convenor Gerard Arances, Bukluran ng Manggagawang Pilipino Chairperson Leodegario De Guzman, BMP President Renecio Espiritu, Jr., Sanlakas President Mari Marguerite Lopez, Philippine Movement for Climate Justice National Coordinator Bibiano Rivera Jr., and Freedom from Debt Coalition President Rene Ofreneo, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPI Petition) is deemed submitted for decision.

On June 29, 2023, SPPC received a copy of the Petition for Certiorari under Rule 65 of the Rules of Court filed by the ERC with the Supreme Court. The ERC's Petition seeks to annul and set aside the CA's Resolutions dated January 25, 2023 and April 3, 2023.

On July 10, 2023, SPPC received the CA's Joint Decision dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The CA: (i) annulled and set aside the September 29, 2022 ERC Orders for having been issued with grave abuse of discretion; (ii) granted the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case Nos. 2019-081 and 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023 [date of WPI] and for SPI, from June 2022 to the date of the finality of the Joint Decision); and (iii) made permanent the writ of preliminary injunction issued in favor of SPPC.

On July 31, 2023, SPPC, through its external counsel, received a copy of the ERC's Consolidated Motion for Reconsideration of the Court of Appeals' Joint Decision dated June 27, 2023.

As directed by the Court of Appeals in its Resolution dated August 24, 2023, SPPC filed its Comment/Opposition on the ERC's Consolidated Motion for Reconsideration on October 2, 2023.

On August 2, 2023, SPPC received a copy of Respondents-Intervenors' Motion for Reconsideration of the CA's Joint Decision. As directed by the Court of Appeals in its Resolution dated August 10, 2023, SPPC filed its Comment/Opposition on Respondents-Intervenors' Motion for Reconsideration on September 14, 2023.

On August 7, 2023, SPPC received a copy of Meralco's Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court filed before the SC wherein Meralco asked for a period of 30 days, or until August 28, 2023, to file its Petition.

On September 12, 2023, SPPC received a copy of Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court.

On 2 October 2023, SPPC filed its Comment on the ERC's Consolidated Motion for Reconsideration.

On January 16, 2024, SPPC received, through its external counsel, a copy of the Resolution issued by the CA dated 28 December 2023 denying the separate Motions for Reconsideration filed by NASECOR and the ERC. In its Resolution, the Court of Appeals ruled that the "grounds relied upon by [NASECOR] and [ERC] were already thoroughly considered and passed upon in the Decision being sought to be reconsidered; and that contrary to the claims of [the ERC], the Court has clearly provided its basis in making its rulings. Thus, the Court finds no merit in the arguments set forth in their respective motions for reconsideration. Accordingly, there is no cogent reason to reverse the Court's Decision dated June 27, 2023."

On March 6, 2024, SPPC received, through external counsel, a copy of the ERC's Petition for Review on Certiorari filed with the Supreme Court. On April 3, 2024, the Supreme Court issued a Resolution denying ERC's Petition for Review on Certiorari for failure of ERC to sufficiently show that the CA committed any reversible error in the CA Joint Decision dated 27 June 2023 and CA Resolution dated 28 December 2023.

ii. SPI CA Petition

On November 10, 2022, SPI also filed with the CA a Petition for Certiorari under Rule 65 with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPI (the "**SPI CA Petition**"). This was raffled to the CA 17th Division which was subsequently transferred to the CA 16th Division.

On November 24, 2022, SPI filed an Urgent Motion for Consolidation of the instant Petition with the SPPC CA Petition pending before the 13th Division of the CA.

On December 27, 2022, SPI received a copy of the CA 16th Division's Resolution dated November 28, 2022 which directed the private respondents to file their comment on the petition and show cause why SPI's prayer for the issuance of a TRO and/or Writ of Preliminary Injunction should not be granted, within 10 days from notice. Action on SPI's prayer for injunctive relief was held in abeyance pending receipt of the required pleadings.

The ERC has filed an Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases. MERALCO has filed its Opposition to SPI's application for the issuance of a TRO and/or writ of preliminary injunction. On January 10, 2023, SPI filed its Reply to MERALCO's Opposition.

On January 26, 2023, SPI received the Resolution dated January 13, 2023 of the CA 16th Division which (i) denied SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction, and (ii) granted the consolidation of the SPI CA Petition with the SPPC CA Petition. The SPI CA Petition was thus consolidated with the SPPC CA Petition before the CA 13th Division. The ERC filed a motion for partial reconsideration of the grant of consolidation of SPI's Petition with SPPC CA Petition.

On February 10, 2023, SPI filed a Motion for Partial Reconsideration of the January 13, 2023 Resolution and prayed for the issuance of a writ of preliminary injunction.

On February 14, 2023, SPI received copies of the ERC's Comment Ad Cautelam on the Petition and Meralco's Comment. On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply. SPI's Motion for Partial Reconsideration (on the issuance of a writ of preliminary injunction) and the SPI CA Petition remain pending resolution with the 13th Division of the CA. In a Resolution dated April 3, 2023, the CA upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Partial Reconsideration filed by the ERC.

The CA likewise noted SPI's Motion for Partial Reconsideration (for the CA to partially reverse and set aside the Resolution dated January 13, 2023 and issue a writ of preliminary injunction) filed on February 10, 2023. Respondents were directed to file their comment on SPI's Motion for Partial Reconsideration within an unextendible period of ten days from notice. The case (together with the SPPC Petition) will be submitted for decision after Respondents file their respective comment on SPI's

Motion for Partial Reconsideration or after the expiration of the given period if no comment is filed.

Respondents ERC and Meralco have filed their respective comment on SPI's Motion for Partial Reconsideration.

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by Power for People Coalition Convenor Gerard Arances, Bukluran ng Manggagawang Pilipino Chairperson Leodegario De Guzman, BMP President Renecio Espiritu, Jr., Sanlakas President Mari Marguerite Lopez, Philippine Movement for Climate Justice National Coordinator Bibiano Rivera Jr., and Freedom from Debt Coalition President Rene Ofreneo, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPPC Petition) is deemed submitted for decision.

On July 10, 2023, SPI received the CA's Joint Decision dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The CA: (i) annulled and set aside the September 29, 2022 ERC Orders for having been issued with grave abuse of discretion; (ii) granted the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case Nos. 2019-081 and 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023 [date of WPI] and for SPI, from June 2022 to the date of the finality of the Joint Decision); and (iii) denied SPI's Motion for Partial Reconsideration of the January 13, 2023 CA Resolution and its application for the issuance of a writ of preliminary injunction for being moot and academic.

On July 31, 2023, SPI, through its external counsel, received a copy of the ERC's Consolidated Motion for Reconsideration of the Court of Appeals' Joint Decision dated June 27, 2023.

As directed by the Court of Appeals in its Resolution dated August 24, 2023, SPI filed its Comment/Opposition on the ERC's Consolidated Motion for Reconsideration on October 2, 2023.

On August 2, 2023, SPI received a copy of Respondents-Intervenors' Motion for Reconsideration of the CA's Joint Decision. As directed by the Court of Appeals in its Resolution dated August 10, 2023, SPI filed its Comment/Opposition on Respondents-Intervenors' Motion for Reconsideration on September 14, 2023.

On August 7, 2023, SPI received a copy of Meralco's Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court. Meralco asked for a period of 30 days, or until August 28, 2023, to file its Petition.

On September 12, 2023, SPI received a copy of Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court.

On 2 October 2023, SPI filed its Comment on the ERC's Consolidated Motion for Reconsideration.

On January 16, 2024, SPI received, through its external counsel a copy of the Resolution issued by the CA dated 28 December 2023 denying the separate Motions for Reconsideration filed by NASECOR and the ERC. In its Resolution, the Court of Appeals ruled that the "grounds relied upon by [NASECOR] and [ERC] were already thoroughly considered and passed upon in the Decision being sought to be reconsidered; and that contrary to the claims of [the ERC], the Court has clearly provided its basis in making its rulings. Thus, the Court finds no merit in the arguments set forth in their respective motions for reconsideration. Accordingly, there is no cogent reason to reverse the Court's Decision dated June 27, 2023.".

On March 6, 2024, SPI received, through external counsel, a copy of the ERC's Petition for Review on Certiorari filed with the Supreme Court. On April 3, 2024, the Supreme Court issued a Resolution denying ERC's Petition for Review on Certiorari for failure of ERC to sufficiently show that the CA

committed any reversible error in the CA Joint Decision dated 27 June 2023 and CA Resolution dated 28 December 2023.

6. GSMI Intellectual Property Rights

The following cases were ordered to be consolidated by the SC considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of Tanduay Distillers, Inc.'s ("**TDI**") and GSMI before the Intellectual Property Office of the Philippines ("**IPOPHL**"), namely:

G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the IPOPHL. The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation, which decision was affirmed by the CA and SC. However, the SC ruled to reinstate the petition in view of GSMI's Manifestation with Motion for Relief from Judgment which invoked the case of "League of Cities vs. Commission of Elections" (G.R. Nos. 176951, 177499 and 178056).

G.R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against TDI, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint. Hence, GSMI filed a Petition for Review and an appeal with the CA. The CA reversed, set aside the RTC's Decision. It ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" had already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI. The CA likewise ruled that "GINEBRA" is not a generic term, there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word 'GINEBRA' in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel". TDI filed separate Petitions for Review on Certiorari with the SC.

G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL. GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark. The IPOPHL ruled in favor of TDI. On appeal, the Court of Appeals reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI. TDI then filed a Petition for Review on Certiorari with the SC.

The SC *En Banc*, acting on the consolidation of the aforementioned cases, on March 10, 2020, resolved to transfer the consolidated cases to the En Banc. Furthermore, the SC *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019, which rejected TDI's applications for the registration of the marks "Ginebra Lime & Device,"

“Ginebra Orange & Device,” “Ginebra Especial & Device” and “Ginebra Pomelo & Device,” for use on gin products, on the ground that the term “GINEBRA” had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the SC En Banc of the status of cases in IPOPHL which involve GSMI’s claim over “GINEBRA”.

On March 10, 2023, GSMI received a copy of the Notice of Judgment dated March 7, 2023 and consolidated Decision promulgated by the Supreme Court En Banc on August 9, 2022. In gist, the Supreme Court held that: (1) "GINEBRA" is not a generic mark; (2) Based on the totality of evidence, GSMI presented overwhelming proof, through empirical survey evidence, more than a century of advertisement, and documentary and testimonial evidence, that public perception views "GINEBRA" not as a generic English term for gin; rather, "GINEBRA", through its long usage in the Philippines, now refers to the gin products of GSMI offered to the public; (3) "GINEBRA" may be considered a descriptive mark which may be subject to trademark protection under the doctrine of secondary meaning. Based on the evidence, "GINEBRA" had already become distinctive of the products of GSMI under the primary significance test; (4) Applying the dominancy test, the simple use of the "GINEBRA" in "GINEBRA KAPITAN" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product, in particular "GINEBRA SAN MIGUEL" and/or "GINEBRA S. MIGUEL." TDI committed trademark infringement against GSMI; and (5) TDI's intent to pass off should be presumed in the instant case. If there was no intent to palm off TDI's products as those of GSMI, it is uncanny that aside from the use of the same word "GINEBRA", the general appearance of the two (2) competing products are also strikingly similar. Therefore, TDI should be held liable for unfair competition. TDI was ordered to pay GSMI (a) temperate damages of Php300,000,000; and (b) attorney’s fees of Php200,000,000. Other awards of damages against TDI are deleted.

On April 17, 2023, GSMI received a copy of TDI’s Motion for Reconsideration of the Decision dated August 9, 2022. The MR filed by TDI remains pending with the SC En Banc.

On 29 August 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

The Supreme Court issued an Entry of Judgment on 22 September 2023.

SELECTED FINANCIAL INFORMATION

The summary financial and operating information of SMC presented below, as of and for the years ended December 31, 2021, 2022, and 2023, were derived from the consolidated financial statements of SMC audited by R.G. Manabat & Co. (formerly Manabat Sanagustin & Co.) and prepared in compliance with the Philippine Financial Reporting Standards (PFRS). The information should be read in conjunction with the consolidated financial statements of SMC and the related notes thereto, which are included in Appendix A of this Offer Supplement. The historical financial condition, results of operations and cash flows of SMC are not a guarantee of its future operating and financial performance.

Potential investors should read the following data together with the more detailed information contained in "Management's Discussion and Analysis of Results of Operations" and the consolidated financial statements and related notes included elsewhere in this Offer Supplement. The following data is qualified in its entirety by reference to all of that information.

Consolidated Statement of Income

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

Consolidated Statement of Financial Position

(in Millions)	December 31		
	2023	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	**P261,358**	P318,214	P300,030
Trade and other receivables - net	**263,119**	238,782	161,808
Inventories	**161,986**	190,193	141,209
Current portion of biological assets - net	**3,515**	3,418	3,106
Prepaid expenses and other current assets	**141,424**	133,691	108,689
Total Current Assets	**831,402**	884,298	714,842
Noncurrent Assets			
Investments and advances - net	**37,089**	32,523	55,002
Investments in equity and debt instruments	**19,417**	18,921	41,966
Property, plant and equipment - net	**753,472**	708,192	567,609
Right-of-use assets - net	**108,014**	112,067	163,364
Investment property - net	**79,513**	74,660	69,825
Biological assets - net of current portion	**2,667**	2,671	2,244
Goodwill - net	**182,791**	184,100	130,081
Other intangible assets - net	**306,638**	249,321	190,979
Deferred tax assets	**19,633**	22,554	17,141
Other noncurrent assets - net	**118,729**	102,518	98,600
Total Noncurrent Assets	**1,627,963**	1,507,527	1,336,811
	P2,459,365	P2,391,825	P2,051,653
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	**P214,881**	P267,704	P190,779
Accounts payable and accrued expenses	**223,055**	227,126	194,579
Lease liabilities - current portion	**19,631**	21,020	23,423
Income and other taxes payable	**46,254**	37,694	23,102
Dividends and distributions payable	**4,605**	4,037	4,296
Current maturities of long-term debt - net of debt issue costs	**236,798**	170,032	88,857
Total Current Liabilities	**745,224**	727,613	525,036
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	**953,786**	918,164	725,108
Lease liabilities - net of current portion	**36,941**	54,455	71,569
Deferred tax liabilities	**29,503**	26,297	28,742
Other noncurrent liabilities	**28,745**	26,144	19,959
Total Noncurrent Liabilities	**1,048,975**	1,025,060	845,378

	2023	2022	2021
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common	**P16,443**	P16,443	P16,443
Capital stock - preferred	**10,187**	10,187	10,187
Additional paid-in capital	**177,468**	177,719	177,719
Capital securities	**24,211**	24,211	28,171
Equity reserves	**7,354**	12,753	14,136
Retained earnings:			
Appropriated	**87,170**	71,004	66,630
Unappropriated	**103,151**	129,239	157,707
Treasury stock	**(109,763)**	(156,763)	(144,363)
	316,221	284,793	326,630
Non-controlling Interests	**348,945**	354,359	354,609
Total Equity	**665,166**	639,152	681,239
	P2,459,365	P2,391,825	P2,051,653

Consolidated Statement of Cashflows

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P73,107**	P40,077	P65,952
Adjustments for:			
Interest expense and other financing charges	**91,303**	60,795	49,265
Depreciation, amortization and others - net	**53,433**	70,102	46,467
Interest income	**(14,027)**	(7,108)	(3,591)
Equity in net earnings of associates and joint ventures	**(1,729)**	(1,197)	(1,040)
Gain on sale of investments and property and equipment	**(83)**	(733)	(167)
Operating income before working capital changes	**202,004**	161,936	156,886
Changes in noncash current assets, certain current liabilities and others	**(5,386)**	(93,769)	(43,608)
Cash generated from operations	**196,618**	68,167	113,278
Interest and other financing charges paid	**(91,995)**	(60,910)	(48,612)
Income taxes paid	**(21,527)**	(19,650)	(14,528)
Net cash flows provided by (used in) operating activities	**83,096**	(12,393)	50,138
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	**(71,173)**	(75,986)	(74,421)
Intangible assets	**(64,677)**	(58,162)	(26,007)
Advances to contractors and suppliers	**(9,448)**	(11,449)	(16,067)
Investment property	**(5,450)**	(4,415)	(6,546)
Investments and advances	**(5,271)**	(2,432)	(5,223)
Investments in equity and debt instruments	**(616)**	(12,937)	(6,101)
Increase in other noncurrent assets and others	**(15,699)**	(6,330)	(7,053)
Interest received	**13,396**	5,973	3,313
Proceeds from:			
Sale of property and equipment and other intangible assets	**1,307**	253	1,350
Redemption and disposal of investments in equity and debt instruments	**606**	35,454	6,509
Disposal of subsidiaries, net of cash and cash equivalents disposed of	**418**	385	-
Dividends received	**1,150**	2,452	2,674
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**-**	(97,204)	-
Collection of advances for investment	**-**	22,870	-
Net cash flows used in investing activities	**(155,457)**	(201,528)	(127,572)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term borrowings	**1,145,761**	1,148,669	760,746
Long-term borrowings	**292,879**	353,451	140,777

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of the SMC Group for the three (3)-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three (3) years in the period ended December 31, 2023. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period *(Please refer to Note 43 of the Audited Consolidated Financial Statements as at December 31, 2023)*. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023 and for all the other periods presented, have been made.

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

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three (3) years are summarized in the following tables.

	For the Years Ended December 31		
	2023	2022	2021
		(In Millions)	
Sales	**P1,446,703**	P1,506,591	P941,193
Cost of Sales	**1,208,410**	1,314,607	751,015
Gross Profit	**238,293**	191,984	190,178
Selling and Administrative Expenses	**(93,808)**	(83,972)	(77,991)
Operating Income	**144,485**	108,012	112,187
Interest Expense and Other Financing Charges	**(91,303)**	(60,795)	(49,265)
Interest Income	**14,027**	7,108	3,591
Equity in Net Earnings of Associates and Joint Ventures	**1,729**	1,197	1,040
Gain on Sale of Investments and Property and Equipment	**83**	733	167
Other Income (Charges) - net	**4,086**	(16,178)	(1,768)
Net Income	**44,699**	26,760	48,159
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**198**	(12,968)	13,925
Net Income Attributable to Non-controlling Interests	**44,501**	39,728	34,234

2023 vs. 2022

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
		(In Millions)				
Sales	**P1,446,703**	P1,506,591	(P59,888)	(4%)	**100%**	100%
Cost of Sales	**1,208,410**	1,314,607	(106,197)	(8%)	**84%**	87%
Gross Profit	**238,293**	191,984	46,309	24%	**16%**	13%
Selling and Administrative Expenses	**(93,808)**	(83,972)	9,836	12%	**(6%)**	(6%)
Operating Income	**144,485**	108,012	36,473	34%	**10%**	7%
Interest Expense and Other Financing Charges	**(91,303)**	(60,795)	30,508	50%	**(6%)**	(4%)
Interest Income	**14,027**	7,108	6,919	97%	**1%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**1,729**	1,197	532	44%	**0%**	0%
Gain on Sale of Investments and Property and Equipment	**83**	733	(650)	(89%)	**0%**	0%
Other Income (Charges) - Net	**4,086**	(16,178)	20,264	125%	**0%**	(1%)
Income Before Income Tax	**73,107**	40,077	33,030	82%	**5%**	3%
Income Tax Expense	**28,408**	13,317	15,091	113%	**2%**	1%
Net Income	**P44,699**	P26,760	P17,939	67%	**3%**	2%
Net Income (Loss) Attributable to:						
Equity Holders of the Parent Company	**P198**	(P12,968)	P13,166	102%	**0%**	(1%)
Non-controlling Interests	**44,501**	39,728	4,773	12%	**3%**	3%
Net Income	**P44,699**	P26,760	P17,939	67%	**3%**	2%

The Group's consolidated sales of P1,446,703 million for the year ended December 31, 2023 declined by 4% compared to last year mainly due to the lower average selling prices of Petron Corporation (Petron) and the Energy business and the decrease in volume of the Energy business and the Food division under the Food and Beverage business. The decrease was partly offset mainly by the higher sales volume of Petron, San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) and the sales contribution of Eagle Cement Corporation (ECC), which was consolidated effective December 14, 2022.

The Group's cost of sales decreased by 8% mainly due to: (a) lower cost per liter of petroleum products, partly offset by the higher volumes of Petron; and (b) lower cost to supply of the Energy business brought by the decline in average coal prices and lower overall power purchases. The decrease was partly offset by the: (a) higher cost of sales relative to increase in volume of SMB and the higher cost of major raw materials consumed in production, reduced by the lower volumes of the Food division; and (b) the cost of sales of ECC.

Selling and administrative expenses increased by 12% to P93,808 million compared to last year, mainly due to higher salaries and employee benefits of the Group, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income increased by 34% to P144,485 million from last year mainly driven by the sustained performance improvements of Petron, Energy and Infrastructure businesses, and the operating income contribution of ECC in 2023.

The increase in interest expense and other financing charges was mainly due to both higher interest rates and from increased average level of loans of SMC and Petron.

The increase in interest income was primarily due to higher interest rates and average balance of short-term placements of the Infrastructure and Food and Beverage businesses and SMC, as well as the investment in debt securities of SMB in December 2022, and the interest income contribution of ECC.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share in the higher net income of Bank of Commerce (BankCom) and in the lower net loss of Angat Hydropower Corporation (Angat Hydro).

The decrease in gain on sale of investments and property and equipment was mainly due to the gain recognized in 2022 by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) from the sale of its investment in shares of stock of Strategic Energy Development, Inc. (SEDI).

Other income - net of P4,086 million was a turnaround from last year's other charges - net of P16,178 million. This primarily pertains to the gain on foreign exchange in 2023 compared to the loss recognized in 2022 mainly by the Energy business and SMC resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents, and the income recognized from the assignment of product rights by GSMI. In December 2023, the Philippine Peso appreciated against the US Dollar by P0.385 (2023 - P55.370 vs. 2022 - P55.755), while in December 2022, the Philippine Peso significantly depreciated against the US Dollar by P4.756 (2022 - P55.755 vs. 2021 - P50.999).

The increase in income tax expense was mainly due to the turnaround of deferred income tax from income tax benefit in 2022 to income tax expense in 2023 primarily from SMC and the Energy business as a result of the deferred income tax recognized on unrealized losses in 2022 compared to unrealized gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income significantly increased by 67% to P44,699 million, from P26,760 million last year, mainly on account of the: (a) improved operations of most businesses mainly Petron, Energy, Infrastructure, SMB and GSMI; (b) gain on foreign exchange in 2023, a turnaround from the loss recognized in 2022 mainly by the Energy business and SMC; (c) net income contributed by ECC; and (d) income recognized from the assignment of product rights by GSMI. The increase was partly offset by the higher net financing cost.

The income attributable to equity holders of the Parent Company was a turnaround from the loss recognized in 2022 mainly due to the higher net income, partly reduced by the increase in the share of non-controlling interests (NCI) on the Group's net income.

The increase in the share of NCI on the Group's net income was mainly due to the higher net income of SMB and higher amount of dividend on preferred shares and distribution on Senior Perpetual Capital Securities (SPCS) of Petron.

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

1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) delivered a year of steady topline growth despite challenging macroeconomic conditions particularly in the first half of the year.

SMFB's consolidated sales for the year ended 2023 amounted to P379,822 million, reflecting a 6% increase from 2022. All business segments delivered sales growth, driven by better volumes and prices.

SMFB's consolidated income from operations for the year amounted to P48,411 million, 1% lower, as the growth in volumes and prices were not sufficient to offset rising input costs and operating expense increases.

Consolidated net income jumped 10% to P38,105 million, the highest net income figure achieved by the Food and Beverage Group since the SMFB consolidation in 2018.

a. Beer and Non-Alcoholic Beverages (NAB) Division

SMB sustained its growth and recovery in 2023 with consolidated sales of P147,347 million, up 8%, driven by higher volumes and selling prices in both domestic and overseas markets.

SMB's consolidated net income was up 16% at P25,322 million.

Domestic Operations
SMB's domestic sales climbed 8% to P131,720 million on the back of a 3% growth in volumes coupled with a price increase effective March 1, 2023. Improved results were supported by effective marketing campaigns, expanded sales initiatives, as well as the resumption of tourism activities, fiestas, and festivals.

International Operations
SMB's revenue from its international operations rose 7% as volumes increased 6%, driven by robust demand for its San Miguel global brands, including Red Horse, across all markets that resulted in overall growth, particularly in South China, Thailand, and Exports.

b. Spirits Division

GSMI registered another record-breaking year, which coincidentally marked its tenth year of continued growth.

Revenues grew 13% to P53,639 million as a result of higher volumes and selling prices. Total volumes in 2023 recorded a 4% growth from 2022 as the Spirits division implemented initiatives to sustain strong brand equity through creative, consistent, and relevant messaging. This was complemented by consumer promos and various marketing programs on-ground that made consumers experience its brands better. Distribution coverage was, likewise, further broadened last year.

Income from operations grew 14% to P6,835 million, while net income was up 55% to P7,046 million.

c. Food Division

The Food division delivered P178,847 million in consolidated revenues, 2% higher than the previous year, driven largely by increased pricing to cope with rising input costs, backed by aggressive marketing efforts to boost demand.

Income from operations amounted to P10,228 million and net income at P6,590 million. While lower than the previous year, these figures still surpass pre-pandemic levels.

All the Food segments, except for the Protein segment, sustained topline growth.

- The Animal Nutrition and Health segment saw a 5% increase in revenue, driven by higher selling prices, which helped offset a decline in volume due to the lingering effects of African Swine Fever (ASF) on hog feeds and the Avian Flu on layer feeds.

- The Prepared and Packaged Food segment demonstrated resilience with a 3% revenue growth despite challenging market conditions marked by high inflation and reduced consumer spending. Strategic price adjustments played a significant role in sustaining revenue growth despite a decline in overall volumes.

- The Flour segment capitalized on the favorable trend of easing wheat prices, employing a competitive pricing strategy that boosted volumes and enabled it to achieve a 15% increase in revenue.

- The Protein segment which consists of the Poultry and Fresh Meats businesses, experienced a 3% decline in revenues. This can be primarily attributed to Poultry which grappled with capacity limitations early in the year that hindered volume growth. Although this was substantially addressed during the year, the influx of imported chicken created an industry oversupply that exerted downward pressure on chicken prices and impeded revenue growth.

  The performance of fresh meats reflects a deliberate strategy to keep hog operations at a minimum to manage the impact of ASF on the business. For the meantime, the Food division has been importing pork to supplement the needs of the Monterey meat shops.

Thus, although the Feeds, Prepared and Packaged Food, and the Flour segments delivered strong revenue and income growth, the overall performance of the Food division was adversely affected by the challenges faced in the Poultry segment due to its significant contribution to the Food division.

2. PACKAGING

The Packaging business recorded consolidated revenues of P38,379 million in 2023, 4% better than the previous year's level. This was driven by the sustained demand of glass containers, plastic crates and pallets from the food and beverage customers complemented by the continued growth of its operations in Australia.

Operating income reached P1,915 million, a significant increase of 16% against 2022 on account of enhanced operational efficiencies coupled with cost containment programs.

3. ENERGY

San Miguel Global Power posted relatively flat generation volumes year-on-year, primarily due to the extended outage of the 1200 megawatts (MW) Ilijan Power Plant from June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of an adjacent full-scale Liquefied Natural Gas (LNG) terminal that has been tolled on a long-term basis.

San Miguel Global Power sold 8% lower offtake volumes in 2023 as it ceased to supply the 670 MW contract capacity to Manila Electric Company (Meralco) following the suspension and eventual termination of the pertinent power supply agreement, anchored on a favorable decision from the higher court. It has, however, been able to secure several emergency power supply agreements that allowed the contracting of its available capacities, and to operate the Ilijan Power Plant using commercial LNG on a fuel pass-through basis.

Consolidated revenues were at P169,590 million, 23% lower from last year, as fuel tariffs went down with an equivalent decline in coal prices - averaging only US$172.79/Metric Tons (MT) in 2023 compared to US$360.19/MT in 2022, in terms of GlobalCoal Newcastle indexed prices.

However, San Miguel Global Power was able to improve its operating income by 13% on contracted volumes as it worked out a transition to fuel pass thru arrangements for most of its bilateral customers and with fuel prices going significantly lower. Operating income reached P32,526 million.

Consequently, with improved margin and turnaround from foreign exchange loss to foreign exchange gain in 2023, consolidated net income surged to P9,903 million, a significant increase from the P3,134 million net income reported in 2022.

4. FUEL AND OIL

Petron's consolidated revenues slipped to P801,027 million in 2023 despite higher volumes, down 7% from last year's P857,638 million, reflecting the continued price correction of the extraordinarily elevated levels in the oil market. The average benchmark Dubai crude as of full year 2023 closed at US$82 per barrel, still down by 15% from 2022 average.

This was primarily driven by the strong performance in its Philippine operations, while Malaysia continued to deliver steady growth. Petron's volumes of 126.9 million barrels in 2023 was 13% higher than last year's level, fueled by the significant growth in its jet fuel and Liquefied Petroleum Gas (LPG) sales, backed by higher production at its Bataan and Port Dickson refineries.

Consolidated operating income reached P30,721 million, a notable 60% leap from last year's level, primarily driven by its continued efforts in optimizing assets and resources, capturing continued demand recovery, and response to market volatility.

Petron posted a consolidated net income of P10,134 million, growing by 51% from P6,697 million in 2022.

5. INFRASTRUCTURE

The Infrastructure business delivered a remarkable performance in 2023, posting consolidated revenues of P34,006 million, 17% higher than last year. This was mainly brought by the sustained growth from all operating toll roads reaching a combined average daily traffic volumes of 1.0 million vehicles, up 8% from the previous year's level and complemented by the continued increase in travel activities.

Driven by the robust volume growth, operating income surged 25% to P17,722 million, coupled by continued cost management initiatives. Net income also posted a 29% increase to P11,413 million.

The Group's major infrastructure projects are in full swing.

The railway component percentage accomplishment for its Metro Rail Transit Line 7 (MRT 7) is at 68.70% while the detailed engineering design and site development for the depot is still ongoing and on track to operate by end of 2025 or early 2026.

At the center of SMC's push to transform the Philippines into a regional hub and major tourist destination, its MIA Project is underway, with the overall progress of land development and ground improvement works at 77%.

6. CEMENT

The cement business, comprised of ECC, Northern Cement Corporation (NCC) and Southern Concrete Industries, Inc. (SCII), registered a four (4)-fold growth in consolidated revenues to P37,231 million in 2023, mainly due to the sales contribution of ECC in 2023.

Operating income, likewise, posted robust growth amounting to P5,980 million while net income reached P4,010 million.

Despite the challenges in the market, the business continued to deliver a strong performance through various cost containment initiatives and significant improvement in the cost of major inputs.

2022 vs. 2021

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
	(In Millions)					
Sales	P1,506,591	P941,193	P565,398	60%	100%	100%
Cost of Sales	1,314,607	751,015	563,592	75%	87%	80%
Gross Profit	191,984	190,178	1,806	1%	13%	20%
Selling and Administrative Expenses	(83,972)	(77,991)	5,981	8%	(6%)	(8%)
Operating Income	108,012	112,187	(4,175)	(4%)	7%	12%
Interest Expense and Other Financing Charges	(60,795)	(49,265)	11,530	23%	(4%)	(5%)
Interest Income	7,108	3,591	3,517	98%	1%	0%
Equity in Net Earnings of Associates and Joint Ventures	1,197	1,040	157	15%	0%	0%
Gain on Sale of Investments and Property and Equipment	733	167	566	339%	0%	0%
Other Charges - Net	(16,178)	(1,768)	14,410	815%	(1%)	(0%)
Income Before Income Tax	40,077	65,952	(25,875)	(39%)	3%	7%
Income Tax Expense	13,317	17,793	(4,476)	(25%)	1%	2%
Net Income	P26,760	P48,159	(P21,399)	(44%)	2%	5%
Net Income (Loss) Attributable to:						
Equity Holders of the Parent Company	(P12,968)	P13,925	(P26,893)	(193%)	(1%)	1%
Non-controlling Interests	39,728	34,234	5,494	16%	3%	4%
Net Income	P26,760	P48,159	(P21,399)	(44%)	2%	5%

The Group recorded an all-time high consolidated sales of P1,506,591 million, up 60% from P941,193 million in 2021, beating its pre-pandemic 2019 sales of P1,020,502 million by 48%.

The Group's cost of sales increased by P563,592 million or 75% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron; (b) higher cost of coal and higher power purchases of the Energy business; and (c) higher prices of major raw materials of the Food division under the Food and Beverage business.

The increase in selling and administrative expenses by 8% to P83,972 million was mainly due to higher: (a) personnel expenses of Petron and the Energy business; (b) advertising and promotions of Petron and the Beer and NAB and Spirits divisions of the Food and Beverage business; (c) impairment loss on receivables of the Energy business and on deferred containers of the Beer and NAB division under the Food and Beverage business; (d) repairs and maintenance of Petron; and (e) taxes and licenses of the Energy business.

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

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

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

The gain on sale of investments and property and equipment in 2022 primarily represents the sale by: (a) San Miguel Global Power of its investment in shares of stock of SEDI; and (b) Sual Power Inc. (SPI; formerly San Miguel Energy Corporation) of its investments in Daguma Agro-Minerals, Inc., Sultan Energy Phils. Corp. and Bonanza Energy Resources, Inc. The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel (Baoding) Brewery Co., Ltd. and San Miguel (China) Investment Company Limited.

Other charges - net increased primarily due to the higher net loss on foreign exchange from the revaluation of foreign currency-denominated net liabilities of the Group, as a result of the higher depreciation of Philippine Peso against the US Dollar by P4.756 in December 2022 (2022 - P55.755 vs. 2021 - P50.999) as compared to P2.976 in December 2021 (2021 - P50.999 vs. 2020 - P48.023).

The lower income tax expense was primarily due to the recognition in 2022 of deferred tax benefit on: (a) NOLCO by SPI and South Premiere Power Corp. (SPPC); and (b) unrealized net foreign exchange loss by SMC. This was partly offset by the: (a) impact for 2020 of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which was adjusted in the first quarter of 2021 and reduced income tax expense by P3,607 million in 2021; and (b) higher income tax from the improved performances of the Beer and NAB division under the Food and Beverage business, the Infrastructure business and other subsidiaries of the Energy business.

Excluding the significant effect of foreign exchange losses recognized in 2022 and the adjustment in 2021 of the impact of CREATE Act for 2020, consolidated core net income amounted to P43,216 million, down by 8% from last year's P47,042 million.

With higher interest expense and foreign exchange losses, consolidated net income ended at P26,760 million.

The loss attributable to equity holders of the Parent Company was a turnaround from the income recognized in 2021 mainly due to the lower net income and increase in the share of NCI on the Group's net income.

The share of NCI on the Group's net income increased in 2022 mainly due to the: (a) higher amount of distribution on SPCS of San Miguel Global Power and Petron and (b) higher net income of the SMB and Infrastructure businesses. The increase was partly offset by the lower amount of dividend on preferred shares of Petron.

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

1. FOOD AND BEVERAGE

SMFB posted full year consolidated sales of P358,853 million, 16% increase from 2021 mainly driven by sustained volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income grew 11% to P48,711 million and net income rose 10% to P34,665 million compared to 2021.

a. Beer and NAB Division

SMB sustained its growth trend in 2022 delivering consolidated volumes of 224.6 million cases, up 10% from 2021, primarily driven by the positive impact of relaxed mobility and continued re-opening

of markets in both domestic and international operations. Consolidated sales amounted to P136,235 million, an increase of 17% from 2021.

Accordingly, consolidated operating income and net income ended at P29,516 million and P21,750 million, higher by 10% and 6% from 2021, respectively.

Domestic Operations
SMB's domestic beer volumes reached 198.9 million cases, 9% higher than 2021, the result of continuous brand-building and demand-generating programs in key channels capitalizing on the further easing of restrictions and expanded mobility beginning end of March of 2022 which paved the way for the re-opening of on-premise outlets.

This was further supported by effective volume-generating programs and marketing in traditional and modern trade channels from core brands such as Pale Pilsen's ongoing *"Gintong Dagat"* campaign and new digital materials for "*Sarap Laging Kasama*" alongside online posts in SMB Viber Community; Red Horse' new digital contents including the "*Muziknuman*" and "*Lakas Sa-Rap Battle*" episodes on Red Horse Beer's "*Lakas Tama*" YouTube channel, continued airing of "*Una*" Entry Point Drinker and "*Spirit Horse*" core campaigns; and San Mig Light's ongoing "*Bright Side*" thematic campaign, New "*Speakeasy*" podcast episode and "*The Light Space*" live Twitter Space, together with other trade and social media marketing programs.

With higher volumes and reflecting the full impact of the price increase implemented in October 2021, SMB's domestic sales grew 16% to P121,849 million. Operating income reached P26,993 million, 7% higher than 2021 on the back of cost saving initiatives and improvements in operational efficiencies.

International Operations
SMB's international operations sustained its strong performance, ending 2022 with a double-digit volume growth of 15% compared to 2021 brought about by the consistent volume gains recorded from Thailand, Indonesia and Export businesses. These were the result of continued re-opening of the economy, revival of tourism supported by distributor and wholesaler incentive programs implemented, and Exports growth to the United States of America, Bahrain, Middle East and new markets in Asia and Africa. Meanwhile, Hong Kong, South China and Vietnam have shown signs of recovery but still remained lower compared to 2021.

b. Spirits Division

GSMI delivered another record-breaking performance in 2022 registering its highest-ever net income of P4,547 million, exceeding 2021 by 9%.

Volumes reached an all-time high of 44.6 million cases, surpassing 2021 levels by 7%. Growth was supported by effective marketing campaigns which resonated well with consumers, such as Ginebra San Miguel's award-winning "*Hanggang Huling Patak ng Bagong Tapang*", Vino Kulafu's "*Lakas Ka Namo*" and GSM Blue's "*Choose What's True*" advertising campaigns alongside the on-ground market penetration promos such as "*Kusog Kulafu Buenas Grasya*" and expanded distribution.

Full year 2022 sales reached P47,341 million, 11% higher from the P42,534 million reported in 2021. Operating income ended at P5,987 million, 13% higher than 2021 on account of the increase in selling price implemented in February 2022, operational efficiency improvements and rationalization of fixed expense, offsetting the impact of inflationary pressures on raw materials and other inputs.

c. Food Division

The Food division sustained its robust top line performance throughout the year 2022, delivering consolidated sales of P175,288 million, 16% higher than 2021. Amidst rising inflation, volumes in most segments grew, boosted by intensified distribution, aggressive promotional activities, launch of

new products and utilization of additional capacity from new facilities. Faced with escalating raw material prices, most businesses implemented price increases to partly recover rising costs.

Despite the challenges brought about by rising commodity prices, inflation and depreciating peso, the Food Division managed to grow operating income by 15% to P13,270 million on the back of optimized utilization of company-owned facilities and strategic spending on revenue-generating advertising and promotions.

Net income stood at P9,218 million, a 21% increase compared to 2021's level.

- The Protein segment, comprised of the Poultry and Meats businesses, registered sales 4% higher than 2021. Poultry's sales climbed 9% mainly on account of better selling prices as volumes were constrained by capacity shortages. Notwithstanding, Poultry benefitted from the strong recovery of food service and positive market acceptance of marinated *Timplados* products. Meanwhile, the decline in meats' sales is reflective of deliberate moves to downsize hog operations due to the ASF.

- The Animal Nutrition and Health segment posted 26% growth in sales compared to 2021, propelled by volume growth and better selling prices. Volume grew on the back of higher sales of broiler, layer, and hog feeds, as well as growing demand for its Nutri Chunks pet care and San Miguel Animal Health Care veterinary medicine products.

- The Prepared and Packaged Food segment sales exceeded 2021 by 17%. Growth was led by flagship products - *Purefoods Tender Juicy Hotdogs, Purefoods Chicken Nuggets*, whole hams, and Magnolia butter and cheese, with significant contribution from newly launched products under the Purefoods native line and Magnolia salad aids. Significant volume growth along with market share gains was seen across multiple categories.

- Revenue of the Flour segment soared 38%, mainly driven by higher prices, as the business had to cover for higher wheat cost.

2. PACKAGING

The Packaging business generated consolidated sales of P37,039 million in 2022, 10% higher than 2021, boosted by the increase in domestic demand for Glass, Metal, two (2)-piece Aluminum Cans, Beverage Filling and Logistics Services operations from domestic food and beverage customers combined. International operations in China, Vietnam, Malaysia, and Australia also grew from 2021.

Better productivity, management of expenses along with cost saving programs implemented across all business units propelled operating income to increase by 42% at P1,648 million compared to 2021.

3. ENERGY

San Miguel Global Power recorded offtake volumes of 27,402 gigawatt hours (GWh) in 2022, higher by 181 GWh from 2021 mainly driven by the increase in energy demand from distribution utilities with the recovery in economic activities.

Consolidated sales amounted to P221,389 million, up by 66% from P133,710 million in 2021, brought about by the increase in average realization prices reflecting higher fuel costs, increase in spot sale prices, and improved power nominations. In addition, the commencement of commercial operations of the 20 MW Kabankalan Battery Energy Storage System (BESS) in January 2022 likewise contributed to the increase.

The unprecedented spikes in coal prices in 2022 has challenged San Miguel Global Power's operating performance, with prices soaring from US$65 or P3,340.00 per metric ton (at P51.30 per US$1) at

execution date of contract to as high as US$434 or P25,430.00 per metric ton (at P58.59 per US$1). This resulted in incremental supply costs that the Energy business had to absorb to cover the 1,000 MW capacity contracted to Meralco alone. This, along with the increase in power purchase costs driven by elevated spot sale prices combined with the deration of the Ilijan Power Plant resulting from the Malampaya gas supply restriction and the plant's shutdown for inspection, repairs, and maintenance since June 5, 2022, all translated to a significant increase in supply costs. Hence, operating income declined by 22% from P36,841 million in 2021 to P28,886 million.

With lower margins and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of Philippine Peso against the US dollar in 2022, net income amounted to P3,134 million, 80% behind 2021. Without the recognized foreign exchange losses and CREATE Act adjustments in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from 2021.

Despite these challenges, San Miguel Global Power has remained focused on its goal to provide stable and reliable power to the country through its baseload capacities. Construction of committed additional capacities located in Mariveles, Bataan, Masinloc, Zambales and the Batangas Combined Cycle Power Plant (BCCPP) in Ilijan, Batangas that will provide additional 2,600 MW are progressing well, along with the 1,000 MW BESS and 800 MW from Solar. These will boost the baseload power capacity of the country in the next two (2) years. In particular, the BESS and BCCPP is San Miguel Global Power's path to transitioning its power generation to more renewable sources.

4. FUEL AND OIL

Petron ended 2022 strong mainly driven by the recovery in demand specifically from the industrial and aviation sectors. Combined sales volumes from its Philippine and Malaysia operations reached 112.8 million barrels, 37% higher compared to 2021. The Philippine operation registered 68.5 million barrels, 43% higher than the 47.9 million barrels in 2021. Demand for gasoline and diesel products remained high with notable increases as well in the sales of jet fuel, LPG and polypropylene products, as Petron resumed its production of polypropylene in 2022.

Consolidated sales rose 96% to P857,638 million mainly driven by growth in fuel demand and higher crude oil prices. Dubai crude oil averaged at US$96 per barrel in 2022, nearly 40% higher than 2021's average of US$69 per barrel. The year 2022 was characterized with high volatility in crude oil prices. Dubai crude oil surged to as high as US$113 per barrel in June, dropping by 32% in the second half to US$77 per barrel in December, due to global inflationary and recession fears.

Consolidated operating income ended 12% higher at P19,213 million, compared to P17,215 million in 2021, despite external headwinds and lower prices in the second semester of 2022. Operating costs were contained, further supported by continued optimization of refining assets. Petron ramped up its refinery production to take advantage of favorable refining cracks, partly countered by more expensive crude and finished product import costs, higher working capital requirements and borrowing rates.

Consolidated net income settled at P6,697 million, up 9% from 2021's P6,136 million.

5. INFRASTRUCTURE

The Infrastructure business continued its growth momentum for the year 2022 recording a 25% increase in combined average daily traffic volumes. Travel and mobility have returned to normal with the resumption of onsite work and classes and increased outdoor activities. Consolidated revenues ended at P29,008 million, 47% higher than 2021's level.

Operating income soared 112% to P14,142 million, mainly driven by the sustained double-digit volume growth in all operating toll roads.

The Group's major ongoing infrastructure projects are all on track.

The railway component of the Metro Rail Transit Line 7 (MRT 7) Project which include the guideway and stations is already 60% completed. The detailed engineering design and site development of the depots are ongoing. The road component is undergoing the study of the realignment.

The South Luzon Expressway - Toll Road 4 Project is progressing well with ongoing right-of-way (ROW) acquisition, construction of underpass, bridges, earthworks and embankments including installation of reinforced concrete pipe culvert and concrete box culvert, including clearing works.

The Supplemental Toll Operation Agreement (STOA) for the South Luzon Expressway - Toll Road 5 Project was signed on June 3, 2022 and was approved by the Office of the President on June 27, 2022. Detailed engineering design studies, ROW acquisitions and awarding of the independent contractor contract are in progress.

The Ninoy Aquino International Airport Expressway (NAIAX) Tramo Connecting Ramp has been issued the Notice to Proceed on May 16, 2022 by the Department of Public Works and Highways, with variation order approval issued on July 6, 2022. Ongoing works for the bored piling are almost complete. Delivery of universal beams girders and accessories has been completed. Civil works for the columns and fabrication of the pre-cast coping beam are set to begin.

Skyway Stage 4 Project is also progressing well with ongoing ROW acquisition, detailed engineering design either already approved or undergoing review and evaluation by the Toll Regulatory Board and pre-construction activities already started which include inspection of seedlings for the planting of trees.

The STOA for Pasig River Expressway Project has been signed on September 21, 2021 and approved by the Office of the President on March 13, 2022. Environmental Compliance Certificate application and detailed engineering design services are in progress while ongoing activities are still limited to site development and river dredging.

The Northern Access Link Expressway and Southern Access Link Expressway's STOA have been signed on March 21 and June 20, 2022 and approved by the Office of the President on May 6 and June 27, 2022, respectively.

On March 31, 2022, SMC entered into a loan facility agreement with several lenders amounting to US$2,165 million for the financing of the land development works for the MIA Project, of which US$871 million has been drawn as at December 31, 2022. SMC has received the initial certification from the Independent Environmental and Social Consultant of the Airport land development works lenders and is in continuous compliance with the International Finance Corporation Performance Standards. The project team together with the consultants and third-party providers are currently working on the Airport Masterplan along with the critical components of the airport. Site clearing activities is almost complete while land filling and ground improvement works are almost 50% done.

II. FINANCIAL POSITION

A. The following are the major developments in 2023:

In 2023, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **Energy**

a) Masinloc Power Co. Ltd. (MPCL; formerly Masinloc Power Partners Co. Ltd.)

On January 17, 2023, MPCL agreed with local bank lenders to amend its Omnibus Refinancing Agreement, with an outstanding obligation amounting to US$149 million as at the agreement date, into a Peso-denominated loan amounting to P8,155 million, subject to floating interest rate with maturities up to January 2023. MPCL holds a one (1)-time right to convert the loan into a fixed interest rate borrowing on the second anniversary allowed under the terms of the agreement.

b) San Miguel Global Power

On June 15 and August 8, 2023, San Miguel Global Power drew P5,000 and P2,500 million, respectively, from a P10,000 million Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028. The proceeds of the loan were used to partially refinance maturing debt obligations, fund general corporate purposes, including investments in LNG and BESS, and cover transaction-related costs, fees and expenses.

c) SMGP BESS Power, Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)

On October 27, 2023, SMGP BESS drew the first tranche amounting to P28,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the first tranche were used for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from San Miguel Global Power, both of which were used to finance payment for interest, design, construction and the operation of the BESS projects, and cover transaction-related costs, fees and expenses.

- **Infrastructure**

a) SMC NAIAX Corporation (SMC NAIAX)

On various dates in 2023, SMC NAIAX availed of a total of P1,187 million term loans from its P5,656 million OLSA with various banks executed on December 21, 2022. The term of the loan is for seven (7) years and three (3) months and is subject to a floating interest rate. The proceeds of the loan are being used to partially finance the construction and development of the NAIAX Tramo Extension Project.

b) SMC SLEX Holdings Company Inc. (SSHCI)

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

c) SMC Mass Rail Transit 7 Inc. (SMC MRT 7)

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

- **Food and Beverage**

SMB

On February 21, 2023, SMB availed of the remaining P5,000 million term loan from its P10,000 million loan facility executed on December 19, 2022 to partially finance capital expenditures. The term of the loan is for five (5) years and is subject to a fixed interest rate for the first two (2) years and repricing thereafter.

- **Cement**

a) San Miguel Equity Investments Inc. (SMEII)

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

b) NCC

On various dates in 2023, NCC availed of a total of P3,750 million term loan from its existing P12,500 million OLSA executed in June 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan are being used to partially finance the ongoing cement plant project in Sison, Pangasinan. The OLSA was fully drawn as at December 31, 2023.

- **SMC**

On June 30, 2023, SMC availed of a P5,200 million term loan for the refinancing of its Corona Virus Disease 2019 response activities during the period 2020 to 2022. The loan is subject to a fixed interest rate and with a term of six (6) years.

FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power**

a) On March 16, 2023, San Miguel Global Power availed of a US$100 million term loan from a facility agreement executed on March 10, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in September 2024.

The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

b) On October 31, 2023, San Miguel Global Power availed of a US$50 million term loan from a facility agreement executed on October 24, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in April 2025. The proceeds of the loan were used to refinance the US$50 million three (3)-year term loan drawn in April 2021 which matured in October 2023, and payment of transaction related fees, costs and expenses in relation to the facility agreement.

- **SMC**

a. On various dates in 2023, SMC availed of a total of US$1,330 million from the term loan facility executed on March 21, 2023, which was increased from US$1,200 million to US$1,330 million effective June 30, 2023. The term of the loan is for five (5) years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes, including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

b. On various dates in 2023, SMC availed of a total of US$622 million term loan from the US$2,165 million loan facility executed on March 31, 2022. The loan is subject to a floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the MIA Project in Bulacan. Total drawdowns as at December 31, 2023 amounted to $1,493 million.

c. On July 10 and July 31, 2023, SMC availed of a US$200 million term loan, subject to a floating interest rate and US$150 million term loan, subject to a fixed interest rate, with a term of five (5) years. The proceeds of the loans were used for general corporate purposes, including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

d. On September 20, 2023, SMC availed of a US$300 million term loan, subject to a floating interest rate and with a term of five (5) years. The proceeds of the loan were used to refinance a total of US$300 million term loans availed in 2018.

e. In November 2023, SMC availed of a total of US$300 million term loans, subject to a floating interest rate and with a term of five (5) years. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

- **Petron**

On various dates in 2023, Petron availed of a total of US$399 million loans from the following: (1) US$174 million from the remaining balance of the term loan facility executed in November 2022, which was increased from US$550 million to US$669 million effective February 17, 2023 (the "US$669 million Facility"), and (2) US$225 million from the term loan facility executed on March 28, 2023 (the "US$225 million Facility"). The final amortization of the US$669 million Facility will be on November 8, 2027, while the final amortization of the US$225 million Facility will be on March 28, 2028. Both Facilities are subject to floating interest rates.

The US$174 million loans from the US$669 million Facility were used to partially prepay the amortizations for the JPY15,000 million long-term loan amounting to US$30 million, to prepay the remaining balance of the US$800 million long-term loan amounting to US$113 million, and partially fund payment of the P7,000 million Series B Bonds due on October 27, 2023 amounting to US$31 million. Proceeds from the US$225 million Facility were used to partially fund the redemption of Petron's US$500 million SPCS.

PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

- **SMC**

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

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

- **San Miguel Global Power**

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

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

- **Petron**

  On October 27, 2023, Petron paid the Series B Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same date. The Series B Bonds formed part of the P20,000 million retail bonds issued by Petron in 2016.

  The payment was funded by the US$31 million term loan drawn on August 14, 2023 from the US$669 million facility and cash generated from operations.

PAYMENT OF TERM LOANS

FOREIGN CURRENCY-DENOMINATED TERM LOANS

- **San Miguel Global Power**

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

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

- **SMC**

  a) On February 24, 2023, SMC prepaid in full the US$400 million term loan availed on March 16, 2018. The U$400 million was paid from the available cash balance.

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

PESO TERM LOAN

- **ECC**

  On May 29, 2023, ECC prepaid in full the balance of its Term Loan Facility and Security Agreement entered in 2016, amounting to P4,049 million. The payment was funded by the proceeds from the redemption on May 25, 2023 of the P4,000 million RPS issued by SMC in 2020.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the year, the Group paid a total of P27,497 million of its scheduled amortizations and maturing obligations.

The Infrastructure, Energy, Cement, Petron, Packaging, Food and Beverage businesses and SMC paid a total of P9,526 million, P5,129 million, P4,900 million, P4,643 million, P2,625 million, P514 million and P160 million, respectively, of their maturing obligations.

ISSUANCE OF EQUITY AND CAPITAL SECURITIES

- **Petron**

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

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

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

- **SMC**

On August 23, 2023, SMC issued 173,333,325 Series 2-M Preferred Shares (Series 2-M) which were listed at the PSE on August 29, 2023. The shares were issued at an offer price of P75.00 per share for a total amount of P13,000 million, with dividend rate of 8.375% per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC. The Series 2-M Preferred Shares were privately-placed.

The net proceeds from the issuance of Series 2-M were used for general corporate purposes.

On December 1, 2023, SMC issued a total of 453,333,400 Series 2-L, 2-N and 2-O (Series 2-LNO) Preferred Shares which were under the 866,666,700 shelf-registration and were listed at the PSE on the same date. The shares were issued at an offer price of P75.00 per share for a total amount of P34,000 million, with dividend rates of 7.9145% (Series 2-L), 8.3466% (Series 2-N) and 8.5936% (Series 2-O) per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC.

The net proceeds of the from the issuance of the Series 2-LNO were used for repayment of Peso-denominated short-term facilities, repayment of Series B Bonds and will be used for the repayment of Series H Bonds on October 4, 2024.

REDEMPTION OF US$500 MILLION SPCS BY PETRON

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

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

Following the full redemption, distributions ceased to accrue, and the redeemed securities were cancelled and delisted from the SGX-ST.

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

SUBSEQUENT EVENTS

- **Payment of P7,294 million Series B Fixed Rate Peso-denominated Bonds by SMC**

  On March 1, 2024, SMC paid the P7,294 million Series B Fixed Rate Peso-denominated bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by the Parent Company in 2017.

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

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

  On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA is expected to be turned-over by the Manila International Airport Authority to the concession company, six (6) months after the execution of the Concession Agreement.

- **Joint Investment in an Integrated LNG Facility by San Miguel Global Power and Chromite Gas Holdings, Inc. (CGHI)**

  On March 1, 2024, the Board of Directors (BOD) of San Miguel Global Power approved the following transactions:

  1) Subscription by CGHI, a joint venture company owned by Meralco PowerGen Corporation and Therma NatGas Power Inc., of approximately 67% equity interest in the wholly-owned subsidiaries of San Miguel Global Power, namely: SPPC, Excellent Energy Resources Inc. (EERI) and Ilijan Primeline Industrial Estates, Inc. (IPIEC); and

  2) Purchase by San Miguel Global Power of approximately 33% of the total outstanding capital stock of Linseed Field Corporation (LFC) from Eurodite Universal Power Incorporated.

  The assets covered by the transaction consists of the: (a) 1,200 MW Ilijan Combined Cycle Gas Power Plant owned by SPPC which is currently operational, (b) 1,320 MW BCCPP owned by EERI which is under construction, (c) 390,829 sqm land where the BCCPP of EERI is situated, and (d) import and regasification LNG terminal owned by LFC which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

B. The following are the major developments in 2022:

INVESTING ACTIVITIES

Acquisition by SMC through SMEII of ECC

On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc., the parent company of ECC and three (3) other individual shareholders (collectively, the Selling Shareholders) for

the acquisition by SMEII of a total of 4,425,123,001 common shares (Sale Shares) representing approximately 88.50% of the total outstanding and issued capital stock of ECC for a total consideration of P97,441 million or P22.02 per Sale Share.

ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

On October 27, 2022, the Philippine Competition Commission issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the PSE after the required written assent of the stockholders of ECC was secured.

The tender offer period ended on December 5, 2022, a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding common shares of ECC were tendered (Tendered Shares) for a total consideration of P12,613 million or P22.02 per share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As a result of the transaction, ECC was consolidated effective December 14, 2022. SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding common shares of ECC as at December 31, 2023 and 2022.

The total acquisition cost of ECC amounting to P110,054 million was funded by a short-term loan availed by SMC and existing cash balance.

Redemption of Investment in Preferred Shares of Top Frontier Investment Holdings, Inc. (Top Frontier)

On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by SMC. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424 million, corresponding to the original issue price, plus unpaid cash dividends amounting to P267 million.

In 2022, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **SSHCI**

  On various dates in 2022, SSHCI availed of a total of P15,800 million term loans from the P20,000 million term loan facility agreement executed on December 3, 2021. The loans are subject to a floating interest rate and will mature on January 3, 2025. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

- **Petron**

a. On May 19, June 15 and June 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of power plant project, (b) payment of the remaining balance of US dollar term loan, and (c) payment of various loan facilities. The P15,000 million term loan is divided into three (3) P5,000 million loans, each with a term of five (5) years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and June 16, 2027, respectively.

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

- **SMC NAIAX**

  On December 28, 2022, SMC NAIAX availed of a P3,124 million term loan from its P5,656 million OLSA with various banks executed on December 21, 2022. The loan is subject to a fixed interest rate and will mature on June 21, 2030. The proceeds of the loan were used to prepay the balance of the OLSA executed in 2014 and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- **SMB**

  On December 20, 2022, SMB availed of a P5,000 million five (5)-year term loan from its P10,000 million loan facility with a local bank. The loan is subject to a fixed interest rate and will mature on December 20, 2027. The proceeds of the loan were used to partially finance capital expenditures.

- **NCC**

  On various dates in 2022, NCC availed of a total of P1,674 million term loan from its existing P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to finance the ongoing cement plant project in Sison, Pangasinan. Total drawdowns from the OLSA as at December 31, 2022 amounted to P8,749 million.

FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power**

a. On January 21, 2022, San Miguel Global Power availed of a US$200 million term loan from the loan facility agreement executed on September 8, 2021. Proceeds of the loan were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility. The term of the loan is for three (3) years and is subject to a floating interest rate.

b. On May 24, 2022, San Miguel Global Power availed of a US$100 million term loan from the loan facility agreement executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of BESS and BCCPP Projects, for general corporate requirements and payment of other transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in May 2025.

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

- **SMC**

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

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

c. On various dates in 2022, SMC availed of a total of US$871 million term loan from the US$2,165 million loan facility executed on March 31, 2022 for the financing of the MIA Project's land development works. The term of the loan is 13 years and is subject to a floating interest rate.

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

- **Petron**

  In November and December 2022, Petron availed of US$267 million and US$228 million loans, respectively, from the US$550 million term loan facility executed on November 8, 2022. The loan is amortized over five (5) years with a two (2)-year grace period and subject to a floating interest rate. The proceeds were used to partially prepay the US$800 million term loan facility availed in 2019 and the US$150 million term loan availed in 2020.

ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

- **Issuance of P30,000 Million Fixed Rate Bonds by SMC**

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

  The proceeds from the issuance of the bonds were used to refinance short-term loan facilities and other general corporate purposes.

- **Registration and Issuance of P60,000 Million Fixed Rate Peso-denominated Bonds by SMC**

  On December 14, 2022, SMC issued and listed at the PDEx a total of P60,000 million Fixed Rate Peso-denominated Bonds comprising of P27,101 million Series L, P9,712 million Series M and P23,187 million Series N bonds which were approved by the SEC on November 22, 2022. The Series L, Series M and Series N bonds are due in December 2028, 2029 and 2032 with interest rates of 7.4458%, 7.8467% and 8.4890% per annum, respectively.

  Portion of the proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Subseries "2-H" Preferred Shares; and (ii) the repayment of Peso-denominated short-term loan facilities used to redeem the Series A and Series D Bonds, and the remaining balance will be used for (iii) the final redemption and payment of the Series E Bonds due in 2023; and (iv) the refinancing of certain US Dollar-denominated obligations.

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

On July 26, 2022, San Miguel Global Power issued and listed at the PDEx a total of P40,000 million Fixed Rate Peso-denominated Bonds, the first tranche of the P60,000 million shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

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

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

- **Payment of Fixed Rate Peso-Denominated Series A and D Bonds by SMC**

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

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

- **Payment of Fixed Rate Peso-Denominated Series D and Series H Bonds by San Miguel Global Power**

  On April 25 and December 22, 2022, San Miguel Global Power paid its P13,845 million Series H and P9,913 million Series D Fixed Rate Peso-denominated Bonds, which matured on the same dates. The Series D and Series H Bonds were issued by San Miguel Global Power in 2017 and 2019, respectively.

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

- **Payment of Fixed Rate Peso-Denominated Series F Bonds by SMB**

  On April 2, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds were issued by SMB in 2012.

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

- **Payment of Fixed Rate Peso-Denominated Series B Bonds by SMC SLEX Inc. (SMC SLEX)**

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

  The Series B Bonds were paid using internally generated funds.

PAYMENT OF OTHER MATURING OBLIGATIONS

In 2022, the Group paid a total of P22,074 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Infrastructure, Energy, Petron, Packaging, Food and Beverage and SMC paid a total of P8,575 million, P6,824 million, P3,430 million, P2,902 million, P183 million and P160 million, respectively, of their maturing obligations.

REDEMPTION OF PREFERRED SHARES BY SMC

Redemption of Series "2" Preferred Shares - Subseries "2-H" by SMC

On December 21, 2022, SMC redeemed its outstanding 164,000,000 Subseries "2-H" Preferred Shares issued in March 2016. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries "2-H" Preferred Shares was approved by the BOD of SMC on September 22, 2022.

The Subseries "2-H" Preferred Shares were redeemed using part of the proceeds of the P60,000 million Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

REPURCHASE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US dollar-denominated SPCS listed at the SGX-ST to purchase for cash up to US$400 million SPCS. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 million in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the expiration deadline and which San Miguel Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

The payment for the repurchased SPCS was funded by San Miguel Global Power's issuance of RPS to SMC.

C. The following are the major developments in 2021:

INVESTMENT IN SUBSIDIARIES

Merger of NCC and San Miguel Northern Cement, Inc. (SMNCI)

On March 3, 2021, the BOD and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving entity.

On June 14, 2021, the SEC approved the Articles and Plan of Merger executed by NCC and SMNCI, whereby the entire assets and liabilities of SMNCI were transferred to and absorbed by NCC.

On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 million as consideration for the net assets of SMNCI in accordance with the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of NCC, which was approved by the SEC on June 14, 2021.

The merger of NCC and SMNCI is considered to be a business combination under common control. The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interest method.

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

On October 6, 2021, the BIR issued Ruling No. S40M-371-2021 which confirmed the tax-free exchange of investment relative to the merger of NCC and SMNCI.

Investment by SMC Equivest Corporation (SMCEC) in Preferred Shares and Common Shares of BankCom

On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BankCom at P132.00 per share or a total of P5,500 million.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BankCom and subject to the other terms and conditions as may be fixed by the BOD of BankCom, required under regulations, and to the extent permitted by applicable law.

On October 20, 2021, SMCEC acquired 1,571,600 common shares of BankCom at P226.48 per share or P357 million, including transaction cost, representing additional 1.4% ownership interest.

The Bangko Sentral ng Pilipinas (BSP) and SEC approved the Amendment of Articles of Incorporation of BankCom on October 4 and November 2, 2021, respectively, for the change in the par value of BankCom's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BankCom on May 25 and July 8, 2021, respectively. As a result, San Miguel Properties, Inc. (SMPI) and SMCEC's investment in BankCom's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BankCom's preferred shares also increased from 41,666,667 shares to 416,666,670 shares.

As at December 31, 2021, SMC through SMPI and SMCEC, respectively, has 39.93% and 6.09% equity ownership interests in BankCom.

On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one (1) year from the date of the grant of the universal banking license.

On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom, which includes the 280,602,800 common shares subject of the initial public offering. On March 31, 2022, BankCom listed its common shares with the PSE.

In 2021, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **San Miguel Global Power**

  On May 28, 2021, San Miguel Global Power availed of a P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to a fixed interest rate and will mature on May 28, 2025.

- **SMC Tollways**

On March and June 2021, SMC Tollways drew a total of P12,900 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. The proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction-related fees, taxes and expenses. The loan is subject to a fixed interest rate and repricing on the fifth year from initial drawdown date, and payable in 40 quarterly installments up to December 14, 2029. As at December 31, 2021, the total amount of the P41,200 million facility has been fully drawn.

- **NCC**

On June 30, 2021, SMNCI availed of a P7,075 million from the P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan. On July 1, 2021, the balance of the loan was transferred to NCC following the merger of NCC and SMNCI.

- **The Purefoods-Hormel Company, Inc. (PF-Hormel)**

On September 29, 2021, PF-Hormel availed of a P7,000 million term loan, subject to a fixed interest rate and will mature on September 29, 2026. The proceeds of the loan were used for the refinancing of existing indebtedness and general corporate purposes.

- **SCII**

On December 29, 2021, SCII fully availed the P4,800 million loan from the OLSA executed on December 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on December 31, 2028. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

FOREIGN CURRENCY-DENOMINATED TERM LOANS

- **San Miguel Global Power**

a. On March 9, 2021, San Miguel Global Power executed a five (5)-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021. On May 21, 2021, the loan facility agreement was amended to increase the amount from US$200 million to US$300 million.

   On June 7, 2021, San Miguel Global Power availed of the remaining US$100 million from its amended loan facility agreement. The proceeds of the loan were used mainly for the payment of Series A Fixed Rate Bonds in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

b. On April 12, 2021, San Miguel Global Power availed of a US$50 million from its term loan facility with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures of the BCCPP (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities, pre-operating and operating working capital requirements for the BESS Projects, and transaction-related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.

- **SMC**

  a. On October 21, 2021, SMC executed a five (5)-year term loan facility agreement for the amount of US$700 million. The facility agreement was amended on November 29, 2021 increasing the amount from US$700 million to US$900 million. On October 28 and December 23, 2021, SMC drew a total of US$450 million from the facility. The loan is subject to a floating interest rate and will mature on October 21, 2026. The proceeds of the loan were and will be used for general corporate purposes.

  b. On December 13, 2021, SMC executed a five (5)-year term loan facility agreement for the amount of US$100 million. Drawdown was completed on December 23, 2021. The loan is subject to a floating interest rate and will mature on December 14, 2026. The proceeds of the loan were used for general corporate purposes.

ISSUANCE AND PAYMENT OF BONDS

- **Shelf-registration of P50,000 Million Fixed Rate Peso-Denominated Bonds by SMC and Issuance of P30,000 Million Bonds**

  On June 21, 2021, the SEC approved the shelf-registration of P50,000 million fixed rate Peso-denominated bonds of SMC.

  On July 8, 2021, SMC issued and listed at the PDEx P30,000 million Series I Bonds. The bonds are due in 2027, with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

  The proceeds from the issuance of the Bonds were used to repay existing obligations.

- **Issuance of P18,000 Million Fixed Rate Bonds by Petron**

  On October 12, 2021, Petron issued and listed at the PDEx P18,000 million fixed rate, Peso-denominated bonds, the first tranche of the P50,000 million shelf-registered fixed rate bonds approved by the SEC.

  The bonds consist of P9,000 million Series E Bonds maturing in 2025 with an interest rate of 3.4408% per annum and P9,000 million Series F Bonds maturing in 2027 with an interest rate of 4.3368% per annum. Interest is payable quarterly in arrears every 12th of January, April, July and October of each year.

  The proceeds from the issuance of the bonds were used primarily for the payment of the outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

- **Payment of Fixed Rate Peso-Denominated Series G Bonds by SMB**

  On April 5, 2021, SMB paid its Series G Fixed Rate Bonds amounting to P12,462 million, which matured on the same day. The Series G Bonds form part of the P15,000 million fixed rate bonds issued by SMB in 2014.

  The payment was financed from the proceeds of the P12,000 million term loans availed on March 30, 2021 from four (4) banks. The loans are subject to fixed interest rates, where P10,000 million are due on March 30, 2026 and P2,000 million are due on March 30, 2028.

- **Payment of Fixed Rate Peso-Denominated Series A Bonds by San Miguel Global Power**

On July 12, 2021, San Miguel Global Power paid its Series A Fixed rate Bonds amounting to P6,153 million, which matured on the same day. The Series A Bonds, which form part of the P15,000 million Series ABC Fixed Rate Bonds issued by San Miguel Global Power in 2016.

The Series A Bonds were paid partly from the proceeds of the US$100 million out of the US$300 million Syndication Agreement availed in June 2021 and partly from the P5,000 million term loan availed in May 2021.

PAYMENT OF OTHER MATURING OBLIGATIONS

In 2021, the Group paid P18,686 million of maturing obligations funded by cash generated from operations.

Energy, Petron, Infrastructure, Packaging and other businesses paid a total of P7,293 million, P4,785 million, P3,778 million, P2,488 million and P342 million, respectively, of their maturing long-term debt.

ISSUANCE OF CAPITAL SECURITIES BY SUBSIDIARIES

- **Issuance of US$550 Million SPCS by Petron**

  On April 19, 2021, Petron issued US$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

- **Issuance of US$750 Million SPCS by San Miguel Global Power**

  On June 9, 2021, San Miguel Global Power issued US$600 million SPCS at an issue price of 100%, with an initial distribution rate of 5.45% per annum. The securities were listed at the SGX-ST on June 10, 2021.

  On September 15, 2021, San Miguel Global Power issued US$150 million SPCS at an issue price of 100.125%, with an initial distribution rate of 5.45% per annum. The additional securities which were listed at the SGX-ST on September 16, 2021 were consolidated into single series with the securities issued in June 2021.

  The net proceeds were used primarily for the 1,320 MW BCCPP and for general corporate purposes.

REDEMPTION OF PREFERRED SHARES BY SMC

Redemption of Series "2" Preferred Shares - Subseries "2-G", Subseries "2-C" and Subseries "2-E" by SMC

On March 30 and September 21, 2021, SMC redeemed its outstanding 66,666,600 Subseries "2-G", 255,559,400 Subseries "2-C" and 134,000,100 Subseries "2-E" Preferred Shares issued in March 2016, September 2012 and 2015, respectively. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries "2-G" Preferred Shares was approved by the BOD of SMC on March 11, 2021 while the redemption of Subseries "2-C" and Subseries "2-E" Preferred Shares was approved by the BOD of SMC on August 5, 2021.

The Subseries "2-G" Preferred Shares were redeemed using the proceeds of the US$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US$2,000 million.

The Subseries "2-C" and Subseries "2-E" Preferred Shares were redeemed from proceeds of short-term loan availments.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

REDEMPTION OF SERIES 2B PREFERRED SHARES BY PETRON

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The Series 2B Preferred Shares were redeemed from proceeds of short-term loan availments. The redemption was approved by the BOD of Petron on March 9, 2021.

REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 million Undated Subordinated Capital Securities (USCS) issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$300 million USCS were redeemed using part of the proceeds of the US$350 million SPCS issued on December 15, 2020.

D. MATERIAL CHANGES PER LINE OF ACCOUNT

2023 vs. 2022

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	**2023**	2022
			(In Millions)			
Cash and cash equivalents	**P261,358**	P318,214	(P56,856)	(18%)	**11%**	13%
Trade and other receivables - net	**263,119**	238,782	24,337	10%	**11%**	10%
Inventories	**161,986**	190,193	(28,207)	(15%)	**6%**	8%
Current portion of biological assets - net	**3,515**	3,418	97	3%	**0%**	0%
Prepaid expenses and other current assets	**141,424**	133,691	7,733	6%	**6%**	6%
Total Current Assets	**831,402**	884,298	(52,896)	(6%)	**34%**	37%
Investments and advances - net	**37,089**	32,523	4,566	14%	**2%**	1%
Investments in equity and debt instruments	**19,417**	18,921	496	3%	**1%**	1%
Property, plant and equipment - net	**753,472**	708,192	45,280	6%	**31%**	30%
Right-of-use assets - net	**108,014**	112,067	(4,053)	(4%)	**4%**	5%
Investment property - net	**79,513**	74,660	4,853	7%	**3%**	3%

Biological assets - net of current portion	**2,667**	2,671	(4)	(0%)	**0%**	0%
Goodwill - net	**182,791**	184,100	(1,309)	(1%)	**7%**	8%
Other intangible assets - net	**306,638**	249,321	57,317	23%	**12%**	10%
Deferred tax assets	**19,633**	22,554	(2,921)	(13%)	**1%**	1%
Other noncurrent assets - net	**118,729**	102,518	16,211	16%	**5%**	4%
Total Noncurrent Assets	**1,627,963**	1,507,527	120,436	8%	**66%**	63%
Total Assets	**P2,459,365**	P2,391,825	P67,540	3%	**100%**	100%
Loans payable	**P214,881**	P267,704	(P52,823)	(20%)	**9%**	11%
Accounts payable and accrued expenses	**223,055**	227,126	(4,071)	(2%)	**9%**	9%
Lease liabilities - current portion	**19,631**	21,020	(1,389)	(7%)	**1%**	1%
Income and other taxes payable	**46,254**	37,694	8,560	23%	**2%**	2%
Dividends and distributions payable	**4,605**	4,037	568	14%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**236,798**	170,032	66,766	39%	**9%**	7%
Total Current Liabilities	**745,224**	727,613	17,611	2%	**30%**	30%

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	**2023**	2022
Long-term debt - net of current maturities and debt issue costs	**P953,786**	P918,164	P35,622	4%	**39%**	39%
Lease liabilities - net of current portion	**36,941**	54,455	(17,514)	(32%)	**2%**	2%
Deferred tax liabilities	**29,503**	26,297	3,206	12%	**1%**	1%
Other noncurrent liabilities	**28,745**	26,144	2,601	10%	**1%**	1%
Total Noncurrent Liabilities	**1,048,975**	1,025,060	23,915	2%	**43%**	43%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**0%**	0%
Additional paid-in capital	**177,468**	177,719	(251)	(0%)	**7%**	7%
Capital securities	**24,211**	24,211	-	0%	**1%**	1%
Equity reserves	**7,354**	12,753	(5,399)	(42%)	**0%**	1%
Retained earnings:						
Appropriated	**87,170**	71,004	16,166	23%	**4%**	3%
Unappropriated	**103,151**	129,239	(26,088)	(20%)	**4%**	6%
Treasury stock	**(109,763)**	(156,763)	47,000	30%	**(4%)**	(7%)

Equity Attributable to Equity Holders of the Parent Company	**316,221**	284,793	31,428	11%	**13%**	12%
Non-controlling Interests	**348,945**	354,359	(5,414)	(2%)	**14%**	15%
Total Equity	**665,166**	639,152	26,014	4%	**27%**	27%
Total Liabilities and Equity	**P2,459,365**	P2,391,825	P67,540	3%	**100%**	100%

Consolidated total assets as at December 31, 2023 amounted to P2,459,365 million, P67,540 million higher than December 31, 2022. The increase was primarily due to the increase in property, plant and equipment, intangible assets, trade and other receivables and other noncurrent assets, offset by the decrease in cash and cash equivalents and inventories.

The decrease in cash and cash equivalents of P56,856 million was mainly due to the net payment of short-term loans, capital expenditures for the ongoing projects of the Infrastructure, Energy, Food and Beverage and Cement businesses, payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations, net proceeds from the availment of long-term debt and from the reissuance of treasury shares by SMC and Petron.

The increase in trade and other receivables - net by P24,337 million was mainly attributable to the: (a) higher trade receivables of the Energy business as a result of the Emergency Power Supply Agreement with Meralco which commenced in March and August 2023, (b) higher receivables recognized versus collections during the year by SPI, and (c) higher receivable of Petron from the Philippine Government due to increased excise tax refund claims.

The decrease in inventories by P28,207 million was attributable mainly to the: (a) lower materials and supplies inventory of the Food division as a result of the normalized level coming from the high level in December 2022 due to purposive buying of raw materials at that time in anticipation of price increases, depletion of hedged meat materials, and higher production volumes, (b) lower price of both crude oil and finished products and lower volume of crude oil, partly offset by higher volume of finished products of Petron.

The increase in prepaid expenses and other current assets by P7,733 million was primarily due to: (a) higher input taxes from the ongoing projects and power purchases of the Energy business, (b) increase in advances to suppliers mainly contributed by advances for LNG procurement of SPPC and (c) higher unused creditable withholding taxes of Petron. The increase was partly offset by the utilization of restricted cash fund for debt servicing requirements of the Energy business.

The increase in investments and advances - net by P4,566 million was mainly due to the advances for future investments to certain companies by the Energy business and the Group's share in the net earnings of BankCom and MNHPI in 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in property, plant and equipment - net by P45,280 million was mainly due to the costs of the ongoing projects of the Energy business, the Food and Beer and NAB divisions of the Food and Beverage business and Cement business.

The increase in investment property - net by P4,853 million was mainly due to the reclassification from property, plant and equipment to investment property of certain properties of the Energy business as a result of the change in usage, acquisition of parcels of land in Bulacan for the Airport Project and the consolidation of the investment property of IPIEC and Blue Eagle Star, Corp.

The increase in other intangible assets - net by P57,317 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization for the year.

The decrease in deferred tax assets by P2,921 million was primarily due to the recognition by SMC of deferred tax on unrealized gains on foreign exchange mainly from the revaluation of the foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P16,211 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project, (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses, and (c) restricted cash balance for debt servicing requirements of the Energy business.

The decrease in loans payable by P52,823 million was mainly due to the net payment made by SMC, Food division and the Energy business.

The increase in income and other taxes payable by P8,560 million was mainly due to the higher amount of Value-Added Tax (VAT) payable: (a) on the sales of the Energy business subject to VAT and (b) of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022.

The increase in dividends and distributions payable by P568 million was mainly due to the declaration of dividends by Petron and SMC to preferred shareholders in November 2023 payable in 2024.

The increase in total long-term debt, net of debt issue costs, of P102,388 million was primarily due to the net availments of foreign currency-denominated and Peso term loans by the Group, partly offset by the payment of Series B and G Bonds by San Miguel Global Power, Series E Bonds by SMC and Series B Bonds by Petron and translation adjustments for the year.

The decrease in total lease liabilities by P18,903 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P3,206 million was mainly due to the temporary differences on lease-related expenses in relation to the IPPA lease agreement of SPI and San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.) and on qualifying assets and capital allowance of Petron Malaysia.

The increase in other noncurrent liabilities by P2,601 million was mainly due to the increase in: (a) retention payable for the ongoing projects of the Infrastructure business and (b) retirement liabilities of the Food and Beverage business resulting from the net remeasurement loss on plan assets net of contributions paid, partly offset by the application of retention payable to contractors' billings of the Energy business.

The decrease in equity reserves by P5,399 million was mainly due to the loss on exchange differences on the translation of foreign operations for the year, loss from the redemption of SPCS by Petron, and remeasurement loss on the retirement plan assets of SMFB.

The increase in appropriated retained earnings by P16,166 million was mainly due to the net appropriations made by: (a) the Infrastructure business for the capital expenditures of the various ongoing projects, (b) San Miguel Foods, Inc. for the Feeds Expansion Projects; (c) SMB for the payment of Series H Bonds and the P10,000 million term loans maturing on April 2, 2024 and December 20, 2027, respectively, and (d) SMC Shipping and Lighterage Corporation (SMCSLC) for the construction of shipyard and warehouse and purchase of vessels, partly offset by the reversal of appropriations for the Power Plant Project of Petron.

The decrease in unappropriated retained earnings by P26,088 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

The decrease in treasury stock by P47,000 million represents the re-issuance of 173,333,325 Series "2-M" Preferred Shares on August 29, 2023 and a total of 453,333,400 Series "2-L, 2-N and 2-O" Preferred Shares on December 1, 2023 of SMC at an issue price of P75.00 per share.

2022 vs. 2021

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	**2022**	2021
			(In Millions)			
Cash and cash equivalents	**P318,214**	P300,030	P18,184	6%	**13%**	15%
Trade and other receivables - net	**238,782**	161,808	76,974	48%	**10%**	8%
Inventories	**190,193**	141,209	48,984	35%	**8%**	7%
Current portion of biological assets - net	**3,418**	3,106	312	10%	**0%**	0%
Prepaid expenses and other current assets	**133,691**	108,689	25,002	23%	**6%**	5%
Total Current Assets	**884,298**	714,842	169,456	24%	**37%**	35%
Investments and advances - net	**32,523**	55,002	(22,479)	(41%)	**1%**	3%
Investments in equity and debt instruments	**18,921**	41,966	(23,045)	(55%)	**1%**	2%
Property, plant and equipment - net	**708,192**	567,609	140,583	25%	**30%**	28%
Right-of-use assets - net	**112,067**	163,364	(51,297)	(31%)	**5%**	8%
Investment property - net	**74,660**	69,825	4,835	7%	**3%**	3%
Biological assets - net of current portion	**2,671**	2,244	427	19%	**0%**	0%
Goodwill - net	**184,100**	130,081	54,019	42%	**8%**	6%
Other intangible assets - net	**249,321**	190,979	58,342	31%	**10%**	9%
Deferred tax assets	**22,554**	17,141	5,413	32%	**1%**	1%
Other noncurrent assets - net	**102,518**	98,600	3,918	4%	**4%**	5%
Total Noncurrent Assets	**1,507,527**	1,336,811	170,716	13%	**63%**	65%
Total Assets	**P2,391,825**	P2,051,653	P340,172	17%	**100%**	100%
Loans payable	**P267,704**	P190,779	P76,925	40%	**11%**	9%
Accounts payable and accrued expenses	**227,126**	194,579	32,547	17%	**9%**	10%
Lease liabilities - current portion	**21,020**	23,423	(2,403)	(10%)	**1%**	1%
Income and other taxes payable	**37,694**	23,102	14,592	63%	**2%**	1%
Dividends and distributions payable	**4,037**	4,296	(259)	(6%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**170,032**	88,857	81,175	91%	**7%**	4%
Total Current Liabilities	**727,613**	525,036	202,577	39%	**30%**	25%

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	**2022**	2021
Long-term debt - net of current maturities and debt issue costs	**P918,164**	P725,108	P193,056	27%	**39%**	35%
Lease liabilities - net of current portion	**54,455**	71,569	(17,114)	(24%)	**2%**	4%
Deferred tax liabilities	**26,297**	28,742	(2,445)	(9%)	**1%**	1%
Other noncurrent liabilities	**26,144**	19,959	6,185	31%	**1%**	2%
Total Noncurrent Liabilities	**1,025,060**	845,378	179,682	21%	**43%**	42%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**0%**	0%
Additional paid-in capital	**177,719**	177,719	-	0%	**7%**	9%
Capital securities	**24,211**	28,171	(3,960)	(14%)	**1%**	1%
Equity reserves	**12,753**	14,136	(1,383)	(10%)	**1%**	1%
Retained earnings:						
Appropriated	**71,004**	66,630	4,374	7%	**3%**	3%
Unappropriated	**129,239**	157,707	(28,468)	(18%)	**6%**	8%
Treasury stock	**(156,763)**	(144,363)	(12,400)	(9%)	**(7%)**	(7%)
Equity Attributable to Equity Holders of the Parent Company	**284,793**	326,630	(41,837)	(13%)	**12%**	16%
Non-controlling Interests	**354,359**	354,609	(250)	(0%)	**15%**	17%
Total Equity	**639,152**	681,239	(42,087)	(6%)	**27%**	33%
Total Liabilities and Equity	**P2,391,825**	P2,051,653	P340,172	17%	**100%**	100%

Consolidated total assets as at December 31, 2022 amounted to P2,391,825 million, P340,172 million higher than December 31, 2021. The increase was primarily due to the higher balance of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P18,184 million was mainly due to net proceeds from the availments of short-term loans and long-term debt, redemption of investment in equity securities and collection of advances for investments. This was partly offset by the capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, acquisition of subsidiaries, payment of lease liabilities and dividends and distributions and repurchase and redemption of equity and capital securities.

The increase in trade and other receivables - net by P76,974 million was mainly attributable to higher trade customer balances from: (a) the Energy business on account of higher average realization prices driven by higher coal prices and overall spot market rates; and (b) Petron brought about by the increase in prices of fuel products.

The increase in inventories by P48,984 million was mainly due to the: (a) higher prices of both crude oil and finished products coupled with higher volume of finished products of Petron; (b) higher prices of imported raw materials and higher level of finished goods relative to increase in demand and prices of the Food division under the Food and Beverage business; and (c) higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P739 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P25,002 million was primarily due to the: (a) higher input taxes of the Energy business from vatable purchases in 2022; (b) additional restricted cash funding by the Energy and Infrastructure businesses for the payment of long-term debt; and (c) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron.

The decrease in investments and advances - net by P22,479 million mainly represents the collection of advances for investment to Bryce Canyon Investments Limited in accordance with an investment agreement executed in 2016. In December 2022, the agreement was terminated as agreed by both parties.

The decrease in investments in equity and debt instruments by P23,045 million mainly represents the redemption of SMC's investments in preferred stocks of Top Frontier partly offset by the investment in debt securities under investment agreement with BankCom by SMB, GSMI and Petrogen Insurance Corporation.

The increase in property, plant and equipment - net by P140,583 million and the decrease in right-of-use assets - net by P51,297 million were mainly due to the reclassification by SPPC of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with PSALM and subsequent acquisition in June 2022, including directly attributable costs. The increase in property, plant and equipment - net was also due to the consolidation of the cement plant and properties of ECC, the costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions under the Food and Beverage business.

The increase in investment property - net by P4,835 million was mainly due to the acquisition of a property in Mandaluyong and reclassification of properties from property, plant and equipment due to change in use by SMPI and acquisition of various properties in Bulacan.

The increase in goodwill - net by P54,019 million mainly represents the goodwill recognized as a result of the consolidation of ECC.

The increase in other intangible assets - net by P58,342 million was mainly due to the: (a) additions to concession rights for the MIA Project and for the various ongoing Infrastructure projects; and (b) the mining rights recognized upon the consolidation of ECC. The increase was partly offset by the total amortization in 2022.

The increase in deferred tax assets by P5,413 million was mainly due to: (a) the recognition by SMC and San Miguel Global Power of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign currency-denominated long-term debt; and (b) the recognition by SMC of deferred tax on the remeasurement of its retirement plan assets.

The increase in loans payable by P76,925 million was mainly due to the net availments by Petron and Food Division for working capital requirements and San Miguel Global Power to partly finance the payment of Series H Bonds in April 2022 and for general corporate requirements.

The increase in accounts payable and accrued expenses by P32,547 million was mainly due to: (a) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects; (b) higher coal purchases of the Energy business on account of the surge in coal prices; and (c) consolidation of the balances of ECC.

The increase in income and other taxes payable by P14,592 million was mainly due to higher VAT and withholding tax payable of the Energy business and higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P259 million was mainly due to payment to preferred shareholders of Petron for dividends which were declared in 2021.

The increase in total long-term debt, net of debt issue costs, by P274,231 million was primarily due to the: (a) issuance of P90,000 million and P40,000 million fixed rate Peso-denominated bonds by SMC and San Miguel Global Power, respectively; (b) the availment by the Group of various foreign and Peso term loans; and (c)

the revaluation of foreign currency-denominated loans by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds by SMC, San Miguel Global Power, SMC SLEX and SMB and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P19,517 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized in 2022 by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,445 million was mainly attributable to the recognition of deferred tax benefit on NOLCO by the Energy business partly offset by the deferred tax liability recognized from the differences in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P6,185 million was mainly due to increase in retention payable for: (a) the Mariveles Power Plant and BESS Projects of the Energy business and (b) the land development works for the MIA Project and the increase in retirement liabilities of SMB and SMC as a result of the higher actuarial loss on defined benefit obligation and remeasurement loss on retirement plan assets, respectively.

The decrease in the balance of capital securities by P3,960 million represents the RPS of SMC issued to ECC in 2020 which was eliminated upon consolidation of ECC in 2022.

The decrease in equity reserves by P1,383 million was mainly due to the remeasurement loss on the retirement plan assets of SMC, SMB and Petron partly offset by the gain on exchange differences on the translation of foreign operations in 2022.

The increase in appropriated retained earnings by P4,374 million was due to the appropriations by: (a) Multi-Ventures Investment Holdings, Inc. for the expansion projects located in Cavite; and (b) SMCSLC for the acquisition of new bulk carriers and vessel. The increase was partly offset by the reversal of appropriation for the final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant in June 2022.

The decrease in unappropriated retained earnings by P28,468 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends declared and distributions and the net appropriations in 2022.

The increase in treasury stock by P12,400 million mainly represents the redemption by SMC of the Subseries "2-H" Preferred Shares.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	For the Years Ended December 31		
	2023	2022	2021
		(In Millions)	
Net cash flows provided by (used in) operating activities	**P83,096**	(P12,393)	P50,138
Net cash flows used in investing activities	**(155,457)**	(201,528)	(127,572)
Net cash flows provided by financing activities	**15,303**	224,298	21,096

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

Net cash flows provided by (used in) investing activities are as follows:

	For the Years Ended December 31		
	2023	2022	2021
		(In Millions)	
Additions to:			
Property, plant and equipment	**(P71,173)**	(P75,986)	(P74,421)
Intangible assets	**(64,677)**	(58,162)	(26,007)
Advances to contractors and suppliers	**(9,448)**	(11,449)	(16,067)
Investment property	**(5,450)**	(4,415)	(6,546)
Investments and advances	**(5,271)**	(2,432)	(5,223)
Investments in equity and debt instruments	**(616)**	(12,937)	(6,101)
Increase in other noncurrent assets and others	**(15,699)**	(6,330)	(7,053)
Interest received	**13,396**	5,973	3,313
Proceeds from:			
Sale of property and equipment and other intangible assets	**1,307**	253	1,350
Redemption and disposal of investments in equity and debt instruments	**606**	35,454	6,509
Disposal of subsidiaries, net of cash and cash equivalents disposed of	**418**	385	-
Dividends received	**1,150**	2,452	2,674
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**-**	(97,204)	-
Collection of advances for investment	**-**	22,870	-

Net cash flows provided by (used in) financing activities are as follows:

	For the Years Ended December 31		
	2023	2022	2021
		(In Millions)	
Net proceeds from (payments of) short-term borrowings	**(P52,100)**	P74,582	P49,599
Cash dividends and distributions paid	**(44,145)**	(42,123)	(39,310)
Repurchase and redemption of capital securities and preferred shares of subsidiaries	**(27,134)**	(4,703)	(17,459)
Payments of lease liabilities	**(20,995)**	(26,031)	(26,151)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	**(3,014)**	(2,630)	(623)
Net proceeds from long-term borrowings	**102,057**	237,503	27,358
Net proceeds from reissuance of treasury shares	**46,749**	**-**	**-**
Net proceeds from issuance of capital securities, preferred shares and treasury shares of subsidiaries	**13,885**	**-**	61,899
Redemption of preferred shares	**-**	(12,300)	(34,217)

The effect of exchange rate changes on cash and cash equivalents amounted to P202 million, P7,807 million and P9,159 million in 2023, 2022 and 2021, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 million in 2023, 2022 and 2021, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

V. KEY PERFORMANCE INDICATORS

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

	December 31	
	2023	2022
Liquidity:		
Current Ratio	**1.12**	1.22
Quick Ratio	**0.70**	0.77
Solvency:		
Debt to Equity Ratio	**2.70**	2.74
Asset to Equity Ratio	**3.70**	3.74
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**0.07%**	(4.24%)
Interest Rate Coverage Ratio	**1.80**	1.66
Return on Assets	**1.84%**	1.20%
Operating Efficiency:		
Volume Growth	**6%**	20%
Revenue Growth (Decline)	**(4%)**	60%
Operating Margin	**10%**	7%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets - Inventories - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$

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

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P248,484 million as at December 31, 2023.

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

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

c. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

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

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

f. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.

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

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

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

INTEREST OF NAMED EXPERTS AND COUNSEL

Legal Matters

All legal opinions/matters in connection with the issuance of each Offer will be passed upon by Picazo Buyco Tan Fider & Santos ("**Picazo Law**") for the Company and SyCip Salazar Hernandez & Gatmaitan ("**Sycip Law**") for the Underwriters. Picazo Law and SyCip Law have no direct interest in the Company.

Picazo Law and Sycip Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law and SyCip Law can provide such services to its other clients.

Independent Auditors

The consolidated financial statements of the Company as at and for the years ended December 31, 2020, 2021, and 2022 have been audited by R.G. Manabat & Co., a member firm of KPMG, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Offer Supplement.

The Audit Committee of the Company, reviews and monitors, among others, the integrity of all financial reports and ensures compliance with both internal financial management manual and pertinent accounting standards, including regulatory requirements. The Audit Committee also performs the following duties and responsibilities relating to the services of the Company's external auditors:

- Assess and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Company, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.

- Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the securities of the Company are listed.

- Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.

- Review the reports or communications of the external auditor and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.

- Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions.

There is no arrangement that the experts and the independent counsels will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

REGULATORY FRAMEWORK

The statements herein are based on the laws in force as of the date of this Offer Supplement and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

GENERAL BUSINESS REGULATORY FRAMEWORK

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the notable amendments in the Revised Corporation Code are as follows: (i) corporations are now generally granted perpetual existence; (ii) a new section on one-person corporation was added; (iii) the requirement that at least 25% of the authorized capital stock must be subscribed, and at least 25% of the subscribed shares must be paid-up upon incorporation was removed; (iv) stockholders can now vote *in absentia*; (v) incorporators now include any person, partnership, association or corporation; and (vi) the powers of the SEC to prosecute and investigate offenses under the Revised Corporation Code has been expanded.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

Republic Act No. 10667, otherwise known as the Philippine Competition Act, was signed into law on July 21, 2015 and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission ("**PCC**"), an independent quasi-judicial agency to be composed of five commissioners. Among the PCC's powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

The Philippine Competition Act also introduces the pre-notification regime for mergers and acquisitions, which requires covered transactions to be notified to the PCC for its approval.

On June 3, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act ("**IRR**"). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion; (Size of Party) and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR (Size of Transaction); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a)

the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The PCC also has released its "Guidelines on the Computation of Merger Notification Thresholds", providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to the PCC.

The Size of Party and Size of Transactions have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019 and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the Philippine Statistics Authority of the nominal GDP growth for the previous calendar year rounded up to the nearest hundred million. Under Commission Resolution No. 01-2024, effective March 1, 2024, the threshold in relation to the Size of Party was increased to ₱7,800,000,000.00, and the threshold for the Size of Transaction was increased to ₱3,200,000,000.00.

Violations of the Philippine Competition Act and its IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1 to 5.0% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities found violating prohibitions against anti- competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, the PCC published the 2017 Rules of Procedure ("**Rules**") which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On September 10, 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the Philippine Competition Act. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

Foreign Investments Act of 1991

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 ("**FIA**"), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Twelfth Regular Foreign Investment Negative List (the "**Negative List**"). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition

against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40.0%. A corporation with more than 40.0% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants. The Department of Justice ("**DOJ**") issued an opinion to the effect that the exploration, development and utilization of solar, wind, hydro and ocean or tidal energy sources is not subject to the 40% foreign equity limitation and thus, may be wholly-owned by foreign nationals. In DOJ Opinion No. 21, Series of 2022 dated September 29, 2022, the DOJ opined that solar, wind, hydro and ocean or tidal energy sources are inexhaustible and, therefore, not within the ambit of the term "natural resources" in Article XII, Section 2 of the Philippine Constitution. This led to the promulgation of DOE Department Circular No. DC2022-11-0034 on 15 November 2022, which amended the IRR of the Renewable Energy Act (Rep. Act No. 9513) in order to reflect the DOJ Opinion.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the "**Narra Nickel Case**"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below 60.0%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

Advertising Regulations

The Ad Standards Council, a non-stock, non-profit organization, established by the Kapisanan ng mga Brodkaster ng Pilipinas, Philippine Association of National Advertisers, and Association of Accredited Advertising Agencies, issues circulars in the advertising industry and handles the screening of all broadcast, out-of-home and print advertising and settlement of disputes regarding advertising content.

Intellectual Property Code

Under the Intellectual Property Code of the Philippines, as amended, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

Data Privacy Act of 2012

Republic Act No. 10173 or the Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission ("**Privacy Commission**").

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its Implementing Rules and Regulations ("**IRR**") took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the Privacy Commission. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Electronic Commerce Act of 2000

Republic Act No. 8792 or the Electronic Commerce Act of 2000 ("R.A. No. 8792") aims to facilitate domestic and international dealings, transactions, arrangement agreements, contracts and exchanges and storage of

information through the utilization of electronic, optical and similar medium to promote the universal use of electronic transaction in the government and general public.

R.A. No. 8792 restricts access to an electronic file, or an electronic signature of an electronic data message or electronic document only in favor of the individual or entity having a legal right to the possession or the use of plaintext, electronic signature or file and solely for the authorized purposes. The law also ensures confidentiality and prohibits any person who obtains access to any electronic key, electronic data message, electronic document, book, register, correspondence, information, or other material pursuant to any powers conferred under the said law, from convening to or sharing the same with any other person, except for purposes expressly authorized by law. The implementing rules of the law provides that the electronic key for identity or integrity shall not be made available to any person or party without the consent of the individual or entity in lawful possession of that electronic key.

The law clarifies that violations of the Consumer Act of the Philippines or Republic Act No. 7394, as amended, and other related laws through transactions covered by or using electronic data messages or electronic documents shall be penalized with the same penalties as provided therein.

Registration under the BOI

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25.0% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; simplification of customs procedure; and (x) unrestricted use of consigned equipment.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under Executive Order No. 226, as amended, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of Executive Order No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

The CREATE Act, which took effect on April 11, 2021, sought to rationalize the tax incentives provided by investment promotion agencies, such as the BOI. In view of the effectivity of the CREATE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the law shall be allowed to continue to avail of the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the law may use the income tax holiday for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the law and that are entitled to 5% tax on gross income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to

the ten-year limit under the CREATE Act; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue of such tax incentive for ten (10) years.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power is exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Labor and Employment

The DOLE is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (which sets out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

Occupational Safety and Health Standards Law

Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law in August 2018. Under this law, every employer, contractor, subcontractor, and any person who manages, controls, or supervises the work being undertaken is required, among others, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. The law also requires them to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency. Department Order No. 198, series of 2018 (D.O. 198) was promulgated by the DOLE to implement the provisions of the Occupational Safety and Health Standards Law. D.O. 198 classifies establishments as low, medium or high risk, and depending on the number of employees per establishment, provides for the corresponding requirements and provisions required of each employer, such as number of safety officers, occupational health officers and provision for health equipment and facilities.

Under the DOLE Labor Advisory No. 04, series of 2019 (Guide for Compliance of Establishments to D.O. 198), the establishment concerned shall be responsible for determining its own level of classification (low, medium, or high risk) based on Hazards Identification and Risk Assessment Control conducted by the company.

The employer, project owner, contractor or subcontractor, if any, and any person who manages, controls or supervises the work being undertaken shall be jointly and solidarily liable for compliance with occupational safety and health standards, including the penalties imposed for any violations thereof.

Social Security System, PhilHealth, and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, the Social Security Act of 2018 to ensure coverage of employees following procedures set out by the law and the SSS. Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program ("**NHIP**") administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees' compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Under Republic Act No. 9679, the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2.0% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2.0% of the employee's monthly compensation, and remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers,

private- sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

Other Labor-Related Laws and Regulations

Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the DOLE issued DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended ("**D.O. No 174-17**"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will

be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, mental health, and tuberculosis prevention and control.

REGULATIONS RELATING TO THE FOOD AND BEVERAGE BUSINESS

The Food Safety Act

In 2013, Republic Act No. 10611 or the Food Safety Act of 2013 (the "**Food Safety Act**") was enacted into law to strengthen the food safety regulatory system in the country. The food safety regulatory system encompasses all the regulations, food safety standards, inspection, testing, data collection, monitoring and other activities carried out by the DA and the DOH, their pertinent bureaus, and the local government units. The National Dairy Authority, National Meat Inspection Service ("**NMIS**"), and Bureau of Fisheries and Aquatic Resources ("**BFAR**") under the DA are the government agencies responsible for the development and enforcement of food safety standards and regulations in the primary production and post-harvest stages for milk, meats, and fish, respectively, while the Food and Drug Administration ("**FDA**") under the DOH is responsible for the safety of processed and pre- packaged foods. The Food Safety Act created the Food Safety Regulation Coordinating Board to monitor and coordinate the performance and implementation of the mandates of the government agencies under the law.

The law aims to: (a) protect the public from food-borne and water-borne illnesses and unsanitary, unwholesome, misbranded or adulterated foods, (b) enhance industry and consumer confidence in the food regulatory system, and (c) achieve economic growth and development by promoting fair trade practices and sound regulatory foundation for domestic and international trade.

To protect consumer interest, the Food Safety Act seeks to prevent the adulteration, misbranding, fraudulent practices and practices which mislead the consumer, and prevent misrepresentation in the labelling and false advertising in the presentation of food. The DA and DOH are mandated to set food safety standards, which are the requirements that food or food processors have to comply with to safeguard human health.

The law likewise mandates the use of Science-based risk analysis in food safety regulation and prescribes the adoption of precautionary measures when the available relevant information for use in risk assessment is insufficient to show a certain type of food or food product does not pose a risk to consumer health.

In addition, food imported, produced, processed and distributed for domestic and export markets should comply with the following requirements: (a) food to be imported into the country must come from countries with an equivalent food safety regulatory system; (b) imported foods shall undergo cargo inspection and clearance procedures by the DA and DOH at the first port of entry to determine compliance with national regulations; and (c) exported food shall at all times comply with national regulations and regulations of the importing country.

The Food Safety Act imposes the following responsibilities on Food Business Operators ("**FBO**"): (a) FBO shall be knowledgeable of the specific requirements of food law with respect to their activities in the food supply chain and the procedures adopted by relevant government agencies, and adopt, apply and be well informed of codes and principles for good practices; (b) in the event a FBO considers or has reason to believe that food which it produced, processed, distributed or imported is not safe or not in compliance with food safety requirements, it shall immediately initiate procedures to recall the product and inform the regulator; (c) FBO shall allow inspection of their businesses and collaborate with the regulatory authorities to avoid risks posed by the food product/s which they have supplied; and (d) where the unsafe or noncompliant food product may have reached the consumer, it shall effectively and accurately inform the consumers of the reason for the withdrawal, and if necessary, recall the same from the market.

For the enforcement of the Food Safety Act, the food safety regulatory agencies are authorized to perform regular inspection of food business operators taking into consideration the compliance with mandatory safety standards; implementation of the Hazard Analysis at Critical Control Points ("**HACCP**") or the science-based system that identifies, evaluates, and controls hazards for food safety at critical points; good manufacturing practices; and other requirements of regulations. It is prohibited to refuse access to pertinent records or entry of inspection officers of the food safety regulatory agencies. It is likewise prohibited, among others, to produce, handle, or manufacture for sale, offer for sale, distribute in commerce, or import any food or food product, which is banned or is not in conformity with applicable quality or safety standard. The commission of any of the prohibited acts under the Food Safety Act can result in imprisonment and/or a fine.

The implementing rules and regulations of the Food Safety Act requires all food businesses, including large and medium scale food businesses engaged in the manufacture of processed and pre-packaged food, to have a Food Safety Compliance Officer ("**FSCO**") who has passed a prescribed training course for FSCO recognized by the DA and/or the DOH.

FBOs producing processed and pre-packaged food should develop a Risk Management Plan as basis for the issuance of appropriate authorizations by the DOH. If an FBO considers or has reason to believe that a food which it produced, processed, distributed or imported is not safe or not in compliance with food safety requirements, it should immediately initiate procedures to withdraw the food in question from the market and inform the regulatory authority in accordance with the approved product recall program.

FBOs should also report any incident where its product has caused or contributed to the death, serious illness or serious injury to a consumer or any person. The product should be withdrawn from the market, in accordance with the FBO's respective product recall program, and disposed according to the procedures prescribed by the DA and/or the DOH.

The FDA may order a recall if: (a) a distributed product presents a risk of illness or injury or gross consumer deception, (b) the manufacturer or distributor has not initiated a recall, and (c) an agency action is necessary or advisable to protect the public health and welfare. The manufacturer or distributor will be notified of the decision to order a product recall. The notification will specify the violation, the health hazard classification, the recommended recall strategy to be undertaken, and any other instructions appropriate to the conduct of the recall. Within 24 hours after the FDA issues an order for product recall, the FDA will issue a Public Health Alert to alert consumers on serious health hazards or other situations deemed to be in the public interest.

A product recall may also be initiated by a manufacturer or distributor of a violative product (*i.e.*, the product presents a risk of injury or does not conform to registered specifications). The manufacturer or distributor should provide the FDA the following information: (a) identity of the product involved, (b) the reason for the removal or correction and the date and circumstances under which the product deficiency or possible deficiency was discovered, (c) evaluation of the risk associated with the deficiency or possible deficiency, (d) total amount of such products produced and/or the time span of the production, (e) total amount of such products estimated to be in distribution channels, (f) distribution information, including the number of distribution outlets and where necessary, the names and addresses of the distribution channels, (g) copy of the recall communication or proposed communication, (h) proposed strategy for conducting the recall, and (i) name and phone number of the official who should be contacted concerning the recall.

Products which have been subject of a recall must immediately be removed from the market and must not be allowed for distribution and sale. Upon completion of the recall procedure, the concerned company must notify the FDA of the final disposition of the product. If the product is to be destroyed, the destruction should be witnessed by an FDA representative. If the product has been reprocessed to comply with registered specifications, distribution and sale of the reprocessed product will only be allowed following a written recommendation from the FDA to do so.

The FDA may seize the products or seek other court action if a firm refuses to conduct an FDA-ordered recall or where the FDA has reason to believe that a recall would not be effective, a recall is ineffective, or discovers that a violation is continuing.

The DOH, through the FDA, is responsible for the assurance of safety of processed and pre-packaged food products, whether locally produced or imported, including meat products. Renewal of the registration of processed meat and licenses of establishments manufacturing, importing or exporting, selling, offering for sale, transferring, or distributing processed meat should be in accordance with the existing FDA guidelines on renewal of authorizations.

The Food, Drugs and Devices, and Cosmetics Act

Republic Act No. 3720 or the Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 (the "**FDDC Act**"), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The FDA is the governmental agency under the DOH tasked to implement and enforce the FDDC Act. The FDA requires both a license to manufacture food products, as well as individual certificates of registration for each product to be manufactured or sold in the Philippines.

The FDDC Act prohibits, among others, (i) the manufacture, importation, exportation, sale, offering for sale, distribution or transfer, non-consumer use, promotion, advertisement or sponsorship food products which are adulterated or misbranded or which, although requiring registration pursuant to the FDDC Act, are not registered with the FDA; and (ii) the manufacture, importation, exportation, transfer or distribution of any food product by any person or entity without a license to operate from the FDA. Any person found in violation of any of the provisions of the FDDC Act shall be subject to administrative penalties or imprisonment or both. Furthermore, the FDA has the authority to seize such food products found in violation of the FDDC Act as well as ban, recall and withdraw any food product found to be grossly deceptive, unsafe, or injurious to the consuming public.

FDA Rules and Regulations

Consistent with the mandate to adopt and establish mechanisms and initiatives that are aimed to protect and promote the right to health of every Filipino, the FDA issued the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food, which require all food establishments to obtain a License to Operate ("**LTO**") from the FDA before they can validly engage in the manufacture, importation, exportation, sale, offer for sale, distribution, and transfer of food products in the Philippine market. An initial LTO is valid for a period of two years, while a renewed license is valid for five years.

An LTO can be automatically renewed when (a) the application for renewal is filed before the expiration date of the license, (b) the prescribed renewal fee is paid upon filing of the application, and (c) a sworn statement indicating no change or variation in the establishment is attached to the application. An application for renewal of an LTO received after its date of expiration will be subject to a surcharge or penalty.

Further, the LTO subject of an application for renewal will be considered valid and subsisting until a decision or resolution by the FDA is rendered on the application for renewal as long as the application is filed within 120 days from LTO's original expiry. The automatic renewal of an LTO should not preclude the FDA from suspending, revoking or cancelling the same in case the owner violates any of the terms and conditions of the license or other relevant laws and implementing rules and regulations. The assignment or transfer of a valid

and unexpired LTO, or pending application for renewal without any change or variation whatsoever in the establishment requires a mere amendment of the LTO or the application, as the case maybe.

The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising, or sponsorship of any health product without the proper authorization from the FDA is prohibited and punishable, by imprisonment and fine.

In addition to an LTO, the FDA also requires a Certificate of Product Registration ("**CPR**") for processed food products before said products are distributed, supplied, sold or offered for sale or use in the market. A CPR covering a particular health product constitutes prima facie evidence of the registrant's marketing authority for said health product in connection with the activities permitted pursuant to the registrant's LTO.

For processed food products, the validity of an initial CPR is two years to five years, while a renewed CPR is valid for five years; provided that upon renewal, its holder conforms with the pertinent standards and requirements including labelling regulations.

A CPR may be automatically renewed provided that: (a) the registrant has a current and valid LTO, (b) the product is covered by a current and valid CPR, and (c) there are no deficiencies that need to be corrected before the renewal of the CPR can be granted. The application for renewal must be filed at least 90 days before the expiration of the CPR, although an application for renewal may still be filed within 60 days after the expiration date of the CPR, subject only to the payment of a surcharge.

An expired CPR that has not been renewed within the 60-day grace period cannot be the subject of a renewal application and will be considered an initial application for the registration of the product.

The operation of a food business without the proper authorization from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon a finding of a commission of a prohibited act.

The Consumer Act of the Philippines

Republic Act No. 7394 or the Consumer Act of the Philippines (the "**Consumer Act**") is principally enforced by the DTI and seeks to: (i) protect consumers against hazards to health and safety, (ii) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (iii) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (iv) provide adequate rights and means of redress; and (v) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as (i) consumer product quality and safety; (ii) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (iii) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (iv) practices relative to the use of weights and measures; (v) consumer product and service warranties; (vi) compulsory labelling and fair packaging; (vii) liabilities for defective products and services; (viii) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (ix) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of food products and prohibits the manufacture for sale, offer for sale, distribution, or importation of food products which are not in conformity with applicable consumer product quality or safety standards. Like the FDDC Act, the Consumer Act also prohibits the manufacture, importation, exportation, sale, offering for sale, distribution or transfer of food products which are adulterated or mislabelled. In connection therewith, the Consumer Act provides for minimum labelling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public.

Under the Consumer Act, the following are the minimum labeling requirements for consumer products sold in the Philippines: (a) the correct and registered trade name or brand name; (b) the duly registered trademark;

(c) the duly registered business name; (d) the address of the manufacturer, importer, repacker of the consumer product in the Philippines; (e) the general make or active ingredients; (f) the net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) the country of manufacture, if imported; and (h) if a consumer product is manufactured, refilled or repacked under license from a principal, the label shall so state the fact. Additional labeling requirements imposed by the Consumer Act for food products include: (a) expiry or expiration date, where applicable; (b) whether the consumer product is semi-processed, fully processed, ready-to-cook, ready-to-eat, prepared food or just plain mixture; (c) nutritive value, if any; and (d) whether the ingredients used are natural or synthetic, as the case may be.

Manufacturers, distributors, importers or re-packers of consumer products are required to indicate in their labels or packaging a parallel translation in the English or Filipino language of the nature, quality, quantity and other relevant prescribed information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased. In addition to the information required to be displayed in the principal and secondary panels, DTI Administrative Order No. 01-08 mandates that all consumer products sold in the Philippines, whether manufactured locally or imported shall indicate and specify the (a) country of manufacture; (b) required information of consumption duration safety; (c) warranty of the manufacturer; (d) weight content prior to packaging; (e) consumer complaint desk address; and (f) all other information necessary for giving effect to a consumer's right to information.

For alcoholic beverages, the alcohol content in terms of percentage volume or proof units shall be indicated on the label of alcoholic beverages.

The DTI is tasked with implementing the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters. With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA. Establishments engaged in these activities are required to comply with, among others, the current guidelines promulgated by the DOH on good manufacturing practice in manufacturing, packing, repacking, or holding food.

In addition, the Consumer Act prohibits the false, deceptive or misleading advertisements and sales promotions and deceptive sales acts and practices in connection with food products. An advertisement shall be false, deceptive or misleading if it is not in conformity with the provisions of the Consumer Act or if it is misleading in any material respect. In determining whether any advertisement is false, deceptive or misleading, there shall be taken into account, among other things, not only representations made or any combination thereof, but also the extent to which the advertisement fails to reveal material facts in the light of such representations, or materials with respect to consequences which may result from the use or application of consumer products or services to which the advertisement relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual.

Any person found in violation of the provisions of the Consumer Act shall be subject to administrative penalties and/or imprisonment of not less than one year but not more than five years, or a fine of not less than ₱5,000.00 but not more than ₱10,000.00 or both, at the discretion of the court. Should the offense be committed by a juridical person, the chairman of the board of directors, the president, general manager, or the partners and/or the persons directly responsible therefore shall be penalized. Under the Consumer Act, The DOH also has the authority to order the recall, ban, or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

The Livestock and Poultry Feeds Act

Republic Act No. 1556 or the Livestock and Poultry Feeds Act and its implementing rules and regulations (the "**Livestock and Poultry Feeds Act**"), regulates and controls the manufacture, importation, labelling, advertising and sale of livestock and poultry feeds. The Bureau of Animal Industry (the "**BAI**") is the governmental office under the DA tasked to implement and enforce the Livestock and Poultry Feeds Act.

Under the Livestock and Poultry Feeds Act, any entity desiring to engage in the manufacture, importation, exportation, sale, trading or distribution of feeds or other feed products must first register with the BAI. There must be a separate registration for each type and location of feed establishment. Furthermore, the Livestock and Poultry Feeds Act provides that no feeds or feed products may be manufactured, imported, exported, traded, advertised, distributed, sold, or offered for sale, or held in possession for sale in the Philippines unless the same has been registered with the BAI. There must also be a separate registration for each type, kind, and form of feed or feed product. Feeds and feed products produced through toll manufacturing shall be registered with the company that owns the same. All commercial feeds must comply with the nutrient standards prescribed by the DA. Registration of feed and feed products and feed establishments is required to be renewed on a yearly basis. The Livestock and Poultry Feeds Act also provides branding, labelling and advertising requirements for feeds and feed products and the establishment of in-house quality control laboratories by manufacturers and traders of feed and feed products. Any person found in violation of the provisions of the Livestock and Poultry Feeds Act shall be subject to administrative penalties or imprisonment or both.

The Company's feedmills, whether Company-owned and tolled, are all registered with the BAI and we pay monthly inspection fees based on the number of metric tons of feeds produced. The Company also seeks approval from the BAI for brand names and register every new product prior to market launch. To obtain the brand name approval and product registration, the Company submits a notarized Application for Feed Product Registration, Certificate of Analysis and three copies of feed tags to be inserted in the packaging of the new product. Based on this information, the BAI makes a determination as to whether the new product is within its specifications.

The Meat Inspection Code of the Philippines

Republic Act No. 9296 or the Meat Inspection Code of the Philippines (the "**Meat Inspection Code**") establishes quality and safety standards for the slaughter of food animals and the processing, inspection, labelling, packaging, branding and importation of meat (including, but not limited to, pork, beef, and chicken meat) and meat products. The NMIS, a specialized regulatory service attached to the DA, serves as the national controlling authority on all matters pertaining to meat and meat product inspection and meat hygiene to ensure meat safety and quality from farm to table. It has the power to accredit meat establishments and exporters, importers, brokers, traders and handlers of meat and meat products. On the other hand, the different local government units, in accordance with existing laws, policies, rules and regulations and quality and safety standards of the DA, have the authority to regulate the construction, management and operation of slaughterhouses, meat inspection, and meat transport and post-abattoir control within their respective jurisdictions, and to collect fees and charges in connection therewith.

The Meat Inspection Code covers all meat establishments (including, but not limited to, slaughterhouses, poultry dressing plants, meat processing plants and meat shops) where food animals are slaughtered, prepared, processed, handled, packed, stored, or sold. It requires the inspection of food animals before it shall be allowed for slaughter in licensed private slaughterhouses in which meat or meat products thereof are to be sold. A post-mortem examination is also required for carconitor parts thereof of all food animals prepared as articles of commerce which are capable of use as human food. Only meat or meat products from meat establishments that have passed inspection and have been so marked may be sold or offered for sale to the public.

Said Code also requires all meat establishments to (i) comply with the Animal Welfare Act of 1998 for the adequate protection of food animals awaiting slaughter and all pollution control and environmental laws and regulations relating to the disposal of carcasses and parts thereof; and (ii) adopt Good Manufacturing Practices and Sanitation Standard Operating Procedures programs for the production, storage and distribution of its meat products. Any person found in violation of the provisions of the Meat Inspection Code shall be subject to administrative penalties or imprisonment or both. Furthermore, any carcasses, parts of carcasses or products of carcasses found to have been prepared, handled, packed, stored, transported or offered for sale as human food not in accordance with the provisions thereof shall be confiscated and disposed of at the expense of the person found to be in violation thereof.

The DA requires all operators and/or owners of postharvest meat establishments to subject their facilities for evaluation for the issuance of an LTO by the NMIS.

The Company's poultry processing plants and livestock slaughter plants, both Company-owned and tolled, are all accredited by NMIS. Since the Company's plants have all been issued an LTO, CPR, and/or Export Commodity Clearance Certificate by the FDA, products from those plants qualify for distribution to any location throughout the Philippines or for export. Plant accreditations are renewed annually following inspection by NMIS for compliance with the Good Manufacturing Practices, Sanitation Standard Operating Procedures and Hazard Analysis and Critical Control Points. NMIS inspectors are also stationed at each of the Company's poultry processing plants and livestock slaughter plants on a daily basis and issue certifications for each batch of products that is shipped from any of those plants.

The Price Act

Republic Act No. 7581 or the Price Act provides for price controls for basic necessities and prime commodities in certain situations, pursuant to the policy of the government to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate business a fair return on investment. Basic necessities include rice, corn, bread, fish, dried and canned fish and other marine products, fresh vegetables, pork, beef, poultry, milk, coffee and cooking oil, salt, laundry soap, detergents, firewood, charcoal, candles and drugs classified as essential by the DOH. Prime commodities include fresh fruits, flour, dried, processed and canned pork, beef and poultry meat, dairy products not falling under basic necessities, noodles, onions, garlic, vinegar, patis, soy sauce, toilet soap, fertilizer, pesticides, herbicides, poultry, swine and cattle feeds, paper, school supplies, electrical supplies, batteries, among others.

Under the Price Act, the prices of basic commodities may be automatically frozen at their prevailing prices or placed under automatic price control whenever:

1. That area is proclaimed or declared as a disaster area or under a state of calamity;
2. That area is declared under emergency;
3. The privilege of the writ of habeas corpus is suspended in that area;
4. That area is placed under martial law; or
5. That area is in a state of rebellion or war.

The President of the Philippines may likewise impose a price ceiling on basic necessities and prime commodities in cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. Unless sooner lifted by the President of the Philippines, prices shall remain frozen for a maximum of sixty days.

The DA, DTI, DENR and DOH are the implementing agencies responsible for the enforcement of the Price Act. The implementing government agencies of the Price Act are given the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of concerned trade, industry and consumer sectors.

The Price Act considers it unlawful for any person habitually engaged in the production, manufacture, importation, storage, transport, distribution, sale or other methods of disposition of goods to engage in illegal price manipulation of any basic necessity or prime commodity through:

1. Cartels, defined as any combination of or agreement between two or more persons engaged in the production, manufacture, processing, storage, supply, distribution, marketing, sale or disposition of any basic necessity or prime commodity designed to artificially and unreasonably increase or manipulate its price;
2. Hoarding, defined as the undue accumulation by a person or combination of persons of any basic commodity beyond his or their normal inventory levels or the unreasonable limitation or refusal to dispose of, sell or distribute the stocks of any basic necessity of prime commodity to the general public or the unjustified taking out of any basic necessity or prime commodity from the channels of reproduction, trade, commerce and industry; or

3. Profiteering, defined as the sale or offering for sale of any basic necessity or prime commodity at a price grossly in excess of its true worth.

Any person found in violation of the provisions of the Price Act shall be subject to administrative penalties or imprisonment or both.

The Philippine Food Fortification Act

Republic Act No. 8976 or the Philippine Food Fortification Act of 2000 (the "**PFF Act**") provides for the mandatory fortification of wheat flour, cooking oil and other staple foods and the voluntary fortification of processed food products. The fortification of food products is required to be undertaken by the manufacturers, importers and processors thereof. The FDA is the government agency responsible for the implementation of the PFF Act with the assistance of the different local government units which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and foodservice establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity. Any person in violation of the PFF Act shall be subject to administrative penalties. Furthermore, the FDA may refuse or cancel the registration or order the recall of food products in violation of said law.

All Magnolia-branded products are compliant with the PFF Act. For example, the Company uses iodized salt in Magnolia products to comply with Republic Act No. 8172 (An Act for Salt Iodization Nationwide).

For wheat flour, the addition of Vitamin A and Iron are mandated under standards set by the DOH. The Company's flour business has been compliant with the requirements of the PFF Act since 2004.

Government Regulations on the Manufacture and Wholesale of Alcoholic Beverages

Beverages are included in the definition of "food" and are within the coverage of the Food Safety Act. An LTO and other requirements specified in the Food Safety Act and its implementing rules and regulations are likewise necessary for establishments engaged in the manufacturing, importation, exportation, sale, offer for sale, distribution, transfer, use, testing, promotion, advertisement, and/or sponsorship of alcoholic beverages. Alcoholic beverages have been classified by the FDA as low risk food products in based on the Codex Alimentarius General Standard for Food Additives and the UN Food and Agriculture Organization Risk Categories. Food establishments classified as high risk are prioritized for inspection by the FDA.

REGULATION RELATING TO THE PACKAGING BUSINESS

Safety and Quality Regulations under the Consumer Act

The DTI is tasked to implement the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters.

Manufacturers, distributors, importers or repackers of consumer products are required to indicate in their labels or packaging, a parallel translation in the English or Filipino language of the nature, quality and quantity and other relevant prescribed information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased. In addition to the information required to be displayed in the principal and secondary panels, DTI Adminstrative Order No. 01-08 mandates that all consumer products sold in the Philippines, whether manufactured locally or imported shall indicate and specify the (i) country of manufacture; (ii) required information of consumption duration safety; (iii) warranty of the manufacturer; (iv) weight content prior to packaging; (v) consumer complaint desk address; and (vi) all other information necessary for giving effect to a consumer's right to information.

The packaging of consumer products must not cause the purchaser to be deceived as to the contents, size, quantity, measurement or fill of the product. For consumer products which are packaged in such a way that the contents cannot be seen or inspected upon purchase, samples or labeling describing the product inside the package, in words, in pictorial or graphical representation or by similar means, shall be provided for the inspection of the purchaser. Such sample or description should accurately represent the product in the package.

With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA as discussed above. Establishments engaged in these activities are required to comply with, among others, the current guidelines on good manufacturing practice in manufacturing, packing, repacking, or holding food promulgated by the DOH.

REGULATION RELATING TO THE FUEL AND OIL BUSINESS

Oil Deregulation Act

The Oil Deregulation Act provides the regulatory framework for the downstream oil industry of the country.

Under the Oil Deregulation Act, any person or entity may import or purchase any quantity of crude oil and petroleum products from foreign or domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement, provided that, among others such person or entity complies with certain requirements such as giving of prior notice to the DOE for monitoring purposes. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high-quality petroleum products.

To ensure the attainment of these objectives, the DOE, in consultation with relevant government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Act on March 11, 1998 through Department Circular No. 98-03-004. The rules require any person or entity engaged in any activity in the downstream oil industry to comply with the notice, reportorial, quality, health, safety and environmental requirements set forth therein.

The DOE is the leading Philippine government agency overseeing the oil sector. With the enactment of the Oil Deregulation Act, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving price- setting to market forces. The current function of the DOE is solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.
Other functions of the DOE under the Oil Deregulation Act include the following:

- monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;
- monitoring the refining and manufacturing processes of local petroleum products to ensure clean and safe technologies are applied;
- maintaining a periodic schedule of present and future total industry inventory of petroleum products to determine the level of supply;
- immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and
- in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

Promotion of Retail Competition

In November 2017, the DOE promulgated Department Circular No. DC 2017-11-011, or the Revised Rules and Regulations Governing the Business of Retailing Liquid Petroleum Products, (the "**Revised Retail Rules**"). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of retailing liquid fuels such as gasoline, diesel, and kerosene.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau ("**OIMB**") of its intention to engage in such activity and, upon compliance with the requirements under the Revised Retail Rules, secure a certificate of compliance ("**Certificate of Compliance**") from the OIMB. The certificate shall be valid for a period of five years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage by the DOE.

The Revised Retail Rules likewise imposes: (i) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. Prohibited acts include illegal trading, adulteration, underdelivering, refusal/ obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of prohibited acts under the Revised Retail Rules.

LPG Laws and Regulations

LPG Industry Regulation Act

Republic Act No. 11592 or the LPG Industry Regulation Act ("**LPG Industry Regulation Act**"), was signed into law on October 14, 2021. The law lists down the responsibilities of LPG Industry Participants, including compliance with Philippine National Standards and LPG-related issuances and guidelines, observation of safety practices and entering into contracts only with authorized LPG Industry Participants. The law also provides additional responsibilities specific to each type of LPG Industry Participant, including bulk suppliers, bulk distributors, haulers, refillers, trademark owners, dealers and retail outlets. These players must be registered in a central database to be created by the DOE. The law further provides for the requirement of securing a License to Operate from the DOE to be an authorized LPG Industry Participant.

The LPG Industry Regulation Act introduced two (2) new programs: the LPG Cylinder Improvement Program and the LPG Exchange and Swapping Program. The LPG Cylinder Improvement Program is a system that aims to ensure the quality of all LPG cylinders in circulation with the goal of protecting the end-consumers. The LPG Exchange and Swapping Program is a system that allows end-consumers to exercise their freedom of choice in the purchase of LPG-filled cylinders through LPG cylinder exchange and LPG cylinder swapping.

The law likewise provides for prohibited acts, including engaging in LPG industry-related activities without the required licenses, certificates, and permits, manufacturing, selling, fabricating or refilling filled and unfilled LPG cylinders without the express approval of the trademark owner, and selling or distributing refilled LPG cartridges and cylinders without a seal or tampered seal.

The Implementing Rules and Regulations of the LPG Industry Regulation Act as provided by the DOE-DTI Joint Department Circular No. JDC2022-05-0001 establishes the regulatory framework for the safe operations of the LPG industry, delineating the powers and functions of various government agencies, defining, and penalizing certain prohibited acts.

Batas Pambansa Blg. 33

Batas Pambansa Blg. 33, as amended by Presidential Decree No. 1865, provides for certain prohibited acts inimical to public interest and national security involving petroleum and/or petroleum products. These prohibited acts include, among others, (i) illegal trading in petroleum and/or petroleum products, and (ii) underdelivery or underfilling beyond authorized limits in the sale of petroleum products or possession of underfilled LPG cylinder for the purpose of sale, distribution, transportation, exchange or barter. For this purpose, the existence of the facts hereunder gives rise to the following presumptions:

a. That cylinders containing less than the required quantity of LPG which are not property identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;

b. In the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and

c. When the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or LPG cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the LPG cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

The use of such pumps, cylinders or containers referred to in sub-paragraph (a), (b), and (c) above, to deliver products for sale or distribution shall constitute prima facie evidence of intent of the hauler, marketer, refiller, dealer or retailer outlet operator to defraud.

Under the said law, "illegal trading in petroleum and/or petroleum products" is understood to mean, among others, (1) the sale or distribution of petroleum products without license or authority from the OIMB, (2) non-issuance of receipts by licensed oil companies, marketers, distributors, dealers, subdealers and other retail outlets, to final consumers; provided: that such receipts, in the case of gas cylinders, shall indicate therein the brand name, tare weight, gross weight, and price thereof, (3) refilling of LPG cylinders without authority from the Oil Industry Management Bureau, or refilling of another cylinders of a company or firm without written authorization of such Company or Firm, and (4) marking or using in such cylinders a tare weight other than the actual or true tare weight thereof.

“Underfilling” or “underdelivery" refers to a sale, transfer, delivery or filling of petroleum products of a quantity that is actually beyond authorized limits than the quantity indicated or registered on the metering device of container. This refers, among others, to the quantity of petroleum retail outlets or to LPG in cylinder or to lube oils in packages.

Republic Act 9514 - IRR

The Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of 2008 also outlines requirements for storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require, among others, that during the unloading or transfer of LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless the failure to transfer would create a hazard or it is impossible due to topography.

LPG Industry Rules

In January 2014, the DOE issued Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry (the “**LPG Industry Rules**”). The LPG Industry Rules apply to all persons engaged or intending to engage in the business of importing, refining, refilling, marketing, distributing,

handling, storing, retailing, selling and/or trading of LPG.

A Standards Compliance Certificate ("**SCC**") from the OIMB is required before engaging in any LPG Industry Activity. The SCC is valid for a maximum of three (3) calendar years from date of issue and may be renewed. LPG Industry participants must also submit certain reports to the OIMB.

The LPG Industry Rules also imposes (i) minimum standards and requirements for refilling and transportation of LPG; (ii) qualifications and responsibilities for LPG Industry participants such as bulk suppliers, refillers, marketers, dealers, and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody, and shall ensure that its cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any liability that may result from an unsafe condition of LPG cylinders.

In January 2022, the DOE issued Joint Department Circular No. JDC2022-05-0001, or the Rules and Regulations Implementing the LPG Industry Regulation Act (the "**LPG Industry Regulation Act IRR**") to establish the regulatory framework for the safe operations of the LPG industry, delineating the powers and functions of various government agencies, defining, and penalizing certain prohibited acts. The LPG Industry Regulation IRR states that the LPG Regulation Act applies to (a) importation, refining, storing, exporting, refilling, transportation, distribution, and marketing of LPG; (b) importation, manufacture, requalification, repair, exchange, swapping improvement, and scrappage of LPG pressure vessels, whichever is applicable; and (c) safe operations of the entire LPG industry including all LPG facilities and the residential, commercial, industrial, and automotive use of LPG.

Rules Pertinent to Auto-LPG Motor Vehicles

On February 13, 2007, the DOE issued DOE Circular No. DC 2007-02-0002 entitled "Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas for Automotive Use" (the "**Auto-LPG Rules**"). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

Under the rules, an Auto-LPG Industry Participant is required to secure from the DOE through the OIMB, an SCC before it can operate. The Auto-LPG also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of Auto-LPG Dispensing Stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product; (ii) the undue accumulation of Auto-LPG Dispensing Stations of LPG products for automotive use in times of tight supply or shortly before a price increase. For purposes of this Auto LPG Rules, "undue accumulation" shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the Auto-LPG Dispensing Stations, for a period of thirty (30) days immediately preceding the period of tight supply or price increase.

The Land Transportation Office ("**LTO**") also issued Memorandum Circular No. RIB-2007-891 or the "Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles". The Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards ("**BPS**") of the DTI under its Philippine Standards Certification Mark ("**PS Mark**") scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance ("**CIMC**").

Rules Relating to Retailing of Liquid Petroleum Products

In November 2017, the DOE promulgated Department Circular No. 2017-11-0011 or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels (the "**Revised Retail Rules**"). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of Retailing Liquid Fuels. Liquid Fuels refer to gasoline, diesel, and kerosene.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau ("**OIMB**") of its intention to engage in such activity and, upon compliance with the requirements under the Revised Retail Rules, secure a certificate of compliance ("**Certificate of Compliance**") from the OIMB. The certificate shall be valid for a period of five (5) years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage ("**CNC**") by the DOE.

The Revised Retail Rules likewise imposes: (I) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

The prohibited acts under the Revised Retail Rules include illegal trading, adulteration, underdelivering, refusal/obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of Prohibited Acts under the Revised Retail Rules.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. On June 6, 2019, the DOE issued Department Circular No. DC2019-06-0009, otherwise known as Implementing the Modified Philippine National Standard Specifications for Liquefied Petroleum Gases. This issuance mandates compliance to PNS/DOE Quality Standards ("QS") 005:2016 and PNS DOE QS 012:2016, the latest standard specifications for LPG for non-motor fuel and motor fuel, respectively. Meanwhile, on December 9, 2020, the DOE issued Department Circular No. DC2020-12-0025, also known as Implementing the Philippine National Standard Specification for Kerosene. This, on the other hand, mandates compliance of all kerosene sold in the Philippines with PNS/DOE QS 009:2019 – Kerosene – Specifications. Under the issuance, petroleum fuel product adulteration, or the failure to meet the required product specifications at the bulk plants/depots as prescribed by the applicable products standards, and adulteration, or the possession and sale of liquid fuels that do not conform with quality standards, are considered prohibited acts.

The recently enacted LPG Industry Regulation Act IRR also regulates liquid petroleum products.

Oil Pollution Compensation Act of 2007

Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as, the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of "contributing oil" (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, "oil" includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received "contributing oil," for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person's subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report the quantity of such oil received to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, an impost amounting to ten centavos per liter levied on owners and operators and tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992 Civil Liability Convention and 1992 Fund Convention and will be administered by the MARINA.

In April 2016, the Department of Transportation and Communications (now the DOTr) promulgated the implementing rules and regulations of Republic Act No. 9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil.

Other Regulatory Requirements

Petroleum products are subject to Philippine National Standards specifications. The DTI, through the Bureau of Products Standards, ensures that all products comply with the specifications of the Philippine National Standards.

Philippine government regulations also require the following: fire safety inspection certificates; certificates of conformance of facilities to national or accepted international standards on health, safety and environment; product liability insurance certificates or product certificate of quality; and the ECC issued by the DENR for service stations and for environmentally-critical projects. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/transshipment; (c) distribution/ operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper Philippine government authorities.

Other Relevant Tax-related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on January 1, 2005 from 3% to 5% but was later reduced to 3% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3.0% import duty on crude oil shall be adjusted to 2.0%, 1.0% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate tariffs on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area. Under the ASEAN Trade in Goods Agreement, crude oil and refined petroleum products imported from ASEAN Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of July 4, 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

Republic Act No. 9337, also known as the "Expanded VAT Law," imposed a VAT of 10.0% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was increased to 12.0% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70.0% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70.0% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to ₱4.35 per liter of volume capacity. In February 2012, the BIR issued Revenue Regulation No. 2-2012 stating that VAT and excise taxes due on all petroleum and petroleum products that are imported and/or brought from abroad to the Philippines, including from the freeport and economic zones shall be paid by the importer to the Bureau of Customs.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**"), took effect. The TRAIN amended provisions of the Tax Code, among others, increasing excise tax rates of petroleum products. Excise tax rates on gasoline products were increased from ₱4.35 per liter to ₱7.00 per liter effective January 1, 2018, ₱9.00 per liter on January 1, 2019 and ₱10.00 per liter on January 1, 2020. Diesel and bunker fuel products which were previously not subject to excise taxes were imposed excise taxes at ₱2.50 per liter effective January 1, 2018 and increased further to ₱4.50 per liter on January 1, 2019 and ₱6.00 per liter on January 1, 2020.

Also, in compliance with the TRAIN, the Philippine government intends to implement a Philippine Fuel Marking Program in 2019 to mark imported and refined petroleum products such as gasoline, diesel and kerosene to ensure that all downstream fuels are tax and duty paid. Under the latest advisory of the Department of Finance, the Fuel Marking fee will be paid by the government to the Fuel Marking Service Provider for the first year of implementation. For the second to fifth year of implementation, said fee shall be borne by petroleum companies on top of duties and taxes to be collected by the Bureau of Customs or the BIR.

Republic Act No. 11534 or the CREATE Act took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives. The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2021 and on January 1, 2021 for non-resident foreign corporations. Domestic corporations and resident foreign corporations no longer have an option to be taxed at 15% on gross income.

Under the CREATE Act, persons that directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program and/or other tax-exempt sales by the importer.

The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies, such as the Authority of Freeport Area of Bataan ("**AFAB**"), to qualified registered business enterprises. As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person will be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, will be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue.

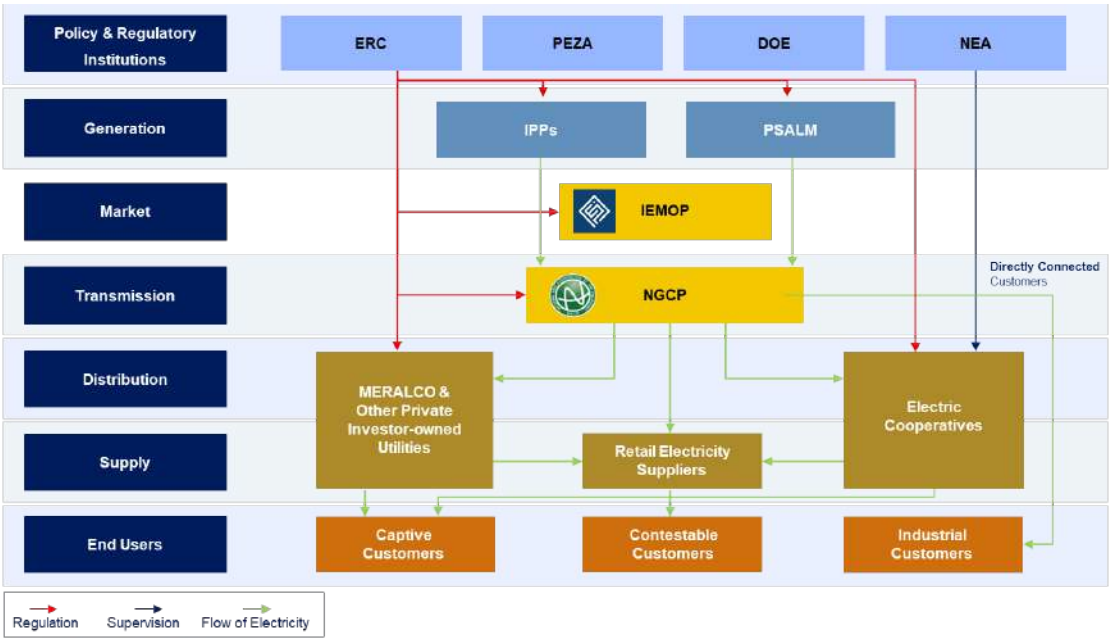
Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 ("**EPIRA**"), provides for parity tax treatment among imported oil and indigenous fuels. Prior to the enactment of this law, indigenous fuels were imposed with higher taxes due to royalties to the Philippine government.

REGULATION RELATING TO THE ENERGY BUSINESS

Organization and Operation of the Power Industry

The EPIRA established a framework for the organization, operation and restructuring of the electric power industry, with the industry divided into four (4) sectors: generation, transmission, distribution and supply. The following diagram shows the current structure of the electric power industry under the EPIRA.

Industry structure under the EPIRA:



Through the EPIRA, the Government instituted major reforms with the goal of fully privatizing all aspects of the power industry. The principal objectives of the EPIRA are:

- to ensure and accelerate the total electrification of the country;
- to ensure the quality, reliability, security and affordability of the supply of electric power;
- to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;
- to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;
- to ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
- to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
- to assure socially and environmentally compatible energy sources and infrastructure;
- to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;

- to provide for an orderly and transparent privatization of the assets and liabilities of NPC;
- to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and
- to encourage the efficient use of energy and other modalities of demand side management.

With a view to implementing these objectives, the DOE, in consultation with the relevant Government agencies, electric power industry participants, non-Government organizations and electricity consumers, promulgated the IRR of the EPIRA on February 27, 2002 (subsequently amended in 2007).

The IRR governs the relations between, and respective responsibilities of, the different electric power industry participants as well as the particular Governmental authorities involved in implementing the structural reforms in the industry, including, but not limited to, the DOE, National Power Commission ("**NPC**") , National Electrification Administration ("**NEA**"), Energy Regulatory Commission ("**ERC**"), and the Power Sector Assets and Liabilities Asset Management Corp. ("**PSALM**").

Reorganization of the Electric Power Industry

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four (4) sectors: (i) the generation sector; (ii) the transmission sector; (iii) the distribution sector; and (iv) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission sector will be a regulated common electricity carrier business and the distribution sector will be a regulated common carrier business requiring a national franchise, thus both the transmission and distribution sectors will be regulated as public utilities. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

The Generation Sector

Under the EPIRA, power generation *per se* is not a public utility operation. Thus, generation companies are not required to secure congressional franchises, and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, generation companies must obtain a certificate of compliance from the ERC, as well as health, safety, and environmental clearances from appropriate Government agencies under existing laws. Furthermore, PPAs and PSAs between generation companies and distribution utilities are subject to the review and approval of the ERC. Generation companies are also subject to the rules and regulations of the ERC on abuse of market power and anticompetitive behavior. In particular, the ERC has the authority to impose price controls, issue injunctions, require divestment of excess profits and impose fines and penalties for violation of the EPIRA and the IRR policy on market power abuse, cross-ownership and anti-competitive behavior.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for bilateral contracts with various retail electricity suppliers ("**RESs**"), electric cooperatives, and private distribution utilities, or through spot sale transactions in the WESM. With the implementation of Retail Competition and Open Access ("**RCOA**") in Luzon and Visayas, generation companies are already able to sell electricity to eligible end-users. "Open Access" is defined under the IRR as the system of allowing any qualified person the use of electric power transmission and distribution systems; while "Retail Competition" is defined as the provision of electricity to a contestable market (which, under prevailing regulations, refers to electricity end-users with monthly average peak demand of at least 500 KW) by persons licensed by the ERC to engage in the business of supplying electricity to end-users through Open Access.

Recovery by distribution utilities of their purchased power cost is subject to review by the ERC to determine reasonableness of the cost and to ensure that the distribution utilities do not earn any revenue therefrom. With the commencement of the RCOA, generation rates, except those intended for such end-users who may not choose their supplier of electricity (the "**Captive Market**"), ceased to be regulated.

The generation sector converts fuel and other forms of energy into electricity. It consists of the following: (i) NPC-owned-and-operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as well as IPP-owned-and-operated plants, all of which supply electricity to NPC; and (iii) IPP-owned-and-operated plants that supply electricity to customers other than NPC.

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or to RESs through either bilateral contracts or the Wholesale Electricity Spot Market ("**WESM**") as described below. With the implementation of RCOA on December 26, 2013, as supplemented by DOE Department Circular No. DC2015-06-0010, generation companies may likewise sell electricity to eligible end-users with an average monthly peak demand of 750 KW and certified by the ERC to be contestable customers. In 2016, the ERC issued the implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users (collectively, the "**ERC RES Rules**"). However, in February 2017, the Philippine Supreme Court, acting on the petition filed by certain entities, issued a temporary restraining order enjoining the DOE and the ERC from implementing the rules and regulations implementing the RCOA, including the ERC RES Rules.

As of the date of this Offering Supplement, the temporary restraining order has not been lifted. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers.

On March 2, 2021, the Supreme Court promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06-0010 and the 2016 ERC RES Issuances, void for being bereft of legal basis. As a result, the temporary restraining order issued by the Philippine Supreme Court in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the Supreme Court also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014.

The generation sector must observe the Market Share Limitations set in the EPIRA which states that no generation company or related group is allowed to own more than 30% of the installed generating capacity of the Luzon, Visayas, or Mindanao Grids and/or 25% of the national installed generating capacity. Also, no generation company associated with a distribution utility may supply more than 50% of the distribution utility's total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the effectivity of the said Act.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP contracts of NPC, which exclude the assets devoted to missionary electrification through the small power utilities group of NPC. NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

Based on latest available data from PSALM as of February 29, 2024, PSALM has privatized 33 operating/generating power facilities, with a total gross capacity of 5,416.23 MW. Moreover, additional seven (7) power plants with total gross capacity of over 3,610.25 MW were privatized through IPPA contracts, and five (5) decommissioned power facilities. Major generation assets sold include the 747.53 MW Tiwi-Makban geothermal power plant, the 600 MW Batangas (Calaca) coal-fired thermal power plant, the 600 MW Masinloc coal fired power plant, the 620 MW Limay combined cycle power plant, 360 MW Magat hydroelectric power plant, and the 305 MW Palinpinon-Tongonan geothermal power plant. Among the capacities privatized through IPPA Agreements include the 95.22 MW Mindanao I and II (Mt. Apo 1 and 2) geothermal power plants, 1,000 MW Sual coal-fired power plant, the 700 MW Pagbilao coal-fired power plant, the 345 MW of the San Roque Power Plant, the 70 MW Bakun hydroelectric power plant, the 40 MW

Unified Leyte Geothermal Power Plant, and the 1,200 MW Ilijan combined-cycle gas-fired power plant. In 2018, PSALM also commenced the privatization of the 650 MW Malaya thermal power plant in Rizal and the 210 MW Mindanao coal-fired plant in Misamis Oriental.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

Generation companies which are not publicly listed are required to offer and sell to the public a portion of not less than 15.0% of their common shares of stock. Under prevailing regulations, any offer of common shares of stock for sale to the public through any of the following modes shall be deemed as public offering:

- listing in the PSE;
- a public offering undertaken in accordance with the Securities Regulation Code and its implementing rules and regulations; and
- listing in any accredited stock exchange or direct offer of a portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the BOI.

On February 16, 2021, the ERC issued Resolution No. 03, series of 2021, dated November 11, 2020 entitled "A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies" (the "Revised Financial Guidelines"). The Revised Financial Guidelines apply to all generation companies including IPPAs, except those which own only generation facilities exclusively for its own consumption or unless otherwise exempted by any law or statute. Under the Revised Financial Guidelines, a generation company is required, among others, to meet a minimum annual debt service capability ratio of 1.25x throughout the period covered by its ERC certificate of compliance, provided that if its financial or loan agreements require a higher debt service capability ratio, then such higher ratio shall serve as its minimum requirement. A generation company performing below the benchmark is required to submit its program to comply, setting forth the specific activities to be undertaken in order to meet the financial capability benchmark, within 60 days from receipt of an ERC directive. A generation company that fails to comply with the requirements set forth under the Revised Financial Guidelines shall be subject to imposition of fines and penalties. In addition, non-compliance with financial capability standards may result in the disclosure by the ERC of such fact, together with any mitigating or aggravating circumstances related thereto, via periodic bulletins.

On September 13, 2023, the ERC issued the revised rules for the issuance of certificates of compliance for generation facilities. The revised rules now stipulate that certificates of compliance are required only for the operation of new generation facilities. Renewal for existing COCs is not necessary, but the obligation to maintain valid and subsisting underlying permits remains. The revised rules also provide detailed lists of requirements for COC applications covering generation facilities, entities with self-generation facilities, distribution utilities on behalf of qualified end-users, facilities classified by the DOE as an energy project of national significance, and entities with distributed energy resources.

The Transmission Sector

Pursuant to the EPIRA, NPC has transferred its transmission and sub-transmission assets to TransCo, which was created pursuant to the EPIRA to assume, among other functions, the electrical transmission function of the NPC. The principal function of TransCo is to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code ("**Grid Code**"). TransCo is also mandated to provide open and non-discriminatory access to its transmission system to all electricity users.

The transmission of electricity through the transmission grid is subject to transmission wheeling charges. As the transmission of electric power is a regulated common carrier business, TransCo's transmission wheeling charges are subject to regulation and approval by the ERC.

The EPIRA also requires the privatization of TransCo through an outright sale of, or the grant of, a concession

over the transmission assets while the sub-transmission assets of TransCo are to be offered for sale to qualified distribution utilities. In December 2007, NGCP, comprising a consortium of Monte Oro Grid Resources, Calaca High Power Corporation and State Grid Corporation of China, won the concession contract to operate, maintain and expand the TransCo assets with a bid of U.S.$3.95 billion. On January 15, 2009, NGCP was officially granted the authority to operate the sole transmission system of the country pursuant to a legislative franchise granted by the Philippine Congress under Republic Act No. 9511.

The Grid Code establishes the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the Philippine Grid, or the high-voltage backbone transmission system and its related facilities. The Grid Code identifies and provides for the responsibilities and obligations of three key independent functional groups, namely: (a) the grid owner, or TransCo; (b) the system operator, or NGCP as the current concessionaire of TransCo; and (c) the market operator, or the PEMC. These functional groups, as well as all users of the grid, including generation companies and distribution utilities, must comply with the provisions of the Grid Code as promulgated and enforced by the ERC.

In order to ensure the safe, reliable and efficient operation of the Philippine Grid, the Grid Code provides for, among others, the following regulations:

- the establishment of a grid management committee, which is tasked with the monitoring of the day-to- day operations of the grid;

- performance standards for the transmission of electricity through the grid, as well as the operation and maintenance thereof, which standards shall apply to TransCo, NGCP, distribution utilities and suppliers of electricity; and

- technical and financial standards and criteria applicable to users of the grid, including generation companies and distribution utilities connected or seeking to connect thereto; and other matters relating to the planning, management, operation and maintenance of the grid.

The Distribution Sector

The distribution of electric power to end-users may be undertaken by private distribution utilities, cooperatives, local Government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from the Philippine congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All distribution utilities are also required to obtain a certificate of public convenience and necessity from the ERC to operate as public utilities. Based on the latest available data from the DOE, there are 26 private distribution utilities and 124 electric cooperatives in the Philippines.

They are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code ("**Distribution Code**") (which provides the rules and regulations for the operation and maintenance of distribution systems), the Distribution Services and Open Access Rules and the performance standards set out in the IRR of the EPIRA.

The distribution sector is regulated by the ERC, with distribution wheeling charges, as well as connection fees from its consumers, subject to ERC approval. The retail rate imposed by distribution utilities for the supply of electricity to its captive consumers is also subject to ERC approval. In addition, as a result of the policy of the Government in promoting free competition and Open Access, distribution utilities are now required to provide universal and non-discriminatory access to their systems within their respective franchise areas following commencement of the RCOA.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection and use of the electric distribution systems in the Philippines. The Distribution Code defines the technical aspects of the working relationship between the distributors and all the users of the

distribution system, including distribution utilities, embedded generators and large customers. All such electric power industry participants in distribution system operations are required to comply with the provisions of the Distribution Code as promulgated and enforced by the ERC.

To ensure the safe, reliable and efficient operation of distribution systems in the Philippines, the Distribution Code provides for, among others, the following regulations:

- technical, design and operational criteria and procedures to be complied with by any user who is connected or seeking connection to a distribution system;
- performance and safety standards for the operation of distribution systems applicable to distributors and suppliers; and
- other matters relating to the planning, development, management, operation and maintenance of distribution systems.

The Supply Sector

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken largely by franchised distribution utilities. However, with the commencement of the RCOA, the supply function has become competitive. The retail supply business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to a market of end-users who have a choice on their supplier of electricity is considered a business affected with public interest. As such, the EPIRA requires all RESs to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

A RES may only sell up to 50.0% of its total capacity to all of its end-user affiliates.

With the RCOA already implemented, a RES license will allow a generation company to enter into retail electricity supply agreements with contestable customers. This encourages competition at the retail level and it is planned that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

The following table summarizes the power supply and demand highlights in the Philippines for 2022 based on data from the DOE:

Grid	Installed capacity (MW)	Dependable capacity (MW)	Peak demand (MW)
Luzon	19,744	16,320	12,113
Visayas	3,972	3,340	2,316
Mindanao	4,542	3,938	2,167
Philippines	28,858	23,598	16,596

Role of the ERC

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice and penalizing abuse of market power by industry participants.

Among the primary powers and functions of the ERC are:

- to determine, fix and approve, after conducting public hearings, transmission and distribution wheeling charges and retail rates and to fix and regulate the rates and charges to be imposed by

distribution utilities on their captive end-users, as well as the universal charge to be imposed on all electricity end- users, including self-generating entities;

- to grant, revoke, review or modify the certificates of compliance required of generation companies and the licenses required of suppliers of electricity in the contestable market;

- to enforce the Grid Code and Distribution Code, which shall include performance standards, the minimum financial capability standards, and other terms and conditions for access to and use of transmission and distribution facilities;

- to enforce the rules and regulations governing the operations of the WESM and the activities of the WESM operator and other WESM participants to ensure a greater supply and rational pricing of electricity;

- to ensure that the electric power industry participants and NPC functionally and structurally unbundled their respective business activities and rates and to determine the levels of cross-subsidies in the existing and retail rates until the same is removed in accordance with the different sectors;

- to set a lifeline rate for marginalized end-users;

- to promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among others, their technical and financial capability and creditworthiness;

- to determine the electricity end-users comprising the contestable and Captive Markets;

- to fix user fees to be charged by TransCo/NGCP for ancillary services to all electric power industry participants or self-generating entities connected to the grid;

- to monitor and adopt measures to discourage or penalize abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant;

- to review and approve the terms and conditions of service of TransCo/NGCP and any distribution utility or any changes therein;

- to perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry; and

- to have original and exclusive jurisdiction over all cases that involve the contesting of rates, fees, fines and penalties imposed in the exercise of its powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy industry relating to the foregoing powers, functions and responsibilities except cases which involve abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant.

Role of the DOE

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;
- ensuring the reliability, quality and security of the supply of electric power;

- exercise of supervision and control over all Government activities pertaining to energy projects;
- encouragement of private investment in the power industry and promotion of the development of indigenous and renewable energy sources for power generation;
- facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;
- promotion of a system of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;
- education of the public (in coordination with NPC, ERC, NEA, and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and
- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations.

Role of the Joint Congressional Energy Commission

The Joint Congressional Energy Commission created pursuant to the EPIRA, as amended, consists of 14 members selected from the members of the Philippine senate and house of representatives. Its responsibilities and functions include, among others, the following:

- monitoring and ensuring the proper implementation of the EPIRA;
- endorsement of the initial privatization plan of PSALM for approval by the President of the Philippines;
- ensuring transparency in the public bidding procedures adopted for the privatization of the generation and transmission assets of NPC;
- evaluation of the adherence of industry participants to the objectives and timelines under the EPIRA; and
- determination of inherent weaknesses in the EPIRA and recommend necessary remedial legislation or executive measures.

Competitive Market Devices

Wholesale Electricity Spot Market (WESM)

The EPIRA mandates the establishment of the WESM, which is a pre-condition for the implementation of the RCOA, within one year from its effectivity. The WESM provides a venue whereby generators may sell power, and at the same time, suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two.

The rules and regulations of WESM set the guidelines and standards for participation in the market, reflecting accepted economic principles and providing a level playing field for all electric power industry participants, and procedures for establishing the merit order dispatch for each time (hourly) trading period. These rules also provide for a mechanism for setting electricity prices that are not covered by bilateral contracts between electricity buyers and sellers.

On November 18, 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non-profit corporation with membership comprising an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM and was tasked to undertake the preparatory work for the establishment of the WESM, pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules. Its primary purpose is to establish, maintain,

operate and govern an efficient, competitive, transparent and reliable market for the wholesale purchase of electricity and ancillary services in the Philippines in accordance with relevant laws, rules and regulations.

The WESM commercial operations in the Luzon Grid started on June 26, 2006. The Visayas Grid was integrated into the WESM on December 26, 2010.

As of June 2017, there were 260 wholesale membership participants and 946 retail membership entities registered at the WESM based on its 2017 Annual Report.

The PEMC and the Independent Electricity Market Operator of the Philippines Inc. ("**IEMOP**") have executed an operating agreement to formalize the transfer of all functions, assets and liabilities associated with market operations from the PEMC to the IEMOP effective September 26, 2018. With the signing of the operating agreement, the IEMOP is poised to take over the market operations of the WESM, a function that is currently performed by the PEMC. Republic Act No. 9136 requires the PEMC to divest itself of this function in favor of a separate entity that is independent of the market participants. To comply with the requirement, on February 6, 2018, the market participants and the DOE Secretary approved the transition plan calling for the formation of an independent market operator and the transfer of the market operation functions to it. The IEMOP is a non-stock, non-profit corporation led by a board of directors, all of whom are independents and do not have any interest or connection to the WESM participants, that was incorporated and organized to implement the plan. Beginning on September 26, 2018, the IEMOP has been running the electricity market and, among other things, managing the registration of market participants, receiving generation offers, announcing market prices, dispatching schedules of the generation plants and handling billing, settlement and collections. Under the policy and regulatory oversight of the DOE and the ERC, the PEMC has remained as the governing body for the WESM to monitor compliance by the market participants with the market rules.

In June 2022, the DOE declared the interim commercial operations of the REM and amended the WESM Rules, which impose additional responsibilities to a System Operator, a Trading Participant, and a Market Operator.

Retail Competition and Open Access (RCOA)

The EPIRA likewise provides for a system of Open Access on transmission and distribution wires, whereby TransCo/NGCP and distribution utilities may not refuse the use of their wires by qualified persons, subject to the payment of distribution wheeling charges. The full commercial operation of RCOA in Luzon and Visayas commenced on June 26, 2013 with a total of 275 registered participants. Conditions for the commencement of such Open Access system are as follows:

- establishment of the WESM;
- approval of unbundled transmission and distribution wheeling charges;
- initial implementation of the cross-subsidy removal scheme;
- privatization of at least 70.0% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- transfer of the management and control of at least 70.0% of the total energy output of power plants under contract with NPC to the IPPAs.

On June 6, 2011, pursuant to Resolution No. 10, Series of 2011, the ERC declared December 26, 2011 as the "Open Access Date" to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. Accordingly, all electricity-end users with an average monthly peak demand of one MW for the 12 months preceding the Open Access Date, as certified by the ERC to be contestable customers, shall have the right to choose their own electricity suppliers.

To ensure smooth transition from the existing structure to RCOA, the ERC promulgated Resolution No. 16, Series of 2012, providing for a transition period from December 26, 2012 until June 25, 2013. However, the ERC effectively extended the transition period when it issued Resolution No. 11, Series of 2013, which allowed contestable customers to stay with their current distribution utility until December 25, 2013, or until such time that they were able to find a RES provided that it promptly informs the distribution utility of such fact.

On June 19, 2015, the DOE promulgated Department Circular No. DC2015-06-0010, which mandated contestable customers to secure their RSCs by June 25, 2016, including contestable customers with an average demand of 750 KW to 999 KW for the 12-month period preceding June 25, 2016.

With the implementation of the RCOA, the contestable markets (i.e., under prevailing regulations, electricity end- users with monthly average peak demand of at least 500 KW) may choose where to source their electric power requirements and can negotiate with suppliers for their electricity. Likewise, certain end-users will be allowed to directly source power through the WESM or by entering into contracts with generation companies. This will encourage competition at the retail level and it is anticipated that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

With the implementation of the RCOA, certain contracts entered into by utilities and suppliers may potentially be stranded. Stranded contract cost refers to the excess of the contracted cost of electricity under eligible contracts of NPC over the actual selling price of the contracted energy output of such contracts in the market. Under the EPIRA, recovery of stranded contract cost may be allowed provided that such contracts were approved by the Energy Regulatory Board (now the ERC) as of December 31, 2000.

As of the date of this Prospectus, the temporary restraining order has not been lifted. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in the RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers.

On December 28, 2020, the ERC issued Resolution No. 12, series of 2020 dated December 3, 2020 entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access (RCOA)". ERC Resolution No. 12, series of 2020, mandates that RCOA shall be effective in grids where the WESM is operational and a separate rule shall be issued for the implementation of RCOA in Mindanao. Further, all suppliers of electricity shall be licensed/authorized by the ERC to supply electricity in the competitive retail electricity market.

Under ERC Resolution No. 12, the coverage of the RCOA is expanded for end-users with an average monthly peak demand of at least 500kW in the preceding 12 months, on a voluntary basis, subject to the effectivity dates prescribed by ERC. Under ERC Resolution No. 12, qualified contestable customers, with existing electronic meters capable of recording and reading interval of time with built-in communication port for remote and manual data retrieval, shall be allowed to switch to the competitive retail electricity market starting February 26, 2021. Meanwhile, qualified contestable customers with existing electronic meters capable of recording and reading interval of time, but which would need to be enhanced with a communication port for remote and manual data removal, shall be allowed to switch to the competitive retail electricity market upon completion of installations of such enhancements until March 28, 2021.

On March 20, 2024, ERC issued Resolution No. 06, series of 2024, prescribing that all electricity end-users in Mindanao with average monthly peal demand of at least 500kW for the twelve (12) months preceding March 26, 2024 shall be eligible to participate in the RCOA.

Unbundling of Rates and Removal of Cross Subsidies

The EPIRA mandates that distribution wheeling charges be unbundled from retail rates and that rates reflect the respective costs of providing each service. The EPIRA also states that cross-subsidies shall be phased out within a period not exceeding three years from the establishment by the ERC of a universal charge, which shall be collected from all electricity end-users. However, the ERC may extend the period for the removal of the cross- subsidies for a maximum of one year if it determines that there will be a material adverse effect upon the public interest or an immediate, irreparable and adverse financial effect on a distribution utility.

These arrangements are now in place, in satisfaction of the conditions for the RCOA.

The EPIRA likewise provides for a socialized pricing mechanism called a lifeline rate to be set by the ERC for marginalized or low-income captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users are exempt from the cross-subsidy removal for a period of ten years, which exemption was extended until 2021 under Republic Act No. 10150. On May 27, 2021, President Duterte signed into law Republic Act No. 11552, which further amended the EPIRA by extending the implementation of the lifeline until 2051, unless extended by law. The amendatory law also specified the qualified marginalized end-users who are entitled to the lifeline rate, namely, (i) qualified household-beneficiaries under the Pantawid Pamilyang Pilipino Program of the Philippine government whose level of consumption are within the threshold determined by the ERC, and (ii) marginalized end-users who have been certified and continually validated as such by their distribution utility based on a criteria determined by the ERC. Republic Act No. 11552 shall take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation.

Implementation of the Performance-Based Regulation ("PBR")

The ERC issued the Rules for Setting Distribution Wheeling Rates that apply to privately owned distribution utilities entering PBR, which set out the manner in which the new PBR rate-setting mechanism for distribution- related charges will be implemented. PBR is intended to replace the return-on-rate-base regulation that has historically determined the distribution charges paid by the distribution companies' customers. Under the PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period will be set by reference to projected revenues determined through a set regulatory asset base, the efficiency of the distribution utility and the latter's capital, all of which are reviewed and approved by the ERC and used by the ERC to determine the efficiency factor of a distribution utility. For each year during the regulatory period, the distribution charge of a distribution utility is adjusted upwards or downwards taking into consideration the efficiency factor of the utility set against changes in overall consumer prices in the Philippines. The ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Competitive Selection Process

Under prevailing regulations, DUs and ECs are mandated to undertake a CSP in the procurement of PSAs to ensure the security and certainty of electricity prices of electric power in the long-term.

On February 1, 2018, the DOE issued the DOE CSP Policy, which sets forth the department's policy on the conduct of CSP in the procurement by DUs and ECs. Under the DOE CSP Policy, all PSAs are required to be procured through the CSP, except in the following instances: (i) generation project owned by the DU funded by grants or donations; (ii) negotiated procurement of emergency power supply with a cooperation period not exceeding one year; (iii) provision of power supply by any mandated government owned and controlled corporations for off-grid areas prior to, and until the entry of new power providers in the area; and (iv) provision of power supply by PSALM through bilateral contracts. In the event the CSP fails twice, and there is no outstanding dispute on the conducted CSP, the DU or EC may use direct negotiation for purposes of procuring the relevant PSA. While the DOE CSP Policy effectively revoked the authority of the ERC to issue supplemental guidelines and procedures relating to implement the CSP, the DOE directed the ERC to: (i) establish and impose existing fines and/or penalties for non-compliance with the DOE CSP Policy, (ii) review compliance with the requirements of CSP, (iii) develop a template PSA to be used with electric power industry participants, and (iv) develop rules and procedures to address disputes arising from the conduct of the CSP.

Reduction of Taxes and Royalties on Indigenous Energy Resources

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the IRR, then President Arroyo issued Executive Order No. 100 to equalize the taxes among fuels used for power generation. This mechanism, however, is yet to be implemented.

Framework for Energy Storage System in the Electric Power Industry

DOE Department Circular No. DC2019-08-0012 dated August 1, 2019 sets forth the framework for energy storage systems in the electric power industry in the Philippines (the "ESS Framework"). An energy storage system ("ESS") refers to a facility acting as a load and a generator, which is designed to receive, store and convert such energy to electricity. ESS technologies include BESS, compressed air energy storage, flywheel energy storage, pumped-storage hydropower, and other emerging technologies that may be identified, qualified and approved by the DOE as ESS.

DOE Department Circular No. DC2023-04-0008 dated April 20, 2023 was then issued, revising the policies for ESS. It also repealed DOE Department Circular No. DC2019-08-0012.

Under the ESS Framework, the following electric power industry participants may own and operate ESS: (i) generation companies, either as a stand-alone generating facility or an integrated ESS in its existing generating facilities; (ii) end-users, for the purpose of managing their energy demands; and (iii) micro-grid service providers, to provide continuous electric service to households in the form of either microgrid or DER, as may be applicable, in consonance with the total electrification program of the government.

Further, the Transmission Network Provider and Small Grid Owner is required to consider ESS as an alternative solution in addressing transmission issues such as line congestion and to consider ESS applications to defer network upgrades. In addition, the System Operator and Small Grid System Operator is directed to optimize the addition of ESS for ancillary service application and ensure proper allocation for each type of ancillary service consistent with the Grid requirement.

Under the ESS Framework, ESS proponents shall apply and register their ESS for one or more of the following purposes:

- provision of ancillary services;
- provision of energy through bilateral supply contract or trading in the WESM;
- manage the variability of renewable energy;
- auxiliary load management for generation companies;
- transmission/distribution facility upgrades deferment;
- transmission/distribution utility power quality management;
- end-user demand management; and
- distribution utility demand management.

An ESS that provides frequency regulation, as part of the ancillary services, must be at least 20MW for the Luzon Grid and at least 5MW for the Visayas and Mindanao Grids.

All ESS proponents are required to secure (i) a COC as a generation company from the ERC pursuant to existing guidelines on licensing of generation facilities; (ii) an environmental compliance certificate or any other equivalent document from the DENR; and (iii) other requirements by relevant government agencies pursuant to their existing guidelines. Distribution utilities that intend to enter into a PSA with ESS proponents for the supply of electricity to its captive customers shall observe (a) market share and bilateral contract limitations under Section 45 of the EPIRA; and (b) the DOE CSP Policy.

All ESS facilities shall comply with the rules and regulations on safety, health, environmental standards and proper disposal enforced by appropriate government agencies. In addition, ESS facilities connected to the

transmission system as well as ESS connected to the distribution system with capacity equal to or above the following regional thresholds:

- 10MW for Luzon Grid;
- 5MW for Visayas Grid; and
- 5MW for Mindanao Grid

are mandated to register in the WESM and shall be classified under the generation company category, in accordance with the WESM rules and market manuals. All ESS integrated in generation facilities of generation companies are required have a separate registration in the WESM and shall comply with the requirements on separate metering and monitoring facilities, among others.

Government Approval Process

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a national franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a certificate of compliance from the ERC to operate facilities used in the generation of electricity. A certificate of compliance is valid for a period of five years from the date of issuance.

In addition to the certificate of compliance requirement, a generation company must comply with government- prescribed technical, financial capability, health, safety and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued guidelines setting the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service capability ratio (which measures the ability of the power generation company to service its debts) of 1.5x throughout the period covered by its certificate of compliance. For certificate of compliance applications and renewals, the guidelines require the submission to the ERC of, among other things, a schedule of liabilities, and a five-year financial plan. For the duration of the certificate of compliance, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be grounds for the imposition of fines and penalties.

With the introduction of RCOA, the rates charged by a generation company are no longer regulated by the ERC, except rates for Captive Markets (as determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local Government authorities, relating to, among others, site acquisition, construction and operation, including environmental-related licenses and permits.

In October 2020, DOE Secretary Alfonso G. Cusi announced that the periodic assessment of the country's energy requirements has led the DOE to declare a moratorium on endorsements for greenfield coal power plants.

On January 11, 2021, the DOE issued an advisory dated December 22, 2020 with subject "Moratorium of Endorsements for Greenfield Coal-Fired Power Projects in Line with Improving the Sustainability of the Philippines' Electric Power Industry." Under this advisory, effective October 27, 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsements. However, existing and operational coal-fired power generation facilities as well as any coal-fired power project which comply with the following parameters will not be affected by the moratorium:

- committed power projects;
- existing power plant complexes which already have firm expansion plans and existing land site provision; and
- indicative power project with substantial accomplishments, specifically:
- with signed and notarized acquisition of land or lease agreement for the project; and
- with approved permits or resolutions from local government units and the relevant regional development council where the power plant will be located.

Ancillary Services

Under the EPIRA, NGCP has the obligation to ensure and maintain the reliability, adequacy, security, stability and integrity of the grid in accordance with the performance standards for its operations and maintenance, as set forth in the Grid Code, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system.

In the performance of its functions as the grid system operator, NGCP requires ancillary services to ensure the power quality and stability of the grid. Ancillary services, as defined in Section 4(b) of the EPIRA, are services necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with the good utility practice and the Grid Code. These are support services to provide frequency control and include Primary Reserve, Secondary Reserve, and Tertiary Reserve.

In order to maintain the security and integrity of the grid, the system operator shall operate the grid in such a manner as to provide adequate frequency control to achieve operations within frequency limits at all times. Achieving effective frequency control requires the following ancillary services which are differentiated depending on their response time and sustainability.

- Primary Reserve Ancillary Service ("**PRAS**"). This reserve shall cover sudden outage or failure of synchronized generating unit or transmission line links or the power import from a single circuit interconnection, whichever is larger. The capacity of the PRAS provider should not be used in the regular energy supply but can be set to respond on small variations to system frequency to support the Secondary Reserves.

- Secondary Reserve Ancillary Service ("**SRAS**"). The system operator thru AGC shall use the Secondary Reserve to restore the system frequency from the quasi-steady state value as established by the Primary Response and Reserve of generating units back to the nominal frequency of 60 Hz during contingent event. Small variations to system frequency to support the balance through Governor Control Mode (GCM) may be initiated. Where the AGC function of the system operator is not fully operational, dispatcher may instruct the generator to transfer to GCM as well. SRAS should be controlled by the system operator thru Automatic Generation Control ("**AGC**") with various AGC modes and frequency deadband settings in order to regulate the system frequency and the speed governing system shall be capable of accepting raise and lower signals or set point signals from the Control Center of the system operator.

- Tertiary Reserve Ancillary Service ("**TRAS**"). The capacity of the qualified generating units offered for this Ancillary Service should not be part of the regular energy supply and can either be synchronized to respond within 15 minutes or off-line provided that it can fully provide the required reserve within 30 minutes from the receipt of dispatch instruction. The Tertiary Reserve provider should be able sustain its contributed capacity for at least 60 minutes. If and only if, the Primary and Secondary Reserves have been exhausted, the system operator shall make use of the Tertiary Reserve to return/maintain the system frequency to 60Hz in cases of: tripping of a generating unit or a transmission line which creates generation-load unbalance, unplanned loss of the power import, disconnection of a large load or load blocks, system frequency increases above 60.1 Hz or reduces below 59.9 Hz and it is not possible to return it

to nominal values with appropriate use of the Primary and Secondary Reserves. TRAS should be capable of operating thru AGC or manual mode and shall be monitored and controlled by the system operator.

To implement and regulate the procurement of ancillary services, the ERC approved the Ancillary Services Procurement Plan ("**ASPP**") and the Ancillary Services — Cost Recovery Mechanism ("**AS-CRM**") on March 9, 2006 and October 3, 2007, respectively. Under the AS-CRM, NGCP secures Ancillary Services through the ASPA with qualified generation companies. For ancillary services arranged via the ASPA, the OATS Rules, the ASPP and the AS-CRM will be applied.

All ancillary services contracted by NGCP from qualified generators will be recovered through rates and charges from the generation customers, embedded generation customers and load customers, where applicable, subject to approval of the ERC.

ASPAs require the substantial completion of the project prior to contracting with the NGCP and are subject to ERC approval. These are generally for a term of five years, extendible for another five years with relatively standard rates, particularly for regulating reserves.

REGULATION RELATING TO THE INFRASTRUCTURE BUSINESS

The Company has investments in companies which hold long term concessions on infrastructure projects awarded by the government. The rights and obligations of the Company, including regulatory requirements in connection with these projects are primarily governed by the respective concession agreements for each project.

Civil Aviation Authority Act of 2008

The Civil Aviation Authority of the Philippines ("**CAAP**") is an independent regulatory body attached to the DOTr. The CAAP regulates the air transportation system in the Philippines, which includes the power to provide prescribe and revise safety standards for the operation of air navigation facilities located in the Philippines. Pursuant to its functions, it issued on May 27, 2011 the Philippine Civil Aviation Regulations (Board Resolution No. 2011-025). The standards include General Policies and Air Operator Certification and Administration.

Toll Regulatory Board

The TRB was created under P.D. No. 1112 for the regulation of toll facilities and operates as an attached agency of the DOTC. Pursuant to Executive Order No. 133 s. 2013, in relation to PD No. 1112, the TRB is authorized and empowered to enter into contracts or TOA in behalf of the ROP with qualified persons or entities, for the construction, operation and maintenance of toll facilities such as but not limited to national highways, roads, bridges, and public thoroughfares. The TOA is subject to the approval of the President of the Philippines and has a fixed term not exceeding 50 years.

The TRB is also the issuing authority of the Toll Operation Certificates ("**TOC**"). The TOC is the authority granted to qualified persons, to develop, improve, upgrade, expand, rehabilitate, reconstruct, modernize and/or construct/build and operate and maintain a toll facility. The TOC has a fixed term not exceeding 50 years and may be amended, modified or revoked by the TRB whenever the public interest so requires subject to the payment of just compensation, if any is due.

The privilege to operate toll facilities in the Philippines is limited by nationality restrictions. The Constitution provides that a franchise, certificate, or any other form of authorization for the operation of a public utility can only be granted to Filipino citizens or corporations or associations organized under Philippine laws at least 60.0% of whose capital is owned by Filipinos.

Among the operation and maintenance facilities of toll facilities which may form part of a TOC or a TOA, include: (a) For operation: (i) toll collection system, (ii) traffic control system, (iii) tollroad patrol and vehicle

control with communications system, (iv) facilities for assistance of disabled vehicles and in case of emergencies, (v) information service and message sign boards, (vi) vehicle regulation facilities, (vii) telephone and lighting facilities, and, (viii) emergency operations; and (b) For maintenance (i) patrolling and inspection facility, (ii) road cleaning and obstruction control, (iii) electricity and water supply, (iv) repavement facilities, steel bridge painting, bridge strengthening, interchange improvement, parking area improvement, slope protection, pavement painting and the like, (v) disaster prevention and reaction facilities, and (vi) environmental enhancement and protection.

Aside from the power to grant an administrative franchise, the TRB is also vested with the power to issue, modify and promulgate toll rates, and upon notice and hearing, to approve or disapprove petitions for the increase thereof. The procedures for approval of initial, adjusted or periodic toll rates as well as approval of provisional toll rates are governed by the 2013 Revised Rules of Procedure of the TRB.

REGULATION RELATING TO THE CEMENT BUSINESS

General Regulations

Philippine Mining Act

Republic Act No. 7942, otherwise known as the Philippine Mining Act of 1995, governs the exploration, development, utilization and processing of all mineral resources and includes measures to protect the government. Grantees of mineral agreements from the Department of Environment and Natural Resources (the "DENR") have the right to conduct mining operations, which covers mining activities involving exploration, feasibility, development, utilization, and mineral processing. Furthermore, the extraction and utilization of quarry resources on public or private lands may be undertaken by any qualified person holding a quarry permit. A quarry permit authorizes the extraction, removal and disposition of quarry resources. It is issued by the Provincial Governor/City Mayor through the Provincial/City Mining Regulatory Board for the extraction, removal and disposition of quarry resources covering an area of not more than five (5) hectares, and a production rate of not more than 50,000 tons annually and/or whose project cost is not more than ₱10,000,000.00, for a term of five (5) years from the date of issuance, renewable for like periods but not to exceed a total term of 25 years.

Indigenous People's Rights Act

Republic Act No. 8731, otherwise known as the Indigenous People's Rights Act ("IPRA"), provides for the ownership rights of indigenous cultural communities ("ICCs") or indigenous peoples over ancestral domains. Under the IPRA, the ancestral domains refer to all areas generally belonging to indigenous communities/peoples ("IPs"). The National Commission on Indigenous Peoples ("NCIP") is the primary government agency that formulates and implements policies and programs for the promotion and protection of the rights of ICCs and IPs and the recognition of their ancestral domains and their rights thereto. Under the IPRA, the proponent of any activity undertaken within any area covered by a Certificate of Ancestral Domain/Land Claim/Title issued by the NCIP to any ICC or IP must obtain the free and prior informed consent (the "FPIC") of all members of the ICCs/IPs, and, thereafter, the Certification Pre-condition ("NCIP-CP") issued by the NCIP. In case no ICCs or IPs claim any rights over the site of the proposed activity, a Certificate of Non-Overlap ("CNO") issued by the NCIP is required to be obtained by the proponent of such activity from the NCIP. The absence therefore of either a Certification Precondition or CNO may be sufficient basis for the suspension of the implementation of any such mining activity.

Power Generation Regulations

A Certificate of Compliance ("COC") from the Energy Regulatory Commission ("ERC") to operate facilities used in the generation of electricity (including self-generation facilities) is required considering that the generation of electricity is done in the course of cement manufacturing.

The COC is in the name of the generation company owning the generation facilities. The COC is valid for a period of five (5) years, unless sooner revoked by the ERC after due notice and hearing and stipulates the obligations of the generation company consistent with the standards and operating guidelines that may be established by the ERC. A generation company intending to continue operating beyond the term of the issued COC must apply with the ERC for its renewal at least six (6) months prior to its expiration. The COC may be revoked, after due notice and hearing, by the ERC for non-compliance with the conditions of the certificate or the guidelines imposed by the ERC.

Trade and Industry Regulations

The DTI is tasked with implementing the Consumer Act with respect to the cement business. Pursuant to its mandate, the DTI has promulgated numerous regulations relating to the manufacturing, packaging, and importation of cement in the Philippines, as well as safeguarding against hazards to health and safety.

Under DTI D.A.O. No. 17-02, only cement sourced from cement manufacturing plant(s) holding a valid Philippine Standards (PS) Quality and/or Safety Certification Mark License(s) shall be permitted to be distributed in the Philippines. All cement importations sourced from a foreign-based manufacturer holding a valid PS license, now requires an Import Commodity Clearance (ICC) certificate on a per shipment per Bill of Lading basis, subject to existing ICC procedures. Only importations by local cement manufacturers operating an Integrated Cement Plant/s (ICP) in the Philippines are exempted from applying for an ICC application, provided that the imported cement was sourced from a foreign-based manufacturer holding a valid PS License and bears the same brand vis-à-vis the brand reflected in the local PS license of the importer-manufacturer. To apply for an ICC, all cement importers must be registered with SEC or DTI prior to receiving cement import shipments with a minimum capitalization of Php 20 Million paid up capital for SEC registered companies and a surety bond of 10% of the declared value. Clause 5.2.2 of DAO 17-06 also stipulates that the Bureau of Philippine Standards of the Department of Trade and Industry ("DTI-BPS") will issue a separate license for the bagging facilities relative to its policy on the issuance of PS License on a per plant site/location basis.

In 2020, the DTI issued Memorandum Circular No. 20-56, which sought to eliminate the confusion produced by the widespread practice of cement manufacturers of marking their products with "Product of the Philippines" despite being imports. The Circular prescribed new guidelines as to the product marking of locally manufactured and imported cement products shipped in bulk and bagged in the Philippines. Furthermore, cement bagging facilities must be capable of verifying the conformity of cement products to the applicable Philippine National Standards on a per bagging batch basis. Failure to observe the prescribed standards merits sanctions such as pull-out, confiscation and/or destruction of the erring products depending on the frequency of the violations.

The Standards Law

The DTI-BPS serves as the National Standards Body ("NSB") of the Philippines and is mandated to develop, promulgate, and implement standards for all products in the Philippines, to promote standardization activities in the country, and to ensure the manufacture, production, and distribution of quality products for the protection of the consumer. The Bureau was created on 20 June 1964 through Republic Act No. 4109, otherwise known as the Standards Law.

The mandate of RA 4109 is reiterated by the Consumer Act which declares that it is the duty of the State to develop and provide safety and quality standards for consumer products, including performance or use-oriented standards, codes of practice and methods of tests. Crucial to the fulfillment of mandate of DTI-BPS is the availability of relevant Philippine National Standards ("PNS") that are responsive to the needs of consumers and technological developments.

As of April 22, 2024, BPS Memorandum Circular No. 24-02, Series of 2024 includes cement and other construction materials under the list of products which requires mandatory certification. Manufacturers covered by mandatory certification are required to (i) secure a PS license prior to selling, offering for sale, or otherwise disposing of their products, (ii) to reflect, imprint and/or emboss the mandatory PS Mark on their products. Importers covered of any product covered by mandatory product certification are required to first

secure an Import Commodity Clearance (ICC) prior to selling, offering for sale, or otherwise disposing of their product(s). Distributors, wholesalers, retailers and those who offer for sale a product covered by mandatory product certification shall sell, or offer for sale only such products which complied with the requisite Philippine National Standard and with the required PS Mark, or with a valid ICC in the case of imported products.

Safeguard Measures Act

Republic Act No. 8800, otherwise known as the Safeguard Measures Act, was established to protect domestic industries and produces from increased imports that cause or threaten to cause serious injury to domestic industries and producers. The Safeguard Measures Act provides temporary protection to a Philippine industry affected by the surge in imports. Moreover, it authorizes the Philippine government to restrict imports, after results of the investigations carried out by competent authorities establish that imports are taking place in such increased quantities as to cause or threaten to cause serious injury to the domestic industry that produces similar or directly competitive products. The measure is applied to imports of like or directly competitive products from all sources.

Environmental Regulations Pertaining to the Cement Business

Under the Philippine Environmental Impact Statement System ("P.D. 1586"), raw material sourcing and cement manufacturing are considered environmentally critical activities for which an Environmental Impact Study ("EIS") and an Environmental Compliance Certificate ("ECC") are mandatory.

Co-Processing of Waste Material

Pursuant to the mandate of the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 ("R.A. No. 6969"), the DENR has issued certain regulations governing the use of alternative fuels and raw materials in cement kilns. DENR DAO No. 2010-06 allows cement manufacturers to engage in the co-processing of waste material from cement production, so long as it meets the guidelines prescribed therein. Cement plants that co-process waste materials are required to register with the EMB as Alternative Fuel and Raw Materials co-processing facilities, after which they are bound to observe the operating guidelines and emissions monitoring standards specified in the Philippine Clean Air Act of 1999 ("R.A. No. 8749").

Under DENR Administrative Order No. 2013-22, a duly registered waste generator must, among others: (i) designate a full-time Pollution Control Officer; (ii) disclose to the DENR the type and quantity of waste generated; (iii) implement proper waste management from the time the wastes are generated until they are rendered non-hazardous; (iv) continue to own and be responsible for the wastes generated in the premises until the wastes have been certified by an accredited waste treater as adequately treated, recycled, reprocessed, or disposed of; (v) adhere to the hazardous waste transport manifest system when transporting hazardous wastes for offsite treatment, storage, and/or disposal; (vi) prepare and submit to the DENR comprehensive emergency preparedness and response program to mitigate spills and accidents involving chemicals and hazardous wastes; (vii) communicate to its employees the hazards posed by the improper handling, storage, transport, use and disposal of hazardous wastes and their containers; and (viii) develop capability to implement the emergency preparedness and response programs and continually train core personnel on the effective implementation of such programs.

Failure to comply with DENR Administrative Order No. 2013-22 shall make the violator liable for a fine of ₱50,000.00. In addition to such penalty, a violation of any of its Governing Rules or rules covering the Contingency Program shall result in the immediate suspension of the permit.

ENVIRONMENTAL MATTERS

The operations of the businesses of the Company are subject to various laws, as well as rules and regulations, that have been promulgated for the protection of the environment.

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System established under Presidential Decree No. 1586 (the "**EISS Law**"), which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau ("**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and possesses all applications for an ECC.

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("**EIS**") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency, and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property, and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents also required to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, as well as rules and regulations.

Power plant operations are considered environmentally critical projects for which an EIS and an ECC are mandatory.

The Clean Water Act of 2004

Republic Act No. 9275, otherwise known as the Philippine Clean Water Act of 2004, and its IRR provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Philippine Clean Water Act of 2004 requires owners or operators of facilities that discharge regulated effluents, such as wastewater from manufacturing plants or other commercial facilities, to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The DENR, together with other government agencies and the different local government units, is tasked to implement the Philippine Clean Water Act of 2004 and to identify existing sources of water pollutants, as well as to strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

The Clean Air Act

Pursuant to Republic Act No. 8749 or the Philippine Clean Air Act of 1999 and its IRR, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. The issuance of the said permit seeks to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of the Company include the following:

- Republic Act No. 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines, or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

- Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centres and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.

- Presidential Decree No. 856 or the Code on Sanitation of the Philippines (the "**Sanitation Code**"), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial establishments. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate any industrial establishment without first obtaining a sanitary permit.

- Republic Act No. 11898, or the Republic Act No. 11898, the Extended Producer Responsibility ("**EPR**") Act of 2022, which amends certain provisions of Republic Act No. 9003 and requires obliged enterprises to recover and divert at least 20% of their 2022 plastic packaging footprint by the end of 2023 and increase this annually up to 80% by end of 2028. Product producers obliged to implement the EPR shall refer to large enterprises that generate plastic packaging waste.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Offer Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Offer Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Offer Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Offer Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Offer Supplement. The tax treatment of a holder of Offer Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE OFFER BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non- Philippine corporation not engaged in trade or business within the Philippines.

The term "non-resident holder" means a holder of the Offer Bonds:

- *who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*

- *should an income tax treaty be applicable, whose ownership of the Offer Bonds is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act (or the TRAIN Act), took effect. The TRAIN Act amended provisions of the Tax Code including provisions on documentary stamp tax ("**DST**"), capital gains tax, tax on interest income and other distributions, estate tax, and donor's tax.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises bill was signed into law as Republic Act No. 11534, otherwise known as the CREATE Act. The CREATE Act serves as a follow-up to Package 1 of the CTRP. The main amendment of CREATE Act is the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. For domestic corporations, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the MCIT was lowered to 1%, effective July 1, 2020 to June 30, 2023. However, effective July 1, 2023, the MCIT rate reverted to its previous rate of 2% based on the gross income of the corporation. Under Revenue Memorandum Circular ("**RMC**") No. 36-2024, in computing the MCIT, the gross income shall be divided by 12 months to get the average monthly gross income and apply the rate of 1% for the period January 1 to June 30, 2023 and 2% for the period July 1 to December 31, 2023.

Taxation of Interest

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the Offer Bonds is subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Offer Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax ("**FWT**") while that received by non-resident aliens not engaged in trade or business is subject to a FWT rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Offer Bonds is subject to a FWT of 20%. Interest income received by non-resident foreign corporations from the Offer Bonds is subject to a 25% FWT. However, in the context of the bonds, interest income from foreign loans derived by non-resident foreign corporations is subject to a 20% FWT.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% on interest from public issue of bonds in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

The Philippine tax authorities have prescribed a certain procedure for claiming tax treaty benefits for interest income of non-resident income earners. Under Revenue Memorandum Order ("**RMO**") No. 14-2021, withholding agents/income payors may withhold tax on interest income payable to the non-resident income earner at the regular rate or at the applicable preferential tax rate depending on the documents submitted by the non-resident income earner to the withholding agent/income payor.

In accordance with RMO No. 14-2021, as further clarified by Revenue Memorandum Circular ("**RMC**") Nos. 77-2021 and 20-2022, non-resident income earner intending to avail of treaty benefits should submit to the withholding agent/income payor, prior to the payment of income for the first time, a Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, an Application Form for Treaty Purposes on Interest ("**BIR Form 0901-I**"), and the relevant provision of the applicable tax treaty. Failure to provide the said documents may lead to withholding using the regular withholding tax rates, and not the treaty rate.

When the preferential tax rates have been applied by the withholding agent/income payor on the income earned by the non-resident income earner, the withholding agent/income payor shall file with the International Tax Affairs Division ("**ITAD**") of the BIR a Request for Confirmation ("**RFC**") on the propriety of the withholding tax rates applied on that item of income. Such RFC shall be supported by the documentary requirements set out in RMO No. 14-2021 which also includes the TRC and BIR Form 0901-I mentioned above.

The original or certified true copy of the following documents, as may be applicable, shall be submitted to the International Tax Affairs Division of the BIR when claiming the tax treaty relief:

1. General Requirements:
    a. Letter-request
    b. BIR Form No. 0901-I duly signed by the non-resident interest income earner or its/his/her authorized representative
    c. Tax Residency Certificate for the relevant period, duly issued by the tax authority of the foreign country in which the Bondholder is a resident
    d. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the payment/remittance of income
    e. Withholding tax return with Alphalist of Payees

f. Proof of payment of withholding tax
g. Notarized Special Power of Attorney issued by the non-resident income earner to its/his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the tax treaty relief application or request for confirmation

2. Additional general requirements for legal persons and arrangements, and individuals:
   a. Authenticated copy of the non-resident legal person or arrangement's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language.
   b. Original copy of the Certificate of Non-Registration of the Bondholder or certified true copy of License to Do Business in the Philippines duly issued by the Philippine SEC for legal persons and arrangements, or original copy of the Certificate of Business Registration/Presence duly issued by the DTI for individuals.

3. Additional general requirements for fiscally transparent entities:
   a. A copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the foreign fiscally transparent entity;
   b. List of owners/beneficiaries of the foreign entity;
   c. Proof of ownership of the foreign entity; and
   d. Tax Residency Certificate issued by the concerned foreign tax authority to the owners or beneficiaries of the fiscally transparent entity.

4. Specific requirements
   a. Duly executed contract
   b. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the remittance of the loan by the nonresident creditor
   c. Proof that the debt-claim in respect of which the interest is paid is not effectively connected with the permanent establishment of the foreign enterprise in the Philippines
   d. Proof that the interest rate is arm's length, if the debtor and creditor are related parties

The BIR may require additional documents during the course of its evaluation as it may deem necessary. Upon the confirmation of the entitlement to the tax treaty benefit or confirmation of the correctness of the withholding tax rates applied, the BIR will issue a certification to that effect. Any adverse ruling may be appealed to the Department of Finance within 30 days from receipt.

If the regular withholding tax rate on interest have been imposed by the withholding agent/income payor, the concerned non-resident income earner shall file a Tax Treaty Relief Application with ITAD. If the regular withholding tax rate on interest imposed by the withholding agent/income payor is higher than the rate that should have been applied, the non-resident income earner may file a claim for refund from the Philippine taxing authorities on the basis of a tax exemption or applicable tax treaty.

For claims of tax exemption, RMC No. 8-2014 mandates withholding agents/income payors to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from imposition of withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate or ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

Value-Added Tax

Gross receipts arising from the sale of the Offer Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Offer Bonds sold.

Gross Receipts Tax

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax ("**GRT**") on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five (5) years or less	5%
Maturity period is more than five (5) years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to GRT. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five (5) years or less	5%
Maturity period is more than five (5) years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre- termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Offer Bonds by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Tax

A DST is imposed upon the original issuance of debt instruments issued by Philippine companies, such as the Offer Bonds, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one (1) year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable DST on the original issue shall be paid by the Issuer for its own account.

Taxation on Sale or Other Disposition of the Offer Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income, which will then be subjected to the following tax rates:

Type of Bondholder	**Rate**
Philippine citizen (whether resident or non-resident), resident alien, and non-resident alien engaged in trade or business in the Philippines	15% - 35%
Non-resident alien not engaged in trade or business in the	25%

Philippines	
Domestic corporation, in general	25%

Domestic corporation with net taxable income not exceeding ₱5 Million and total assets not exceeding ₱100 Million (excluding the land on which the particular business entity's office, plant and equipment are situated)	20%
Resident Foreign Corporation	25%
Non-resident Foreign Corporation	25%

If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five (5) years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Offer Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. For transfers through donation, the Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Offer Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Offer Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Offer Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, the transfer of the Offer Bonds made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Documentary Stamp Tax

No DST is imposed on the subsequent sale or disposition of the Offer Bonds, trading the Offer Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Offer Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the Offer Bonds, DST is payable anew.

Taxation Outside the Philippines

The tax treatment of non-resident holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation.

This Offer Supplement does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines.

PARTIES TO THE OFFER

THE ISSUER

SAN MIGUEL CORPORATION
40 San Miguel Avenue
Mandaluyong City 1550
Philippines

JOINT ISSUE MANAGERS

BDO Capital & Investment Corporation
17th Floor, BDO Equitable Tower
8751 Pase de Roxas, Salcedo Village,
Makati City 1226

Bank of Commerce
24th Floor, San Miguel Properties Centre
Building, #7 St Francis Street,
Mandaluyong City 1550
Philippines

China Bank Capital Corporation
28th Floor, BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

JOINT LEAD UNDERWRITERS AND BOOKRUNNERS

Asia United Bank Corporation
Joy~Nostalg Center,
No. 17 ADB Avenue,
Ortigas Center, Pasig City

Bank of Commerce
24th Floor, San Miguel Property Centre
Building,
#7 St Francis Street,
Mandaluyong City, Metro Manila

BDO Capital & Investment Corporation
17th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Salcedo Village,
Makati City 1226

BPI Capital Corporation
23rd Floor, Ayala Triangle Gardens Tower 2
Paseo De Roxas Cor., Makati Avenue,
Makati City 1226

China Bank Capital Corporation
28th Floor BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

Philippine Commercial Capital, Inc.
6th Floor, PCCI Corporate Centre,
118 L.P. Leviste Street,
Makati, 1227 Metro Manila

PNB Capital and Investment Corporation
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City 1300

RCBC Capital Corporation
21st Floor Tower 2, RCBC Plaza,
6819 Ayala Ave,
Makati City

SB Capital and Investments Corporation
18th Floor, Security Bank Centre,
6776 Ayala Avenue,
Makati City 0719

LEGAL ADVISORS

To the Issuer

Picazo Buyco Tan Fider & Santos
Penthouse, Liberty Center – Picazo Law
104 H.V. dela Costa Street
Salcedo Village, Makati City 1227
Philippines

To the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners

SyCip Salazar Hernandez & Gatmaitan
SyCipLaw Center
105 Paseo de Roxas
Makati City 1226
Philippines

INDEPENDENT AUDITOR
R.G. Manabat & Co., a member firm of KPMG
6th Floor, The KPMG Center
6787 Ayala Avenue
Makati City 1209
Philippines

REGISTRAR AND PAYING AGENT
Philippine Depository & Trust Corp.
29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226
Philippines

TRUSTEE
RCBC Trust Corporation
9/F Floor Yuchengco Tower, RCBC Plaza,
6819 Ayala Avenue,
Makati City, Metro Manila,
Philippines

APPENDIX

A. Audited Consolidated Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021.

B. List of properties owned and leased by SMC.

ANNEX "B"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021

With Independent Auditors' Report

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

The following document has been received:

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Receipt Date and Time: April 15, 2024 04:46:27 PM

Company Information

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

Document Information

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

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

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Signed this 11th day of March 2024

ACKNOWLEDGMENT

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

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

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

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

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

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

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

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

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

REPORT OF INDEPENDENT AUDITORS

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

Opinion

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

ANNEX "B-1"

Signature Page of KPMG

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

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

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

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

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

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

R.G. MANABAT & CO.



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

April 15, 2024
Makati City, Metro Manila

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

Basis of Consolidation

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

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

Forward

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

Forward

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

Forward

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Material Accounting Policy Information

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

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

Adoption of Amendments to Standards

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

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

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures. The Group reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in certain instances in line with the amendments.

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

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

  The accounting exemption is to be applied immediately after publication of the amendment.

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

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

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

New and Amendments to Standards Not Yet Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

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

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

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

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

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

  On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

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

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

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

estimation technique.

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

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

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

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

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

Current versus Noncurrent Classification

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

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

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

Financial Instruments

Recognition and Initial Measurement. A financial instrument is any contract that gives

rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

Financial Assets

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

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

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category (Notes 7, 8, 10, 12, 18, 39 and 40).

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

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

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

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

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

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

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

The Group's investments in equity and debt instruments at FVOCI are classified under this category (Notes 10, 12, 39 and 40).

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

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

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

The Group's derivative assets that are not designated as cash flow hedge and investments in equity and debt instruments at FVPL are classified under this category (Notes 10, 18, 33, 39 and 40).

Financial Liabilities

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

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 20, 22, 39 and 40).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 19, 20, 21, 22, 34, 39 and 40).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;

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

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

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

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

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

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

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

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

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

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

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

The Group has embedded derivatives as at December 31, 2023 and 2022 (Note 40).

Inventories

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

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

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

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

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

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

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

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

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

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

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

Prepaid Expenses and Other Current Assets

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

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

Biological Assets and Agricultural Produce

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

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

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

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

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

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

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

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

Contract Assets

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

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

Business Combination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business Combinations under Common Control

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

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

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

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

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

Non-controlling Interests

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

Investments in Shares of Stock of Associates and Joint Ventures

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

Group as Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Agreement (Note 34).

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

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

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

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

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

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

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

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

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

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

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

- substantive expenditure on further exploration for and evaluation of mineral

resources in the specific area is neither budgeted nor planned;

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

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

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

Deferred Containers

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

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

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

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

Impairment of Non-financial Assets

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

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

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

Cylinder Deposits

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

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

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

Contract Liabilities

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

Fair Value Measurements

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Costs and Expenses

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

Borrowing Costs

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

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

Research and Development Costs

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Costs

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

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

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

Foreign Operations

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

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

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

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets Held for Sale

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

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

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

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

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)

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

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

Operating Segments

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

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

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

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

Contingencies

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

Events After the Reporting Date

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

4. Use of Judgments, Estimates and Assumptions

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

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

Judgments

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

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

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

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

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

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

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

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

a. *Airport Concession Rights*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

returns through such power over BPI.

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

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

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

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

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

Estimates and Assumptions

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

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

forecasted economic conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The combined carrying amounts of toll road, airport, power and water concession rights amounted to P272,812 and P229,057 as at December 31, 2023 and 2022, respectively (Note 17).

In 2022, APEC has derecognized its power concession right as a result of the termination of the concession agreement with ALECO in November 2022 (Note 34).

Impairment of Goodwill, Licenses and Trademarks and Brand Names with Indefinite Useful Lives. The Group determines whether goodwill, licenses and trademarks and brand names are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the licenses and trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from

the cash-generating unit and from the licenses and trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P182,791 and P184,100 as at December 31, 2023 and 2022, respectively (Note 17).

The combined carrying amounts of licenses and trademarks and brand names amounted to P2,349 and P2,345 as at December 31, 2023 and 2022, respectively (Note 17).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amount of goodwill arising from business combinations amounted to P54,273 in 2022 (Notes 5, 17 and 38).

Estimating Coal Reserves. Coal reserve estimates are based on measurements and geological interpretation obtained from natural outcrops, trenches, tunnels and drill holes. In contrast with “coal resource” estimates, profitability of mining the coal during a defined operating period or “mine-life” is a necessary attribute of “coal reserve”.

The Philippine Department of Energy (DOE) is the government agency authorized to implement coal operating contracts (COC) and regulate the operation of contractors pursuant to DOE Circular No. 81-11-10: Guidelines for Coal Operations in the Philippines. For the purpose of the five-year development and production program required for each COC, the agency classifies coal reserves, according to increasing degree of uncertainty, into: (i) positive, (ii) probable and (iii) inferred. The DOE also prescribes the use of “total in-situ reserves” as the sum of positive reserves and two-thirds of probable reserve; and “mineable reserve” as 60% of total in-situ reserve for underground, and 85% for surface (including open-pit) coal mines.

Recoverability of Deferred Exploration and Development Costs. A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group’s assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group has mining activities that were in the exploratory stages as at December 31, 2023 and 2022. The related costs and expenses from exploration were deferred as mine exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts

and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as at December 31, 2023 and 2022.

No impairment loss on deferred exploration and evaluation costs was recognized in 2023, 2022 and 2021.

Deferred exploration and development costs included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position amounted to P76 and P55 as at December 31, 2023 and 2022, respectively (Notes 18 and 34).

In December 2022, deferred exploration and development costs related to coal mining activities amounting to P719 were derecognized upon the sale by SPI of its subsidiaries (Notes 5).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group’s assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P19,633 and P22,554 as at December 31, 2023 and 2022, respectively (Note 23).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on property, plant and equipment, right-of-use assets, investment property, other intangible assets with finite useful lives and deferred containers amounted to P15,479 and P16,065 as at December 31, 2023 and 2022, respectively (Notes 13, 14, 15, 17 and 18).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets amounted to P1,305,214 and P1,197,145 as at December 31, 2023 and 2022, respectively (Notes 11, 13, 14, 15, 16, 17 and 18).

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P56,572 and P75,475 as at December 31, 2023 and 2022 respectively (Notes 34, 38, 39 and 40).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 35 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P36,620 and P31,873 as at December 31, 2023 and 2022, respectively (Note 35).

Asset Retirement Obligation. The Group has ARO arising from refinery, power plants, leased service stations, terminals, blending plant and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.29% to 12.64% and 3.25% to 12.64% as at December 31, 2023 and 2022, respectively, depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P4,488 and P4,296 as at December 31, 2023 and 2022,

respectively (Notes 20 and 22).

Present Value of Annual Franchise Fee and IRO - Airport Concession Arrangement. Portion of the amount recognized as airport concession right of TADHC as at December 31, 2023 and 2022 pertains to the present value of the annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in CIP - airport concession arrangements until the completion of the Airport Project.

The present values of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate.

A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect in profit or loss.

The present value of the annual franchise fees payable to the ROP over 25 years discounted using the 9% and 8% internal borrowing rate in 2023 and 2022, included as part of "Airport concession right" under "Other intangible assets - net" account amounted to P53 and P50 as at December 31, 2023 and 2022, respectively (Note 17).

The cost of infrastructure maintenance and restoration represents the present value of TADHC's IRO recognized and is presented as part of IRO under "Accounts payable and accrued expenses" account amounting to P20 in 2022 and "Other noncurrent liabilities" account amounting to P97 and P74 in 2023 and 2022, respectively (Notes 20 and 22).

Percentage-of-Completion - Airport and Toll Road Concession Arrangements. The Group determines the percentage-of-completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total airport and toll road project cost. The Group reviews and revises, when necessary, the estimate of airport and toll road project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period. Construction revenue and construction costs, reported as part of "Other income (charges) - net" account in the consolidated statements of income, amounted to P60,606, P60,461 and P29,769 in 2023, 2022 and 2021, respectively (Note 32).

Accrual for Repairs and Maintenance - Toll Road Concession Arrangements. The Group recognizes accruals for repairs and maintenance based on estimates of periodic costs, generally estimated to be every five to ten years as at December 31, 2023 and 2022, or the expected period to restore the toll road facilities to a level of serviceability and to maintain its good condition before the turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate, ranging from 5.88% to 6.00% and 5.21% to 6.99% as at December 31, 2023 and 2022, respectively, that reflects the current market assessment of the time value of money.

The accrual for repairs and maintenance, included as part of "IRO" under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P1,151 and P825 as at December 31, 2023 and 2022, respectively (Note 22).

The current portion included as part of "Accounts payable and accrued expenses" account amounted to P320 and P487 as at December 31, 2023 and 2022, respectively (Note 20).

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments:

Energy

- Subscription of Common Shares

  On July 25, 2023, San Miguel Global Power and the Parent Company executed a Subscription Agreement to subscribe to an additional 410,000,000 common shares of San Miguel Global Power for a subscription price of P12,300 or P30.00 per common share, which was fully paid in 2023.

  On July 25, 2023, the BOD of San Miguel Global Power approved the additional increase in its authorized capital stock from P2,000 divided into 2,000,000,000 common shares to P3,774 divided into 3,774,400,000 common shares, both with a par value of P1.00 per common share, as well as the amendment of the Amended Articles of Incorporation of San Miguel Global Power to reflect the said increase. On August 1, 2023, the Parent Company entered into a Subscription Agreement with San Miguel Global Power, whereby the Parent Company subscribed to 443,600,000 common shares of San Miguel Global Power out of the proposed increase in authorized capital stock for a total subscription price of P13,308 or P30.00 per common share. The subscription price was fully paid in 2023. The stockholders of San Miguel Global Power approved the aforementioned increase in authorized capital stock and amendment of the Amended Articles of Incorporation during its Special Stockholders' Meeting held on September 07, 2023.

  The application for the increase in the authorized capital stock of San Miguel Global Power and the amendment of its Amended Articles of Incorporation to reflect the aforementioned increase in authorized capital stock was filed with the SEC on October 20, 2023, and was approved by the SEC on October 24, 2023.

  On November 13, 2023, San Miguel Global Power and the Parent Company executed a Subscription Agreement wherein the Parent Company subscribed to an additional 720,000,000 common shares of San Miguel Global Power for a subscription price of P21,600 or P30.00 per common share, which was fully paid in 2023.

- Acquisition of Ilijan Primeline Industrial Estate, Inc. (IPIEC)

  On April 3, 2023, the Parent Company through San Miguel Global Power acquired the 100% outstanding capital stock of IPIEC for a total consideration of P50 (Note 15). IPIEC own and manage various properties located in the province of Batangas.

  The transaction is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

- Acquisition of Blue Eagle Star Corp. (Blue Eagle)

  On December 19, 2023, the Parent Company through San Miguel Global Power

acquired the 100% outstanding capital stock of Blue Eagle for a total consideration of P25 (Note 15). Blue Eagle own and manage various properties located in the province of Cavite.

The transaction is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

- Acquisition of Multi-Ventures Investment Holdings, Inc. (MVHI) and Bluelight Industrial Estate, Inc. (Bluelight)

  On August 25, 2022, the Parent Company through San Miguel Global Power acquired 100,000 and 50,000 common shares, equivalent to 100% of the outstanding capital stock of MVHI and Bluelight, respectively, for a total consideration of P16 (Note 13).

  MVHI and Bluelight own and manage various properties located in the province of Cavite and Quezon, respectively.

  The transaction is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

- Sale of Strategic Energy Development Inc. (SEDI)

  On August 26, 2022, San Miguel Global Power sold its 100% shareholdings in SEDI to a third party for P1,200 with 10% downpayment upon signing of the contract. The amount of consideration, which will be collected on installment basis up to 2026 and subject to interest to be agreed by the relevant parties, is presented as part of non-trade receivables under “Trade and other receivables - net” and “Noncurrent receivables and deposits - net” under “Other noncurrent assets - net” accounts in the consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 8 and 18).

  The Group recognized a gain on the sale amounting to P555, presented as part of “Gain on sale of investments and property and equipment’’ account in the 2022 consolidated statement of income.

- Sale of Daguma Agro-Minerals, Inc. (DAMI), Bonanza Energy Resources, Inc. (BERI) and Sultan Energy Phils. Corp. (SEPC)

  On December 21, 2022, SPI entered into a Share Purchase Agreement with a third party for the sale of its 100% equity interests in DAMI, BERI and SEPC for a total consideration of P1,818 which was fully paid as at December 31, 2023.

  Also on the same date, SPI entered into an agreement with the third party for the assignment of its deposit for future stock subscription amounting to P1,552, payable over a period of five years, subject to interest to be agreed-upon by both parties. The amount is presented as part of noncurrent receivables and deposits - net under “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

  DAMI and SEPC have coal mining properties, covered by COCs issued by the Philippine DOE, located in the provinces of Sarangani, South Cotabato and Sultan Kudarat (Note 34).

  The Group recognized a gain on the sale amounting to P182, presented as part of “Gain on sale of investments and property and equipment’’ account in the

2022 consolidated statement of income.

Infrastructure

- SMHC

  On December 17, 2021, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P91,500 divided into 91,500,000 common shares to P106,500 divided into 106,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 5,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P7,500 or P1,500.00 per common share.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMHC was filed with the SEC on March 9, 2022 and was approved on April 26, 2022. The Parent Company paid P3,239 and P3,823 in 2022 and 2021, respectively, while the balance of the subscription price amounting to P438 was fully paid in 2023.

  On April 20 and May 11, 2023, SMHC and the Parent Company executed Subscription Agreements to subscribe to a total of 5,500,000 common shares for a total subscription price of P8,250 or P1,500.00 per common share. The Parent Company paid P7,227 in 2023.

- SMAI

  On December 27, 2021, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 3,792,881,031 common shares of SMAI for a total subscription price of P7,586 or P2.00 per common share, which was fully paid in 2021.

  On January 21, 2022, the BOD and stockholders of SMAI approved the additional increase in its authorized capital stock from P15,000 divided into 15,000,000,000 common shares to P45,000 divided into 45,000,000,000 common shares, both with a par value of P1.00 per common share. On the same date, SMAI and the Parent Company executed a Subscription Agreement to subscribe to an additional 7,500,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P2.00 per common share, which was fully paid in 2022.

  On February 23, 2022, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 307,118,969 common shares of SMAI, to be issued out of the available unissued shares, for a total subscription price of P614 or P2.00 per common share, which was fully paid in 2022.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMAI was filed with and was approved by the SEC on June 17, 2022.

  On August 22, 2022, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 10,000,000,000 common shares of SMAI for a total subscription price of P20,000 or P2.00 per common share, which was fully paid

in 2022.

On May 12, 2023, the BOD and stockholders of SMAI approved that out of its 45,000,000,0000 authorized capital stock, 34,100,000,000 common shares (i) 21,600,000,000 common shares will be converted to Series 1 Preferred Shares on a 1:1 basis and (ii) 12,500,000,000 common shares will be reclassified to Series 2 Preferred Shares.

In the same meeting, the BOD and stockholders of SMAI approved the increase of its authorized capital stock from P45,000 divided into 45,000,000,000 common shares with a par value of P1.00 per common share to P57,850 divided into: (i) 10,900,000,000 common shares with a par value of P1.00 per common share, (ii) 21,600,000,000 Series 1 Preferred Shares with a par value of P1.00 per Preferred Share and (iii) 25,350,000,000 Series 2 Preferred Shares with a par value of P1.00 per preferred share.

SMAI approved to offer to all its stockholders the option to convert its common shares to Series 1 Preferred Shares on a 1:1 basis, effective upon the approval by the SEC of the increase in the authorized capital stock of SMAI, the creation of the preferred shares and the corresponding approval of the amendment of the Articles of Incorporation of SMAI reflecting such amendments. Of the two holders of common shares of SMAI at that time, which are the Parent Company and SMHC, only the Parent Company exercised the option to convert its common shares in SMAI into Series 1 Preferred Shares, which SMAI accepted.

On May 12, 2023, SMAI and the Parent Company executed the following: (i) a Subscription Agreement to subscribe to 4,266,672,620 Series 2 Preferred Shares out of the proposed increase in authorized capital stock for a total subscription price of P12,800 or P3.00 per preferred share, and (ii) a Deed of Assignment that the deposit for future stock subscription of P12,800 paid in 2022 be applied as payment by the Parent Company of its subscription to the Series 2 Preferred Shares.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMAI and the creation of the preferred shares was filed with the SEC on June 30, 2023, and was approved on September 7, 2023.

Upon the approval of the increase in the authorized capital stock of SMAI and the creation of the preferred shares, all common shares which were issued to the Parent Company on various dates in 2021 to 2022 were converted to Series 1 Preferred Shares.

On December 29, 2023, the Parent Company and SMAI entered into a Subscription Agreement wherein the Parent Company subscribed to 8,569,655,398 Series 2 Preferred Shares of SMAI for a total subscription price of P42,848 or P5.00 per preferred share, which was fully paid in 2023.

As at December 31, 2023, as a result of the foregoing conversion by the Parent Company of its investment in common shares of SMAI to Series 1 Preferred Shares and subsequent subscription to Series 2 Preferred Shares, the Parent Company has 100% indirect ownership in SMAI through SMHC. As at December 31, 2022, the Parent Company has 66.46% direct ownership and voting interest in SMAI, in addition to the 33.54% indirect ownership and voting interest through SMHC.

The preferred shares issued by SMAI are non-voting, may be convertible into common shares as determined by the BOD of SMAI, may be redeemable at the sole option of SMAI at a price and at such time that the BOD of SMAI shall determine. The preferred shares are entitled to dividends as declared by the BOD of SMAI. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of SMAI, the holders of preferred shares that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of SMAI.

- Argonbay Construction Company, Inc. (ACCI)

  On December 15, 2022, the BOD and stockholders of ACCI approved the increase in its authorized capital stock from P150 divided into 1,500,000 common shares with a par value of P100.00 per common share to P20,150 divided into 1,500,000 common shares with a par value of P100.00 per common share and 200,000,000 Series 1 Preferred Shares with a par value of P100.00 per preferred share. On the same date, ACCI and the Parent Company executed a Subscription Agreement to subscribe to 142,600,000 Series 1 Preferred Shares out of the proposed increase in authorized capital stock for a total subscription price of P14,260 or P100.00 per preferred share.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on June 13, 2023 and was approved on June 14, 2023. The Parent Company paid P3,634 in 2022 while the balance of the subscription price amounting to P10,626 was fully paid in 2023.

  On June 20, 2023, ACCI and the Parent Company executed a Subscription Agreement to subscribe to 4,887,226 Series 1 Preferred Shares for a total subscription price of P489 or P100.00 per preferred share, which was fully paid in 2023.

  The preferred shares issued by ACCI are non-voting, may be convertible into common shares as determined by the BOD of ACCI, may be redeemable at the sole option of ACCI at a price and at such time that the BOD of ACCI shall determine. The preferred shares are entitled to dividends as declared by the BOD of ACCI. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of ACCI, the holders of preferred shares that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of ACCI.

Cement

- SMEII

  On December 7, 2022, the BOD and stockholders of SMEII approved the additional increase in its authorized capital stock from P21,425 divided into 21,425,000,000 common shares to P88,371 divided into 88,370,900,000 common shares, both with a par value of P1.00 per common share.

  On December 13, 2022, SMEII and the Parent Company executed a

Subscription Agreement whereby the Parent Company subscribed to 2,157,400,000 common shares out of the entire available unissued shares of SMEII for a total subscription price of P3,236 or P1.50 per common share, which was fully paid in 2022.

On December 13, 2022, pursuant to the Subscription Agreement between SMEII and the Parent Company, the latter subscribed to 44,630,600,000 common shares out of the aforementioned proposed increase in the authorized capital stock of SMEII for a total subscription price of P66,946 or P1.50 per common share, which was fully paid in 2022.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMEII was filed with the SEC on December 19, 2022 and was approved on December 29, 2022.

On December 21, 2022, SMEII and the Parent Company executed another Subscription Agreement whereby the Parent Company subscribed to an additional 7,602,900,000 common shares out of the proposed increase in the authorized capital stock of SMEII for a total subscription price of P11,404 or P1.50 per common share, which was fully paid in 2022.

On April 26, 2023, SMEII and the Parent Company executed a Subscription Agreement to subscribe to an additional 1,335,273,000 common shares of SMEII at a subscription price of P2,003 or P1.50 per common share, which was fully paid in 2023.

- Consolidation of ECC

  On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc. (FEHI), the parent company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares (the Sale Shares) representing approximately 88.50% of the total outstanding capital stock of ECC for a total consideration of P97,441 or P22.02 per Sale Share.

  ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

  On October 27, 2022, the Philippine Competition Commission (PCC) issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the PSE after the required written assent of the stockholders of ECC was secured.

  The tender offer period ended on December 5, 2022, with a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding capital stock of ECC were tendered (Tendered Shares) for a total consideration of P12,613 or P22.02 per common share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As a result of the transaction, ECC was consolidated effective December 14, 2022. SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding capital stock of ECC as at December 31, 2023 and 2022.

The acquisition of ECC was accounted for using the acquisition method of accounting in accordance with PFRS 3.

The following summarizes the recognized amount of assets acquired and liabilities assumed at the acquisition date:

	Note	2022
Assets		
Cash and cash equivalents		P9,548
Trade and other receivables - net		118
Inventories		2,299
Prepaid expenses and other current assets	*10, 24*	7,617
Investment and advances	*24*	105
Property, plant and equipment - net	*13*	34,434
Right-of-use assets - net	*14*	26
Other intangible assets - net	*17*	9,052
Deferred tax assets	*23*	102
Other noncurrent assets - net		966
Liabilities		
Accounts payable and accrued expenses	*20*	(3,323)
Income and other taxes payable		(200)
Lease liabilities (including current portion)		(36)
Long-term debt - net		(4,040)
Deferred tax liabilities		(13)
Other noncurrent liabilities	*22, 35*	(168)
Total Identifiable Net Assets at Fair Value		P56,487

The fair value of trade and other receivables amounted to P118. None of the receivables has been impaired and it is expected that the full amount can be collected (Note 8).

Included as part of “Prepaid expenses and other current assets” and “Accounts payable and accrued expenses“ accounts of ECC are the net assets of KB Space Holdings, Inc. (KSHI) classified as held for sale as at December 14, 2022, which were disposed on June 16, 2023. ECC completed the sale of 100% outstanding common shares of KSHI for a consideration of P418 and assigned the P1,300 deposit for future subscriptions to the common shares of KSHI to FEHI (Note 33).

The completion of the purchase price allocation exercise resulted in the adjustments to the recognized amounts of assets acquired as at December 31, 2022. The “Property, plant and equipment - net” and “Other intangibles - net” accounts increased by P932 and P747, respectively, and “Prepaid expenses and other current assets” account decreased by P996 (Notes 10, 13 and 17).

The provisional goodwill recognized in 2022 amounted to P54,273. The final assessment resulted in the recognition of final goodwill in the amount of P53,590, recorded after recognition at fair value of the identifiable assets and liabilities. The prior year comparative information was not restated since the impact of the adjustment is not material.

	Note	2022
Total cash consideration transferred	*11*	P110,054
Non-controlling interest measured at proportionate interest in identifiable net assets		23
Total identifiable net assets at fair value		(56,487)
Goodwill	*17, 38*	P53,590

SMEII incurred acquisition-related costs amounting to P80 in 2022, which were included in "Selling and administrative expenses" account in the consolidated statement of income.

Goodwill arising from the acquisition of ECC is attributable to the benefit of expected synergies with the Group's cement business, revenue growth, future development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable net assets.

If the foregoing acquisitions have occurred on January 1, 2022, management estimates that it would have increased consolidated revenue and consolidated net income by P20,378 and P4,470, respectively. In determining these amounts, management assumed that the fair value adjustments, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022. ECC has no contribution to the revenue and net income of the Group in 2022.

Fuel and Oil

- Acquisition of Mema

  On February 16, 2022, the Parent Company through Petron acquired 10,000,000 common shares representing 100% of the outstanding capital stock of Mema for an initial consideration of P104. Mema is a company with a subsidiary that provides hauling and logistics services to Petron. On June 30, 2022, control over the investee was transferred to the Group after the resolution of issues was agreed by Petron and the seller. On December 29, 2022, an adjustment in the purchase price of P300 was agreed by Petron and the seller, presented as part of "Non-trade payables" under "Accounts payable and accrued expenses" account in the 2022 consolidated statement of financial position (Note 20). The amount was fully paid in February 2023.

  The acquisition of Mema was accounted for using the acquisition method of accounting in accordance with PFRS 3.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2022
Assets		
Cash and cash equivalents		P3,406
Trade and other receivables		2,034
Prepaid expense and other current assets		69
Property, plant and equipment - net	*13*	219
Other noncurrent asset		15
Liabilities		
Accounts payable and accrued expenses		(5,303)
Other noncurrent liabilities		(14)
Total Identifiable Net Assets at Fair Value		P426

The Group recognized a gain on acquisition amounting to P22, presented as part of "Other income (charges) - net" account in the 2022 consolidated statement of income, representing the excess of total identifiable net assets at fair value of P426 over the total consideration of P404 (Note 32).

The fair value of trade and other receivables amounted to P2,034. None of the receivables has been impaired and the full amount is expected to be collected. As at December 31, 2023, receivables amounting to P2,034 were already collected.

As at December 31, 2023, accounts payable and accrued expenses amounting to P5,198 were settled.

The fair value of the acquired equipment was measured using depreciated replacement cost by considering the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Mema and its subsidiaries contributed P26 to the Group's net income from the acquisition date to December 31, 2022. Mema and its subsidiaries have no revenue contribution to the Group in 2022. Had the acquisition occurred on January 1, 2022, the Group's revenue and net income in 2022 would have been P1,506,591 and P26,756, respectively. In determining these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022.

On October 27, 2022, Petron and Mema executed a Subscription Agreement to subscribe to an additional 1,375,000,000 common shares of Mema for a subscription price of P1,375 or P1.00 per common share, of which P899 was paid in 2022 while the remaining balance of the subscription price amounting to P476 was paid in 2023.

On July 19, 2023, Petron and Mema executed another Subscription Agreement to subscribe to an additional 2,770,000,000 common shares of Mema for a subscription price of P2,770 or P1.00 per common share, of which P1,305 was paid in 2023.

Packaging

- Acquisition of 35% of CAI

  On September 30, 2022, SMYPC and Can Pack S.A. (Can Pack), shareholders of CAI, executed a Deed of Sale of Shares for the acquisition by SMYPC from Can Pack of the 3,500,000 common shares representing 35% of the outstanding capital stock of CAI for a total consideration of US$9 (P531).

  The acquisition of the 35% of CAI is considered as a transaction with the Group's non-controlling interest.

  As a result, CAI became a wholly-owned subsidiary of SMYPC. The Group's non-controlling interests decreased by P451 equivalent to the carrying amount of the share in the net assets acquired. The difference between the carrying amount of the share in the net assets acquired and the consideration transferred was recognized in other equity reserve.

Real Estate

- SMPI

  a) Subscription of Common Shares

     On various dates in 2021, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 168,783,058 common shares of SMPI for a total subscription price of P3,375 or P20.00 per common share. The Parent Company paid P3,018 in 2021, while the balance amounting to P357 was fully paid in 2023.

     On various dates in 2022, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 240,381,050 common shares of SMPI for a total subscription price of P4,808 or P20.00 per common share, which was fully paid in 2022.

     On various dates in 2023, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 129,446,202 common shares of SMPI for a total subscription price of P2,589 or P20.00 per common share, which was fully paid in 2023.

  b) Acquisition of Subsidiaries

     On February 2, 2021, the Parent Company through SMPI acquired a total of 95,252 common shares, equivalent to 70% of the outstanding capital stock of Agricultural Investors, Inc., Unexplored Land Developers, Inc., Ocean-Side Maritime Enterprises, Inc., Labayug Air Terminals, Incorporated, Pura Electric Co., Inc., Punong Bayan Housing Development Corporation, Habagat Realty Development Incorporated and Spade One Resorts Corporation, for a total consideration of P3,500. The acquisition gave SMPI 70% ownership and control over these entities and consequently were consolidated to the Group effective February 2, 2021. The related advances for investments amounting to P2,975 was reclassified from "Investments and advances - net" to investment in shares of stock of subsidiaries as part of the total consideration transferred (Note 11). SMPI fully paid the remaining balance of P525 in 2021.

The entities are Philippine companies engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law.

The acquisition of the entities is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

On December 17, 2021, SMPI acquired a total of 8,165 additional common shares, equivalent to 6% of the outstanding capital stock of the entities, at a purchase price of P300 or P36,742.19 per common share, of which P150 was paid in 2021 and the balance in 2022.

On various dates in 2022, SMPI acquired a total of 24,495 additional common shares, equivalent to 18% of the outstanding capital stock of the entities, at a purchase price of P900 or P36,742.19 per common share, which was fully paid in 2022.

c) Acquisition of 31.70% of Integrated Geosolutions, Inc. (IGI)

On December 21, 2022, SMPI and the non-controlling shareholders executed Deeds of Absolute Sale of Shares for the acquisition by SMPI of the remaining 208,968,925 common shares representing 31.70% of the outstanding capital stock of IGI for a total consideration of P1,050. The consideration is payable on installment basis up to 2025 and bears an annual interest rate of 5.11%. In 2022 and 2023, SMPI paid P210 and P336, respectively, of its outstanding payable arising from the acquisition. The related current and noncurrent portions of the outstanding payables are presented under “Accounts payable and accrued expenses” and “Other noncurrent liabilities” accounts in the consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 20 and 22).

The acquisition of the 31.70% of IGI is considered as a transaction with the Group’s non-controlling interest.

As a result, IGI became a wholly-owned subsidiary of SMPI. The Group’s non-controlling interests decreased by P173 equivalent to the carrying amount of the share in the net assets acquired. The difference between the carrying amount of the share in the net assets acquired and the consideration transferred was recognized in other equity reserve.

- DHDC

On various dates in 2022, DHDC and the Parent Company executed Subscription Agreements to subscribe to a total of 32,250,000 common shares of DHDC for a total subscription price of P65 or P2.00 per common share, which was fully paid in 2022.

On November 24, 2023, DHDC and the Parent Company executed Subscription Agreement to subscribe to an additional 67,500,000 common shares of DHDC at a subscription price of P135 or P2.00 per common share. The Parent Company paid P103 in 2023.

- SHC

  On various dates in 2020, SHC and the Parent Company executed Subscription Agreements to subscribe to a total of 170,000,000 common shares of SHC for a total subscription price of P680 or P4.00 per common share. The Parent Company paid a total of P570 and P562 as at December 31, 2023 and 2022, respectively.

- DHC

  On various dates in 2020, DHC and the Parent Company executed Subscription Agreements to subscribe to a total of 400,500,000 common shares of DHC for a total subscription price of P801 or P2.00 per common share. The Parent Company paid a total of P801 and P758 as at December 31, 2022 and 2021, respectively.

  On November 23, 2022, DHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 61,000,000 common shares of DHC at a subscription price of P122 or P2.00 per common share. In 2022, the Parent Company paid a total of P87 while the remaining balance of the subscription price amounting to P35 was fully paid in 2023.

  On December 7, 2023, DHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 27,000,000 common shares of DHC at a subscription price of P54 or P2.00 per common share. The Parent Company paid P33 in 2023.

- WHC

  On December 15 and 27, 2021, WHC and the Parent Company executed Subscription Agreements to subscribe to 96,500,000 common shares of WHC at a subscription price of P193 or P2.00 per common share. In 2021, the Parent Company paid P142, while the remaining balance of the subscription price amounting to P51 was fully paid in 2022.

  On January 21 and February 14, 2022, WHC and the Parent Company executed Subscription Agreements to subscribe to an additional 152,500,000 common shares of WHC at a subscription price of P305 or P2.00 per common share. In 2022, the Parent Company paid P117, while the remaining balance of the subscription price amounting to P188 was fully paid in 2023.

  On December 4, 2023, WHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 123,500,000 common shares of WHC at a subscription price of P247 or P2.00 per common share. The Parent Company paid P224 in 2023.

- OVHI

  On August 11, 2022, OVHI and the Parent Company executed a Subscription Agreement to subscribe to an additional 500,000 common shares of OVHI for a subscription price of P100 or P200.00 per common share. In 2022, the Parent Company paid P62, while the remaining balance of the subscription price amounting to P38 was fully paid in 2023.

  On December 14, 2023, OVHI and the Parent Company executed a Subscription Agreement to subscribe to an additional 255,000 common shares of OVHI for a subscription price of P51 or P200.00 per common share. The Parent Company paid P49 in 2023.

Others

- SMCACDC

  The investment in SMCACDC consists of 1,270,000 redeemable preferred shares of stock amounting to P1,270 and 1,970,000 redeemable preferred shares of stock amounting to P1,970 as at December 31, 2023 and 2022, respectively.

  On March 3, 2022, the BOD of SMCACDC approved the redemption of the 800,000 preferred shares held by the Parent Company, which were issued in 2019. On July 15, 2022, SMCACDC paid the redemption price of P800 or P1,000.00 per preferred share corresponding to the par value of such preferred shares.

  On July 7, 2023, the BOD of SMCACDC approved the redemption of the 700,000 preferred shares held by the Parent Company, which were issued in 2019. On September 29 and December 29, 2023, SMCACDC paid the total redemption price of P700 or P1,000.00 per preferred share corresponding to the par value of such preferred shares.

  The preferred shares issued by SMCACDC are non-voting, non-convertible, and redeemable at the sole option of SMCACDC at a price and at such time that the BOD of SMCACDC shall determine. The preferred shares are entitled to dividends as declared by the BOD of SMCACDC. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of SMCACDC, the holders of preferred stocks that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of SMCACDC.

- SMICL

  On July 13, 2021, the BOD of SMICL approved the increase in its authorized capital stock from US$0.12 to US$66 divided into 120,000 common shares with a par value of US$1.00 per common share and creation of 6,600,000 preferred shares with a par value of US$10.00 per preferred share. On the same date, the Parent Company subscribed to 6,600,000 preferred shares out of the proposed increase in authorized capital stock of SMICL, for a total subscription price of US$66 (P3,170) or US$10.00 per preferred share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMICL was filed with and approved by the Registrar of Companies of the Government of Bermuda on August 5, 2021.

  The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMICL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preferred shares. SMICL has the right to convert the preferred shares into common shares at a rate of ten common shares for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

- SMHL

  On December 12, 2022, the BOD of SMHL approved the redemption of the 30,300,000 preferred shares held by the Parent Company. On December 19, 2022, SMHL paid the redemption price of US$303 (P16,789) or US$10.00 per preferred share, corresponding to the par value of such preferred shares.

  The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMHL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preferred shares. SMHL has the right to convert the preferred shares into common shares at a rate of one common share for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

6. Segment Information

Operating Segments

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

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

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

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

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

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

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

The cement segment is primarily engaged in the manufacturing, marketing and distribution of cement products.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, property, plant and equipment and concession rights, net of allowances, accumulated depreciation and amortization and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

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

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Operating Segments

Financial information about reportable segments follows:

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement			Real Estate and Others			Eliminations			Consolidated		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Sales																											
External sales	**P379,603**	P358,587	P309,576	**P24,825**	P26,794	P24,033	**P159,693**	P212,843	P129,420	**P785,207**	P841,688	P430,662	**P34,001**	P29,003	P19,688	**P36,588**	P8,984	P7,519	**P26,786**	P28,692	P20,295	**P -**	P -	P -	**P1,446,703**	P1,506,591	P941,193
Inter-segment sales	**219**	266	202	**13,554**	10,245	9,670	**9,897**	8,546	4,290	**15,820**	15,950	7,395	**5**	5	2	**643**	-	14	**37,506**	35,723	31,455	**(77,644)**	(70,735)	(53,028)	**-**	-	-
Total sales	**P379,822**	P358,853	P309,778	**P38,379**	P37,039	P33,703	**P169,590**	P221,389	P133,710	**P801,027**	P857,638	P438,057	**P34,006**	P29,008	P19,690	**P37,231**	P8,984	P7,533	**P64,292**	P64,415	P51,750	**(P77,644)**	(P70,735)	(P53,028)	**P1,446,703**	P1,506,591	P941,193
Result																											
Segment result	**P48,411**	P48,711	P43,695	**P1,915**	P1,648	P1,162	**P32,526**	P17,278	P36,633	**P30,721**	P19,213	P17,215	**P17,722**	P14,142	P6,658	**P5,980**	(P599)	P909	**P7,082**	P6,735	P2,397	**P128**	**P884**	**P3,518**	**P144,485**	P108,012	P112,187
Interest expense and other financing charges																									**(91,303)**	(60,795)	(49,265)
Interest income																									**14,027**	7,108	3,591
Equity in net earnings of associates and joint ventures																									**1,729**	1,197	1,040
Gain on sale of investments and property and equipment																									**83**	733	167
Other income (charges) - net																									**4,086**	(16,178)	(1,768)
Income tax expense																									**(28,408)**	(13,317)	(17,793)
Net Income																									**P44,699**	P26,760	P48,159
Attributable to:																											
Equity holders of the Parent Company																									**P198**	(P12,968)	P13,925
Non-controlling interests																									**44,501**	39,728	34,234
Net Income																									**P44,699**	P26,760	P48,159
Other Information																											
Segment assets	**P297,032**	P281,652	P252,307	**P50,431**	P54,672	P66,337	**P702,778**	P637,243	P553,573	**P432,972**	P448,562	P396,054	**P440,455**	P361,128	P285,015	**P116,185**	P117,530	P51,818	**P339,296**	P436,550	P286,727	**(P180,120)**	(P204,706)	(P84,874)	**P2,199,029**	P2,132,631	P1,806,957
Investments in and advances to associates and joint ventures	**-**	-	-	**-**	-	-	**10,953**	7,855	10,837	**6**	11	9	**5,184**	5,229	5,330	**2,358**	2,068	1,534	**18,588**	17,360	37,292	**-**	-	-	**37,089**	32,523	55,002
Goodwill and trademarks and brand names																									**183,008**	184,320	130,357
Other assets																									**20,606**	19,797	42,196
Deferred tax assets																									**19,633**	22,554	17,141
Consolidated Total Assets																									**P2,459,365**	P2,391,825	P2,051,653

Forward

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement			Real Estate and Others			Eliminations			Consolidated		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Segment liabilities	**P73,742**	P69,749	P62,807	**P9,603**	P9,802	P10,265	**P81,870**	P73,768	P52,019	**P66,707**	P72,756	P58,909	**P53,317**	P69,783	P51,399	**P6,974**	P39,115	P2,302	**P102,371**	P103,096	P81,290	**(P148,456)**	(P189,869)	(P107,871)	**P246,128**	P248,200	P211,120
Loans payable																									**214,881**	267,704	190,779
Long-term debt																									**1,190,584**	1,088,196	813,965
Lease liabilities																									**56,572**	75,475	94,992
Income and other taxes payable																									**46,254**	37,694	23,102
Dividends and distributions payable and others																									**10,277**	9,107	7,714
Deferred tax liabilities																									**29,503**	26,297	28,742
Consolidated Total Liabilities																									**P1,794,199**	P1,752,673	P1,370,414
Capital expenditures (Note 13)	**P16,236**	P11,873	P10,802	**P1,860**	P1,276	P2,605	**P36,179**	P44,580	P39,597	**P6,095**	P5,397	P9,158	**P1,762**	P1,191	P906	**P3,860**	P4,876	P6,254	**P5,181**	P6,793	P5,099	P -	P -	P -	**P71,173**	P75,986	P74,421
Depreciation of property, plant and equipment (Notes 13 and 28)	**5,962**	5,294	5,062	**2,039**	2,107	2,086	**8,425**	7,336	5,960	**9,980**	8,942	7,047	**452**	363	369	**2,700**	754	745	**2,609**	2,382	2,637	-	-	-	**32,167**	27,178	23,906
Noncash items other than depreciation of property, plant and equipment	**9,022**	8,474	6,588	**805**	577	590	**2,527**	14,230	5,924	**2,625**	6,360	3,912	**7,614**	5,211	5,113	**14**	257	188	**(2,121)**	6,704	(203)	-	-	-	**20,486**	41,813	22,112
Loss on (reversal of) impairment of trade and other receivables, goodwill, property, plant and equipment, trademark and brand names and other noncurrent assets (Notes 8, 13, 17, 18 and 32)	**-**	(31)	455	**188**	910	-	**35**	12	12	**-**	(1)	1	**-**	(1)	-	**(20)**	(19)	(19)	**577**	241	-	-	-	-	**780**	1,111	449

Disaggregation of Revenue

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

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement			Real Estate and Others			Consolidated		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Timing of Revenue Recognition																								
Sales recognized at point in time	**P379,593**	P358,573	P309,565	**P24,000**	P25,894	P23,408	**P -**	P -	P -	**P785,207**	P841,688	P430,662	**P -**	P -	P -	**P36,588**	P8,984	P7,519	**P22,945**	P24,822	P17,313	**P1,248,333**	P1,259,961	P788,467
Sales recognized over time	**10**	14	11	**825**	900	625	**159,693**	212,843	129,420	**-**	-	-	**34,001**	29,003	19,688	**-**	-	-	**3,841**	3,870	2,982	**198,370**	246,630	152,726
Total External Sales	**P379,603**	P358,587	P309,576	**P24,825**	P26,794	P24,033	**P159,693**	P212,843	P129,420	**P785,207**	P841,688	P430,662	**P34,001**	P29,003	P19,688	**P36,588**	P8,984	P7,519	**P26,786**	P28,692	P20,295	**P1,446,703**	P1,506,591	P941,193

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2023**	2022
Cash in banks and on hand		**P64,282**	P78,560
Short-term investments		**197,076**	239,654
	4, 39, 40	**P261,358**	P318,214

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 31).

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2023**	2022
Trade		**P188,447**	P172,373
Non-trade	*5, 34*	**76,731**	69,672
Amounts owed by related parties	*33, 35*	**11,061**	9,650
		276,239	251,695
Less allowance for impairment losses	*4, 5*	**13,120**	12,913
	4, 39, 40	**P263,119**	P238,782

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables include claims from the Government, interest receivable, claims receivable, contracts receivable and others.

a. Claims from the Government consist of duty drawback, VAT and specific tax claims, subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism and due from Power Sector Assets and Liabilities Management Corporation (PSALM). Due from PSALM amounting to US$60 pertains to SPPC's performance bond pursuant to the Ilijan Independent Power Producer (IPP) Administration (IPPA) Agreements that was drawn by PSALM in September 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court (RTC) of Mandaluyong City (Note 43).

b. Receivables recognized by SPI for WESM transactions as well as the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant.

   On March 5, 2022, SPI entered into a Settlement Agreement with Team (Philippines) Energy Corporation (TPEC) and TeaM Sual Corporation (TSC) that aims to resolve all pending disputes on the dispatch of the excess capacity of the Sual Power Plant, including the claims of TPEC and SPI on historic imbalances arising from WESM transactions, cost of fuel, market fees and other charges. Pursuant to said agreement, SPI, TPEC and TSC have agreed to cause the dismissal of all ongoing cases and settle the historic imbalances and the corresponding amounts claimed relative to the excess capacity of the Sual Power Plant.

In accordance with the Settlement Agreement, SPI recognized a receivable net of collections from TPEC which amounted to P1,618 and P2,111 as at December 31, 2023 and 2022, respectively. The noncurrent portion of the receivable amounting to P1,074 and P1,576 as at December 31, 2023 and 2022, respectively, is included under "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 18). In 2022, SPI recognized the cost of its full dispatch rights on the capacity of the Sual Power Plant, amounting to P1,629, included as part of "Other intangible assets - net" account in the consolidated statements of financial position, with a carrying amount of P1,525 and P1,584 as at December 31, 2023 and 2022, respectively (Note 17).

c. Receivables recognized by APEC from ALECO following the termination of the concession agreement on November 21, 2022 amounted to P1,641 as at December 31, 2023 and 2022 (Note 34).

Amounts owed by related parties include trade receivables amounting to P996 and P870 as at December 31, 2023 and 2022, respectively.

The movements in the allowance for impairment losses are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P12,913**	P13,268
Charges (reversal) for the year	*27, 32*	**357**	(6)
Amounts written off	*4*	**(128)**	(366)
Translation adjustments and others		**(22)**	17
Balance at end of year		**P13,120**	P12,913

9. Inventories

Inventories consist of:

	Note	**2023**	2022
At net realizable value:			
Finished goods and goods in process (including petroleum products)		**P99,489**	P108,586
Materials and supplies (including coal)		**56,346**	75,650
At cost:			
Raw land inventory and real estate projects		**6,151**	5,957
	4	**P161,986**	P190,193

The cost of finished goods and goods in process amounted to P100,035 and P109,119 as at December 31, 2023 and 2022, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have increased by P1,522 and P1,487 as at December 31, 2023 and 2022, respectively.

The cost of materials and supplies amounted to P57,486 and P76,659 as at December 31, 2023 and 2022, respectively.

Inventories (including distribution or transshipment costs) charged to cost of sales amounted to P929,217, P1,021,867 and P524,350 in 2023, 2022 and 2021, respectively (Note 26).

The movements in the allowance for write-down of inventories to net realizable value and inventory obsolescence are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P1,542**	P1,505
Provisions - net	*26, 27*	**252**	277
Write-off and others		**(108)**	(240)
Balance at end of year		**P1,686**	P1,542

Provisions for inventory losses amounted to P272 and P330 in 2023 and 2022, respectively. Reversals of provision for inventory losses pertain to inventories sold amounting to P20 and P53 in 2023 and 2022, respectively. Provisions for inventory losses, net of reversals, are included as part of "Cost of sales" and "Selling and administrative expenses" accounts in the consolidated statements of income (Notes 26 and 27).

The fair value of agricultural produce less costs to sell, which formed part of the cost of finished goods inventory, amounted to P115 and P127 as at December 31, 2023 and 2022, respectively, with corresponding costs at point of harvest amounting to P107 and P110, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P8, P17 and P26 in 2023, 2022 and 2021, respectively (Note 25).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The net realizable value of raw land inventory and real estate projects is higher than the carrying amount as at December 31, 2023 and 2022, based on management's assessment.

The fair value of raw land inventory amounted to P22,518 and P24,952 as at December 31, 2023 and 2022, respectively. The fair value has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

In estimating the fair value of the raw land inventory, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's raw land inventory are their current use.

The Level 3 fair value of raw land inventory was derived using the observable recent transaction prices for similar raw land inventory in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value (Note 4).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2023**	2022
Prepaid taxes and licenses	*23*	**P113,530**	P100,339
Restricted cash - current	*4, 18, 39, 40*	**14,076**	17,411
Advances to contractors and suppliers		**4,901**	2,931
Derivative assets	*39, 40*	**2,063**	2,486
PSALM monthly fee outage credits		**1,570**	850
Financial assets at FVPL	*5, 33, 39, 40*	**1,012**	1,349
Financial assets at amortized cost - current portion	*4, 12, 39, 40*	**554**	531
Prepaid insurance		**544**	657
Prepaid rent		**361**	280
Catalyst		**207**	197
Assets held for sale	*5*	**-**	2,840
Financial assets at FVOCI - current portion	*4, 12, 39, 40*	**-**	1
Others	*34*	**2,606**	3,819
		P141,424	P133,691

Restricted cash - current represents mainly: (i) cash in banks maintained by SMC NAIAX, SMCTC, SIDC, MMSS3, SMC Tollways, SMC MRT 7, LCWDC, and TADHC in accordance with the specific purposes and terms as required under certain loan and concession agreements. Certain loan agreements provide that the Security Trustee shall have control over and the exclusive right of withdrawal from the restricted bank accounts; and (ii) funds maintained in various financial institutions, as (a) cash flow waterfall accounts required under the respective credit facilities of LPI, MPI, MPCL and SMGP BESS, (b) debt service reserve account required under the Term Loan Facility and Security Agreement (TLFSA) of ECC, and (c) environmental guarantee fund for remittance to the Department of Environment and Natural Resources (DENR) and financial benefits to host communities, as required by law, of LPI and MPI.

Assets held for sale consist of:

a. KSHI

Included in the balance of assets consolidated to the Group upon acquisition of ECC are the assets of KSHI amounting to P2,668, classified as held for sale as at December 14, 2022 (Note 5). The sale was completed on June 16, 2023. KSHI is a wholly-owned subsidiary of ECC which owns several properties within a prime commercial area in Wack-Wack, Mandaluyong.

b. La Pacita Biscuit Assets

On March 11, 2022, the BOD of Magnolia approved the plan to take steps to liquidate the properties related to the operation of La Pacita biscuit. Accordingly, the related trademark amounting to P60 and property and equipment amounting to P112 were presented as held for sale, which was eventually disposed on March 10, 2023 (Notes 13 and 17).

PSALM monthly fee outage credits pertain to the approved reduction in SPI's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2023 and 2022.

Financial assets at FVPL include investment in debt securities under investment agreement with Bank of Commerce (BankCom) amounting to P49 and P50 as at December 31, 2023 and 2022, respectively (Note 33).

"Others" consist mainly of prepayments for various operating expenses and contract assets pertaining to the Group's right to consideration for work completed but not billed at the reporting date on the sale of real estate projects.

The methods and assumptions used to estimate the fair values of restricted cash, derivative assets, financial assets at FVPL, and financial assets at FVOCI are discussed in Note 40.

11. Investments and Advances

Investments and advances consist of:

	Note	**2023**	2022
Investments in Shares of Stock of Associates and Joint Ventures - at Equity			
Acquisition Cost			
Balance at beginning of year		**P21,290**	P20,787
Additions		**-**	503
Balance at end of year		**21,290**	21,290
Accumulated Equity in Net Earnings			
Balance at beginning of year		**1,821**	1,886
Equity in net earnings		**1,729**	1,197
Share in other comprehensive loss		**(4)**	(162)
Dividends		**(1,125)**	(1,100)
Balance at end of year		**2,421**	1,821
		23,711	23,111
Advances for Investments	*5*	**13,378**	9,412
	4	**P37,089**	P32,523

Investments in Shares of Stock of Associates

a. BankCom

- Acquisition of Additional Common Shares

  On October 20, 2021, SMC through SMCEC acquired 1,571,600 common shares of BankCom at P226.48 per common share or P357, including transaction cost, representing an additional 1.4% ownership interest.

  The Bangko Sentral ng Pilipinas (BSP) and SEC approved the Amendment of Articles of Incorporation of BankCom on October 4 and November 2, 2021, respectively, for the change in the par value of BankCom's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BankCom on May 25 and July 8, 2021, respectively. As a result, SMPI and SMCEC's investment in BankCom's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BankCom's preferred shares also increased from 41,666,667 shares to 416,666,670 shares and presented as part of "Equity securities" under "Investments in equity and debt instruments" account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 12 and 35).

- Approval of the Upgrade of Banking License

  On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license.

  On February 22, 2022, the BOD of BankCom approved the amendments to the Articles of Incorporation to change its purpose from commercial bank to universal bank pursuant to BSP Monetary Board Resolution No. 1798 dated December 23, 2021.

- Initial Public Offering of Common Shares

  On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom, which includes the 280,602,800 common shares subject of the initial public offering. The 1,403,013,920 common shares of BankCom were listed at the Main Board of the PSE on March 31, 2022.

  As at December 31, 2023, SMC through SMPI and SMCEC has 31.94% and 4.87% equity interest in BankCom, respectively.

  As at December 31, 2023 and 2022, the fair value of the indirect equity investment by the Parent Company in common shares of stock of BankCom amounted to P3,755 and P4,075, respectively.

b. MNHPI

The Parent Company through SMHC owns 50% of the outstanding capital stock of MNHPI as at December 31, 2023 and 2022. MNHPI is the terminal operator of Manila North Harbor, a 60.96-hectare port facility situated at Tondo, City of Manila. The port has a total berth length of 5,758 meters and 41 berths which can accommodate all types of vessels such as containerized and non-container type vessels.

On September 8, 2022, SMHC and ICTSI signed a Shareholders Agreement wherein SMHC recognizes that ICTSI is the shareholder who has the ability to direct the relevant operational activities in view of its technical and port management expertise to affect increased returns to the shareholders. SMHC, directly or through its affiliates, shall provide financial management expertise and support to the operations of MNHPI. Consequently, the Group reclassified its investment in MNHPI from "Investments in shares of stock of joint ventures" to "Investments in shares of stock of associates" in accordance with PAS 28.

Investments in Shares of Stock of Joint Ventures

Angat Hydro and KWPP
PVEI, a subsidiary of San Miguel Global Power has an existing joint venture agreement with Korea Water Resources Corporation (K-Water), covering the acquisition, rehabilitation, operation and maintenance of the 218 megawatts (MW) Angat Hydroelectric Power Plant (Angat Power Plant) which was previously awarded by PSALM to K-Water.

PVEI holds 30,541,470 shares or 60% of the outstanding capital stock of Angat Hydro and 75 shares representing 60% of KWPP outstanding capital stock. PVEI and K-Water are jointly in control of the management and operation of Angat Hydro and KWPP.

In January 2017, PVEI granted shareholder advances amounting to US$32 (P1,579) to Angat Hydro. The advances bear annual interest rate of 4.5% and were due on April 30, 2017. The due date of the advances was extended as agreed amongst the parties.

As at December 31, 2023 and 2022, the remaining balance of the shareholder advances amounted to US$2 and US$2 (P126 and P127, respectively) and the due date was extended to December 31, 2024. Interest income earned from the advances amounted to P6 in 2023 and 2022 and P5 in 2021 (Notes 31 and 33).

In February 2023, October 2021 and June 2021, PVEI granted shareholder advances to Angat Hydro amounting to P344, P409 and P600, respectively. The advances bear interest rates of 6.125%, 4.6% and 6.125%, respectively, and are due on January 5, 2032. As at December 31, 2023 and 2022, the outstanding balance of the advances amounted to P1,353 and P1,009, respectively. Interest income earned from the advances amounted to P71, P53 and P19 in 2023, 2022 and 2021, respectively (Notes 31 and 33).

Advances for Investments

a. SMPI made advances to future investees amounting to P147 and P640 as at December 31, 2023 and 2022, respectively. These advances will be applied against future subscriptions of SMPI to the shares of stock of the future investee companies.

Impairment loss recognized on the advances for investments amounted to P498 and P241 in 2023 and 2022, respectively (Note 32). No impairment loss was recognized in 2021.

b. San Miguel Global Power and SPI made deposits to certain landholding companies amounting to P5,876 and P2,502 as at December 31, 2023 and 2022, respectively. These deposits will be applied against future stock subscriptions.

   San Miguel Global Power bought ownership interests in certain landholding companies. As a result, these landholding companies were consolidated and deposits amounting to P808 and P2,987 in 2023 and 2022, respectively, were eliminated (Note 5).

c. The Investment Agreement entered into by SMHL and Bryce Canyon Investments Limited (BCIL) for the sale and purchase of assets was terminated on December 16, 2022. Accordingly, the outstanding balance of advances for investment as at December 31, 2021 amounting to US$409 (P22,870) was paid by BCIL.

d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

The details of the Group's material investments in shares of stock of associates and joint ventures which are accounted for using the equity method are as follows:

	December 31, 2023					December 31, 2022				
	Angat Hydro and KWPP	**BankCom**	**MNHPI**	**Others**	**Total**	Angat Hydro and KWPP	BankCom	MNHPI	Others	Total
Country of incorporation	**Philippines**	**Philippines**	**Philippines**			Philippines	Philippines	Philippines		
Percentage of ownership	**60.00%**	**36.81%**	**50.00%**			60.00%	36.81%	50.00%		
Share in net income (loss)	**(P284)**	**P1,020**	**P951**	**P42**	**P1,729**	(P414)	P661	P951	(P1)	P1,197
Share in other comprehensive income (loss)	**-**	**7**	**2**	**(13)**	**(4)**	-	(172)	9	1	(162)
Share in total comprehensive income (loss)	**(P284)**	**P1,027**	**P953**	**P29**	**P1,725**	(P414)	P489	P960	P -	P1,035
Dividends received	**P -**	**P -**	**P1,125**	**P -**	**P1,125**	P -	P -	P1,100	P -	P1,100
Carrying amounts of investments in shares of stock of associates and joint ventures	**P4,323**	**P13,385**	**P4,541**	**P1,462**	**P23,711**	P4,606	P12,358	P4,714	P1,433	P23,111

The following are the audited condensed financial information of the Group's material investments in shares of stock of associates and joint ventures:

	December 31, 2023				December 31, 2022			
	Angat Hydro and KWPP	**BankCom**	**MNHPI**	**Others**	Angat Hydro and KWPP	BankCom	MNHPI	Others
Current assets	**P1,531**	**P107,738**	**P1,632**	**P5,461**	P1,985	P96,658	P1,236	P5,578
Noncurrent assets	**16,823**	**123,930**	**8,898**	**3,373**	16,794	120,859	9,497	2,924
Current liabilities	**(1,757)**	**(194,530)**	**(1,135)**	**(5,211)**	(1,428)	(181,197)	(920)	(4,715)
Noncurrent liabilities	**(11,567)**	**(6,287)**	**(2,537)**	**(404)**	(11,848)	(8,289)	(2,610)	(470)
Net assets	**P5,030**	**P30,851**	**P6,858**	**P3,219**	P5,503	P28,031	P7,203	P3,317
Sales	**P1,752**	**P11,763**	**P5,399**	**P4,770**	P1,572	P7,966	P5,185	P3,948
Net income (loss)	**(P481)**	**P2,802**	**P1,922**	**(P48)**	(P677)	P1,800	P1,742	(P401)
Other comprehensive income (loss)	**-**	**18**	**3**	**(30)**	(5)	(391)	20	3
Total comprehensive income (loss)	**(P481)**	**P2,820**	**P1,925**	**(P78)**	(P682)	P1,409	P1,762	(P398)

12. Investments in Equity and Debt Instruments

Investments in equity and debt instruments consist of:

	Note	**2023**	2022
Government and other debt securities		**P13,838**	P13,871
Equity securities		**5,989**	5,984
Proprietary membership shares and others		**1,156**	947
	4, 39, 40	**20,983**	20,802
Less current portion	*10*	**1,566**	1,881
		P19,417	P18,921

Government and Other Debt Securities
Government and other debt securities include:

a. Petrogen's investment in government securities classified as financial asset at amortized cost, deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors amounting to P658 and P635 as at December 31, 2023 and 2022, respectively. These investments bear fixed annual interest rates ranging from 1.94% to 6.25% in 2023 and 1.37% to 7.85% in 2022 (Notes 31 and 33).

b. Investment in debt securities under investment management agreement with BankCom entered by SMB and GSMI classified as financial assets at amortized cost amounting to a total of P3,500 and P11,500, as at December 31, 2023 and 2022, respectively, and by Petrogen classified as financial assets at FVOCI amounting to P739 and P700 as at December 31, 2023 and 2022, respectively.

   On March 23, 2023, the management of the investment in debt securities of SMB amounting to P8,000 was transferred to a non-bank financial institution.

   The investments in debt securities bear an annual average interest rates ranging from 7.45% to 7.85% in 2023 and 6.9% in 2022 and with maturities up to 2029 (Notes 31 and 33).

   Income earned from the investments in government and other debt securities amounted to P964, P141 and P27 in 2023, 2022 and 2021, respectively (Notes 31, 32 and 33).

Equity Securities
Equity securities include:

a. Parent Company's investment in the shares of stock of Top Frontier, consists of 2,561,031 common shares amounting to P246 and P243 as at December 31, 2023 and 2022, respectively.

   On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by the Parent Company. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424, corresponding to the original issue price, plus any unpaid cash dividend amounting to P267.

   Total dividend income from the investment in preferred shares of stock of Top Frontier amounted to P1,328 and P1,063 in 2022 and 2021, respectively, presented as part of "Dividend income" under "Other income (charges) - net" account in the consolidated statements of income (Note 32).

b. Parent Company through SMCEC's investment in 41,666,667 Series 1 Preferred Shares of BankCom at P132.00 per preferred share or P5,500 as at December 31, 2023 and 2022.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BankCom and subject to the other terms and conditions as may be fixed by the BOD of BankCom, required under regulations, and to the extent permitted by applicable law.

As discussed in Note 11, the investment in preferred shares increased from 41,666,667 shares to 416,666,670 shares following the approval of the Amendment of Articles of Incorporation of BankCom for the change in the par value from P100.00 per share to P10.00 per share.

The Group has irrevocably elected to classify these investments as financial assets at FVOCI as it intends to hold these investments for strategic purposes.

The Group recognized gain (loss) on financial assets at FVOCI amounting to P155, P50 and (P11) in 2023, 2022 and 2021, respectively, in the consolidated statements of comprehensive income.

The movements in investments in equity and debt instruments are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P20,802**	P42,857
Additions		**616**	12,937
Acquisition of a subsidiary		**-**	997
Redemption/disposals		**(606)**	(36,153)
Fair value gain		**158**	157
Amortization of premium		**14**	4
Currency translation adjustments and others		**(1)**	3
Balance at end of year	*4, 10, 39, 40*	**P20,983**	P20,802

The investments in equity and debt instruments are classified as follows:

	Note	**2023**	2022
Noncurrent			
Financial assets at FVOCI		**P7,424**	P7,318
Financial assets at amortized cost		**11,604**	11,603
Financial assets at FVPL		**389**	-
		19,417	18,921
Current			
Financial assets at FVOCI		**-**	1
Financial assets at amortized cost		**554**	531
Financial assets at FVPL		**1,012**	1,349
	10	**1,566**	1,881
		P20,983	P20,802

The methods and assumptions used to estimate the fair value of investments in equity and debt instruments are discussed in Notes 3, 4 and 40.

13. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost										
January 1, 2022		P43,895	P65,036	P154,126	P188,532	P20,092	P200,667	P8,580	P144,461	P825,389
Additions	*14*	950	1,036	48,873	2,119	265	3,956	224	66,921	124,344
Acquisition of subsidiaries	*5,11*	11,708	6,603	-	-	-	18,059	4	595	36,969
Disposals/retirement		(38)	(118)	(465)	-	(524)	(2,160)	(8)	(59)	(3,372)
Reclassifications and others	*5, 10, 15*	(2,781)	7,837	932	2,971	319	11,531	1,161	(17,954)	4,016
Currency translation adjustments		129	403	-	822	330	1,460	10	58	3,212
December 31, 2022		53,863	80,797	203,466	194,444	20,482	233,513	9,971	194,022	990,558
Additions		320	734	1,728	394	514	7,698	173	59,612	71,173
Acquisition of a subsidiary	*5, 11*	448	-	-	-	-	-	-	-	448
Disposals/retirement		(6)	(168)	(76)	(1)	(918)	(2,943)	(14)	(14)	(4,140)
Reclassifications and others	*5, 15*	3,801	12,365	20,251	948	261	23,101	2,549	(55,165)	8,111
Currency translation adjustments		(102)	(276)	-	(1,278)	(494)	(773)	2	(38)	(2,959)
December 31, 2023		**58,324**	**93,452**	**225,369**	**194,507**	**19,845**	**260,596**	**12,681**	**198,417**	**1,063,191**
Accumulated Depreciation										
January 1, 2022		3,948	21,262	24,119	64,516	14,751	112,353	2,348	-	243,297
Depreciation	*6, 28*	484	1,897	7,575	5,543	1,108	10,140	431	-	27,178
Disposals/retirement		(13)	(70)	(133)	-	(518)	(1,437)	(2)	-	(2,173)
Reclassifications	*10*	(3)	(302)	-	-	-	(2,151)	37	-	(2,419)
Currency translation adjustments		2	207	-	346	209	878	3	-	1,645
December 31, 2022		4,418	22,994	31,561	70,405	15,550	119,783	2,817	-	267,528
Depreciation	*6, 28*	560	2,518	8,760	6,336	950	12,496	547	-	32,167
Disposals/retirement		(6)	(117)	(13)	(1)	(818)	(1,980)	(14)	-	(2,949)
Reclassifications	*5*	(11)	(477)	-	31	14	467	(8)	-	16
Currency translation adjustments		1	(129)	-	(553)	(320)	(444)	-	-	(1,445)
December 31, 2023		**4,962**	**24,789**	**40,308**	**76,218**	**15,376**	**130,322**	**3,342**	-	**295,317**
Accumulated Impairment Losses										
January 1, 2022		38	3,395	-	-	1	11,023	26	-	14,483
Impairment	*32*	-	-	-	-	-	105	-	-	105
Disposals/retirement		-	(4)	-	-	-	(4)	-	-	(8)
Reclassifications		(38)	(1)	-	-	(1)	-	-	-	(40)
Currency translation adjustments		-	27	-	-	-	271	-	-	298
December 31, 2022		-	3,417	-	-	-	11,395	26	-	14,838
Impairment	*32*	-	-	-	-	-	15	-	65	80
Disposals/retirement		-	(42)	-	-	-	(84)	-	-	(126)
Reclassifications		-	-	-	-	-	(122)	-	-	(122)
Currency translation adjustments		-	(72)	-	-	-	(196)	-	-	(268)
December 31, 2023		**-**	**3,303**	-	-	**-**	**11,008**	**26**	**65**	**14,402**
Carrying Amount										
December 31, 2022		P49,445	P54,386	P171,905	P124,039	P4,932	P102,335	P7,128	P194,022	P708,192
December 31, 2023		**P53,362**	**P65,360**	**P185,061**	**P118,289**	**P4,469**	**P119,266**	**P9,313**	**P198,352**	**P753,472**

“Equipment, furniture and fixtures” includes machinery, transportation equipment, office equipment and tools and small equipment.

Total depreciation and impairment losses recognized in the consolidated statements of income amounted to P32,247, P27,283 and P23,992 in 2023, 2022 and 2021, respectively (Notes 28 and 32). These amounts include annual amortization of capitalized borrowing costs amounting to P1,213, P767 and P942 in 2023, 2022 and 2021, respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 15) and reclassifications from capital projects in progress account to specific property, plant and equipment accounts. In 2022, property and equipment related to La Pacita biscuit operations amounting to P112 were reclassified to “Assets held for sale” presented under “Prepaid expenses and other current assets” account, which was eventually disposed of on March 10, 2023 (Note 10).

In June 2022, the IPPA Agreement between SPPC and PSALM has ended. Accordingly, pursuant to the terms and conditions in the IPPA Agreement, the Ilijan Power Plant was reclassified from “Right-of-use assets - net” to “Property, plant and equipment - net” account presented as part of “Additions” (Notes 14 and 34).

The Group has capitalized borrowing costs amounting to P3,881 and P4,111 in 2023 and 2022, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.83% to 9.52% and 2.27% to 8.22% in 2023 and 2022, respectively. The unamortized capitalized borrowing costs amounted to P25,860 and P23,342 as at December 31, 2023 and 2022, respectively.

Certain fully depreciated property, plant and equipment with aggregate costs of P104,277 and P96,558 as at December 31, 2023 and 2022, respectively are still being used in the Group’s operations.

As at December 31, 2023 and 2022, certain property, plant and equipment amounting to P165,263 and P126,261, respectively, are pledged as security for syndicated project finance loans (Note 21).

14. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Note	Land	Buildings and Improvements	Power Plants	Service Stations and Other Equipment	Machinery and Equipment	Total
Cost							
January 1, 2022		P14,612	P1,058	P167,387	P24	P673	P183,754
Additions		2,373	252	-	-	34	2,659
Acquisition of a subsidiary	*5*	-	26	-	-	-	26
Disposals/retirement		(176)	(157)	-	-	(27)	(360)
Remeasurement, reclassifications and others	*13*	70	56	(53,988)	46	-	(53,816)
Currency translation adjustments		147	7	-	1	5	160
December 31, 2022		17,026	1,242	113,399	71	685	132,423
Additions		624	291	-	-	62	977
Disposals/retirement		(129)	(364)	-	-	(104)	(597)
Remeasurement, reclassifications and others		82	(1)	-	-	1	82
Currency translation adjustments		(55)	(5)	-	(2)	4	(58)
December 31, 2023		**17,548**	**1,163**	**113,399**	**69**	**648**	**132,827**
Accumulated Depreciation							
January 1, 2022		3,656	589	15,559	9	495	20,308
Depreciation	*28*	915	356	4,244	4	95	5,614
Disposals/retirement		(23)	(121)	-	-	(26)	(170)
Remeasurement, reclassifications and others	*13*	(40)	9	(5,520)	2	7	(5,542)
Currency translation adjustments		53	4	-	-	1	58
December 31, 2022		4,561	837	14,283	15	572	20,268
Depreciation	*28*	977	293	3,571	4	54	4,899
Disposals/retirement		(95)	(337)	-	-	(104)	(536)
Remeasurement, reclassifications and others		107	13	-	-	-	120
Currency translation adjustments		(23)	(3)	-	-	-	(26)
December 31, 2023		**5,527**	**803**	**17,854**	**19**	**522**	**24,725**
Accumulated Impairment Losses							
January 1, 2022		82	-	-	-	-	82
Currency translation adjustments		6	-	-	-	-	6
December 31, 2023 and 2022		**88**	**-**	**-**	**-**	**-**	**88**
Carrying Amount							
December 31, 2022		P12,377	P405	P99,116	P56	P113	P112,067
December 31, 2023		**P11,933**	**P360**	**P95,545**	**P50**	**P126**	**P108,014**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to 50 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

Total depreciation recognized in the consolidated statements of income amounted to P4,899, P5,614 and P6,524 in 2023, 2022 and 2021, respectively (Note 28).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

The reclassifications in 2022 mainly relates to the Ilijan Power Plant which was reclassified to “Property, plant and equipment - net" account following the expiration of the IPPA Agreement between SPPC and PSALM and its turnover to SPPC in June 2022 (Notes 13 and 34).

No impairment loss was recognized in 2023, 2022 and 2021.

The Group recognized interest expense related to these leases amounting to P3,772, P4,785 and P6,057 in 2023, 2022 and 2021, respectively (Note 30).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P194, P8 and P3,326, respectively, in 2023, P82, P6 and P3,415, respectively, in 2022, and P288, P6 and P2,766, respectively, in 2021.

The Group had total cash outflows for leases of P28,222, P34,237 and P35,164 in 2023, 2022 and 2021, respectively.

15. Investment Property

The movements in investment property are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Right-of-Use Asset	Total
Cost							
January 1, 2022		P57,122	P20,630	P438	P504	P10,609	P89,303
Additions		3,264	98	-	415	638	4,415
Reclassifications	*13*	(7,017)	(234)	(420)	310	8,946	1,585
Disposals/retirement		(21)	(18)	-	-	(218)	(257)
Currency translation adjustments		404	419	-	4	62	889
December 31, 2022		53,752	20,895	18	1,233	20,037	95,935
Additions		2,919	143	-	914	1,474	5,450
Acquisition of subsidiaries	*5*	214	-	-	916	-	1,130
Reclassifications	*13*	1,388	(272)	50	(99)	14	1,081
Disposals/retirement		(20)	(14)	-	-	(268)	(302)
Currency translation adjustments		(173)	(532)	-	(10)	(471)	(1,186)
December 31, 2023		**58,080**	**20,220**	**68**	**2,954**	**20,786**	**102,108**
Accumulated Depreciation							
January 1, 2022		4,825	11,279	429	-	2,937	19,470
Depreciation	*28*	29	733	2	-	1,318	2,082
Reclassifications		(4,078)	94	(421)	-	4,000	(405)
Disposals/retirement		-	(17)	-	-	(203)	(220)
Currency translation adjustments		110	205	-	-	25	340
December 31, 2022		886	12,294	10	-	8,077	21,267
Depreciation	*28*	31	708	7	-	1,300	2,046
Reclassifications		(62)	387	-	-	(227)	98
Disposals/retirement		-	(10)	-	-	(268)	(278)
Currency translation adjustments		-	(538)	-	-	(22)	(560)
December 31, 2023		**855**	**12,841**	**17**	**-**	**8,860**	**22,573**
Accumulated Impairment Losses							
December 31, 2022		8	-	-	-	-	8
Impairment	*32*	-	-	-	14	-	14
December 31, 2023		**8**	**-**	**-**	**14**	**-**	**22**
Carrying Amount							
December 31, 2022		P52,858	P8,601	P8	P1,233	P11,960	P74,660
December 31, 2023		**P57,217**	**P7,379**	**P51**	**P2,940**	**P11,926**	**P79,513**

Total depreciation recognized in the consolidated statements of income amounted to P2,046, P2,082 and P2,025 in 2023, 2022 and 2021, respectively (Note 28).

The reclassification in 2023 and 2022 relates to the change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party which was reclassified from “Property, plant and equipment - net” account mainly by SMPI and MVHI (Note 13).

Impairment loss of P14 was recognized in 2023. No impairment loss was recognized in 2022 and 2021.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2023, 2022 and 2021.

The fair value of investment property amounting to P143,726 and P122,861 as at December 31, 2023 and 2022, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group’s investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment range from 3.00% to 5.00%.

16. Biological Assets

Biological assets consist of:

	Note	**2023**	2022
Current:			
Growing stocks		**P2,608**	P2,418
Goods in process		**907**	1,000
		3,515	3,418
Noncurrent:			
Breeding stocks - net		**2,667**	2,671
	4	**P6,182**	P6,089

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P4,054, P3,303 and P2,896 in 2023, 2022 and 2021, respectively (Note 28).

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	Note	**2023**	2022
Cost			
Balance at beginning of year		**P6,116**	P5,901
Increase (decrease) due to:			
Production		**62,668**	54,657
Purchases		**607**	841
Mortality		**(320)**	(363)
Harvest		**(58,792)**	(51,084)
Retirement		**(4,069)**	(3,836)
Balance at end of year		**6,210**	6,116
Accumulated Amortization			
Balance at beginning of year		**27**	551
Amortization	*28*	**4,054**	3,303
Retirement		**(4,053)**	(3,827)
Balance at end of year		**28**	27
Carrying Amount		**P6,182**	P6,089

The Group harvested approximately 540.4 million and 560.4 million kilograms of grown broilers in 2023 and 2022, respectively, and 0.04 million and 0.12 million heads of marketable hogs in 2023 and 2022, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P50,973 and P67,232 in 2023 and 2022, respectively.

17. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	2023	2022
Goodwill	**P182,791**	P184,100
Other intangible assets	**306,638**	249,321
	P489,429	P433,421

The movements in goodwill are as follows:

	Note	2023	2022
Gross Carrying Amount			
Balance at beginning of year		**P185,771**	P130,960
Additions	*5, 38*	**-**	54,273
Purchase price allocation adjustment	*5*	**(683)**	-
Cumulative translation adjustments		**(428)**	538
Balance at end of year		**184,660**	185,771
Accumulated Impairment Losses			
Balance at beginning of year		**1,671**	879
Impairment	*32*	**188**	789
Cumulative translation adjustments		**10**	3
Balance at end of year		**1,869**	1,671
	4	**P182,791**	P184,100

The movements in other intangible assets with indefinite useful lives are as follows:

	Note	Licenses	Trademarks and Brand Names	Total
Cost				
January 1, 2022		P2,010	P910	P2,920
Reclassifications	*10*	-	(493)	(493)
Currency translation adjustments		115	28	143
December 31, 2022		2,125	445	2,570
Currency translation adjustments		7	(5)	2
December 31, 2023		**2,132**	**440**	**2,572**
Accumulated Impairment Losses				
January 1, 2022		-	634	634
Reclassifications	*10*	-	(433)	(433)
Currency translation adjustments		-	24	24
December 31, 2022		-	225	225
Currency translation adjustments		-	(2)	(2)
December 31, 2023		**-**	**223**	**223**
Carrying Amount				
December 31, 2022		P2,125	P220	P2,345
December 31, 2023		**P2,132**	**P217**	**P2,349**

The movements in other intangible assets with finite useful lives are as follows:

	Note	Concession Rights				Mineral Rights and Evaluation Assets	Computer Software and Licenses and Others	Total
		Toll Road	Airport	Power	Water			
Cost								
January 1, 2022		P190,816	P25,933	P1,557	P6,898	P6,384	P7,002	P238,590
Additions	*8*	6,879	48,723	136	54	16	2,354	58,162
Acquisition of subsidiaries	*5, 38*	-	-	-	-	8,121	185	8,306
Reclassifications and others	*8*	2,358	175	(1,693)	(1)	(1,721)	(410)	(1,292)
Currency translation adjustments		-	-	-	-	-	31	31
December 31, 2022		200,053	74,831	-	6,951	12,800	9,162	303,797
Additions	*8*	7,019	44,163	-	27	2	13,466	64,677
Reclassifications and others		128	(141)	-	-	748	47	782
Currency translation adjustments		-	-	-	-	-	(30)	(30)
December 31, 2023		**207,200**	**118,853**	**-**	**6,978**	**13,550**	**22,645**	**369,226**
Accumulated Amortization								
January 1, 2022		43,475	1,739	296	720	265	3,222	49,717
Amortization	*28*	6,235	352	67	257	242	312	7,465
Reclassifications and others		-	-	(363)	-	-	(67)	(430)
Currency translation adjustments		-	-	-	-	-	30	30
December 31, 2022		49,710	2,091	-	977	507	3,497	56,782
Amortization	*28*	6,825	358	-	258	341	362	8,144
Reclassifications and others		-	-	-	-	2	-	2
Currency translation adjustments		-	-	-	-	-	(30)	(30)
December 31, 2023		**56,535**	**2,449**	**-**	**1,235**	**850**	**3,829**	**64,898**
Accumulated Impairment								
January 1, 2022		-	-	141	-	-	39	180
Disposals		-	-	(141)	-	-	-	(141)
December 31, 2023 and 2022		**-**	**-**	**-**	**-**	**-**	**39**	**39**
Carrying Amount								
December 31, 2022		P150,343	P72,740	P -	P5,974	P12,293	P5,626	P246,976
December 31, 2023		**P150,665**	**P116,404**	**P -**	**P5,743**	**P12,700**	**P18,777**	**P304,289**

The Group has capitalized borrowing costs amounting to P549 and P63 in 2023 and 2022, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 5.87% to 9.20% and 5.06% to 5.87% in 2023 and 2022, respectively. The unamortized capitalized borrowing costs amounted to P4,634 and P8,964 as at December 31, 2023 and 2022, respectively.

Goodwill, licenses and trademarks and brand names with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2023		2022	
	Goodwill	**Licenses, Trademarks and Brand Names**	Goodwill	Licenses, Trademarks and Brand Names
Energy	**P69,944**	**P -**	P69,944	P -
Cement	**53,590**	**-**	54,273	-
Fuel and oil	**30,118**	**-**	30,534	-
Infrastructure	**21,950**	**-**	21,950	-
Food and beverage	**3,639**	**2,349**	3,639	2,345
Packaging	**3,476**	**-**	3,686	-
Others	**74**	**-**	74	-
Total	**P182,791**	**P2,349**	P184,100	P2,345

The recoverable amount of goodwill has been determined based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 2.88% to 8.82% and less than 1% to 15.22% in 2023 and 2022, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 6% to 11% in 2023 and 2022. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Impairment loss recognized in 2023 and 2022 amounted to P188 and P789, respectively (Note 32). No impairment loss was recognized for goodwill in 2021.

The recoverable amount of licenses, trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% in 2023 and 2022, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 7% to 12% and 6.5% to 12% in 2023 and 2022, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2021, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

Impairment loss recognized in 2021 for La Pacita trademark amounted to P386 with a recoverable amount of P60 (Note 32). As at December 31, 2022, the recoverable amount was presented as held for sale, following the approval of the sale of La Pacita trademark on February 2, 2023, which was eventually disposed on March 10, 2023 (Note 10).

No impairment loss was recognized for licenses in 2023, 2022 and 2021 and for trademarks and brand names in 2023 and 2022.

Other than the items on which impairment losses were already recognized, management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

- *Gross Margins*. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates*. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

As at December 31, 2023 and 2022, certain other intangible assets amounting to P97,715 and P100,641, respectively, were pledged as security for syndicated project finance loans (Note 21).

18. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2023**	2022
Noncurrent receivables and deposits - net	*4, 5, 8, 33, 34, 39, 40*	**P48,319**	P39,700
Advances to contractors and suppliers		**33,053**	31,966
Deferred containers - net	*4*	**17,484**	17,457
Deposits on land for future development		**5,311**	3,946
Restricted cash	*4, 39, 40*	**4,443**	1,639
Idle assets	*4*	**2,610**	2,544
Noncurrent prepaid expense		**1,498**	234
Catalyst		**629**	422
Derivative assets - noncurrent	*3, 39, 40*	**301**	1,138
Noncurrent prepaid rent		**180**	179
Noncurrent prepaid input tax		**115**	877
Deferred exploration and development costs	*4*	**76**	55
Retirement assets	*35*	**39**	31
Others		**4,671**	2,330
		P118,729	P102,518

The movements in deferred containers - net are as follows:

	Note	**2023**	2022
Gross Carrying Amount			
Balance at beginning of year		**P35,240**	P34,514
Additions		**5,563**	6,408
Disposals/retirement/reclassifications		**(2,235)**	(5,683)
Currency translation adjustments		**33**	1
Balance at end of year		**38,601**	35,240
Accumulated Depreciation			
Balance at beginning of year		**16,691**	14,714
Depreciation	*28*	**4,128**	59
Disposals/retirement/reclassifications		**(623)**	1,906
Currency translation adjustments		**(7)**	12
Balance at end of year		**20,189**	16,691
Accumulated Impairment			
Balance at beginning of year		**1,092**	737
Impairment	*27, 32*	**487**	1,187
Disposals/reclassifications		**(652)**	(833)
Currency translation adjustments		**1**	1
Balance at end of year		**928**	1,092
		P17,484	P17,457

Noncurrent receivables and deposits include amounts owed by related parties amounting to P4,410 and P4,115 as at December 31, 2023 and 2022, respectively (Note 33) and the costs related to the development of the MRT 7 Project amounting to P39,382 and P30,816 as at December 31, 2023 and 2022, respectively (Note 34).

Noncurrent receivables and deposits are net of allowance for impairment losses amounting to P567 and P582 as at December 31, 2023 and 2022, respectively (Note 4).

Restricted cash represents:

i. LPI's cash flow waterfall accounts amounting to P1,204 and P1,160 as at December 31, 2023 and 2022, respectively;

ii. MPCL's cash flow waterfall accounts and environmental guarantee fund amounting to P2,645 and P130 as at December 31, 2023 and 2022, respectively;

iii. Cash in bank maintained by NCC and SCII in accordance with the specific purpose and term as required under its loan agreement, amounting to P273 and P179 as at December 31, 2023 and 2022, respectively;

iv. Deposit in escrow by East Star Cement Phils., Inc. to settle the remaining unpaid creditors under the Court-approved Rehabilitation Plan with Final Registry of Claims amounting to P141 as at December 31, 2023;

v. Rehabilitation funds established by NCC, ECC and EERI in compliance with DENR Administrative Order No. 2005-07 for environmental protection and enhancement amounting to P130 and P120 as at December 31, 2023 and 2022, respectively; and

vi. Deposit in escrow by ECC for a pending legal case amounting to P50 as at December 31, 2023 and 2022.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 40.

"Others" include marketing assistance to dealers and other noncurrent prepaid expenses.

19. Loans Payable

Loans payable consist of:

	Note	**2023**	2022
Parent Company			
Peso-denominated		**P21,300**	P22,457
Foreign currency-denominated		**-**	33,168
Subsidiaries			
Peso-denominated		**180,123**	195,919
Foreign currency-denominated		**13,458**	16,160
	38, 39, 40	**P214,881**	P267,704

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates per annum for Peso-denominated loans ranged from 3.71% to 7.53% and 1.97% to 7.75% in 2023 and 2022, respectively. Interest rates per annum for foreign currency-denominated loans ranged from 3.2% to 7.53% and 1.28% to 6.88% in 2023 and 2022, respectively (Note 30).

Loans payable include interest-bearing amounts payable to BankCom amounting to P6,382 and P8,172 as at December 31, 2023 and 2022, respectively (Note 33).

20. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2023**	2022
Trade	*34*	**P102,717**	P107,990
Non-trade	*5*	**94,354**	90,755
Customers' deposits	*3*	**9,245**	8,603
Accrued payroll		**6,245**	6,400
Accrued interest payable		**5,653**	5,047
Amounts owed to related parties	*33*	**1,555**	2,755
Derivative liabilities	*39, 40*	**908**	2,832
Deferred liability on consumer loyalty program		**747**	813
Current portion of IRO	*4*	**320**	487
Retention payable		**249**	210
Retirement liabilities	*35*	**101**	122
Deferred rent income		**58**	60
Redeemable preferred shares	*4*	**19**	19
Others		**884**	1,033
	39, 40	**P223,055**	P227,126

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

Redeemable Preferred Shares. These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year Bloomberg Valuation or BVAL). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares are required to be redeemed at the end of the 10-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

As at December 31, 2023 and 2022, the preferred shares remain outstanding as other requirements prior to redemption are pending from the shareholders.

"Others" include ARO, accruals for materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 40.

21. Long-term Debt

Long-term debt consists of:

	2023	2022
Parent Company		
Peso-denominated Bonds:		
Fixed interest rate of 7.4458%, 7.8467% and 8.4890% maturing in 2028, 2029 and 2032, respectively (a)	**P59,299**	P59,165
Fixed interest rate of 5.284% and 5.55%, 6.625%, 5.7613%, and 7.125% maturing in 2024, 2025, 2027 and 2028, respectively (b)	**30,087**	43,167
Fixed interest rate of 3.3832% maturing in 2027 (c)	**29,762**	29,700
Fixed interest rate of 5.2704% and 5.8434% maturing in 2027 and 2029, respectively (d)	**29,699**	29,644
Peso-denominated Term Notes:		
Fixed interest rate of 6.9375% with maturities up to 2026 (e)	**15,231**	15,373
Fixed interest rate of 7.1968% with maturities up to 2029 (f)	**5,148**	-
Foreign currency-denominated Term Notes:		
Fixed interest rate of 6.55% maturing in 2028 (g)	**8,247**	-
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2024 (h)	**110,301**	110,492
Floating interest rate based on SOFR plus margin, maturing in 2035 (i)	**81,332**	47,534
Floating interest rate based on SOFR plus margin, maturing in 2028 (j)	**71,892**	-
Floating interest rate based on SOFR plus margin, maturing in 2026 (k)	**49,074**	49,172
Floating interest rate based on SOFR plus margin, maturing in 2027 (l)	**38,099**	38,201
Floating interest rate based on SOFR plus margin, maturing in 2028 (m)	**16,244**	-
Floating interest rate based on SOFR plus margin, maturing in 2028 (n)	**16,166**	-
Floating interest rate based on SOFR plus margin, maturing in 2028 (o)	**10,837**	-
Floating interest rate based on SOFR plus margin, maturing in 2026 (p)	**5,488**	5,510
Floating interest rate based on SOFR plus margin, maturing in 2027 (q)	**5,487**	5,512
Floating interest rate based on (London Interbank Offered Rate) LIBOR plus margin (r)	**-**	22,282
Floating interest rate based on LIBOR plus margin (s)	**-**	16,697
Floating interest rate based on LIBOR plus margin (t)	**-**	16,682

Forward

	2023	2022
Floating interest rate based on LIBOR plus margin (u)	**P -**	P11,116
Floating interest rate based on LIBOR plus margin (v)	**-**	4,999
	582,393	505,246
Subsidiaries		
Peso-denominated Bonds:		
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (w)	**39,560**	39,476
Fixed interest rate of 7.8183% and 8.0551% maturing in 2024 and 2025, respectively (x)	**19,948**	26,896
Fixed interest rate of 3.4408% and 4.3368% maturing in 2025 and 2027, respectively (y)	**17,869**	17,823
Fixed interest rate of 7.1783% and 7.60% maturing in 2024 and 2026, respectively (z)	**16,111**	16,070
Fixed interest rate of 5.05% and 5.25% maturing in 2025 and 2027, respectively (aa)	**14,927**	14,892
Fixed interest rate of 6.25% and 6.625% maturing in 2024 and 2027, respectively (ab)	**10,056**	25,012
Fixed interest rate of 5.1792% maturing in 2026 (ac)	**4,740**	8,821
Fixed interest rate of 6.00% maturing in 2024 (ad)	**2,537**	2,534
Fixed interest rate of 6.4872% maturing in 2025 (ae)	**2,494**	2,491
Peso-denominated Term Notes:		
Fixed interest rate of 5.556%, 5.825% and 5.997% with maturities up to 2029 (af)	**32,809**	36,137
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (ag)	**32,497**	35,178
Fixed interest rate of 7.1913% with maturities up to 2033 (ah)	**29,791**	-
Fixed interest rate of 8.2104% with maturities up to 2033 (ai)	**27,538**	-
Fixed interest rate of 8.7118% with maturities up to 2027 (aj)	**22,832**	26,686
Fixed interest rate of 6.5077% and 7.7521% with maturities up to 2030 (ak)	**14,643**	15,894
Fixed interest rate of 6.9265% with maturities up to 2024 (al)	**14,091**	14,216
Fixed interest rate of 4.8356% with maturities up to 2031 (am)	**12,239**	8,557
Fixed interest rate of 3.80%, 3.875%, 3.95% and 4.15% with maturities up to 2028 (an)	**11,897**	11,907
Fixed interest rate of 4.63% maturing in 2024 (ao)	**9,983**	9,967
Fixed interest rate of 6.8412% and 6.5323% maturing in 2027 (ap)	**9,937**	4,963

Forward

	2023	2022
Fixed interest rate of 3.5483% with maturities up to 2029 (aq)	**P9,804**	P9,945
Fixed interest rate of 5.6276% with maturities up to 2029 (ar)	**9,355**	10,416
Fixed interest rate of 7.968% and 8.541% maturing in 2028 (as)	**7,439**	-
Fixed interest rate of 4.6332% and 5.7513% maturing in 2025 and 2027, respectively (at)	**6,972**	6,958
Fixed interest rate of 3.846% maturing in 2026 (au)	**6,970**	6,960
Fixed interest rate of 7.1663% with maturities up to 2027 (av)	**4,975**	4,967
Fixed interest rate of 5.00% with maturities up to 2025 (aw)	**4,854**	4,889
Fixed interest rate of 7.4206% with maturities up to 2027 (ax)	**4,356**	4,969
Fixed interest rate of 7.5496% with maturities up to 2027 (ay)	**4,355**	4,968
Fixed interest rate of 8.1711%, 8.4490%, 9.0280% and 9.6350% with maturities up to 2030 (az)	**3,342**	3,674
Fixed interest rate of 6.4920% maturing in 2025 (ba)	**2,366**	2,359
Fixed interest rate of 5.1657% with maturities up to 2025 (bb)	**2,232**	2,963
Fixed interest rate of 4.20% maturing in 2026 (bc)	**1,992**	1,989
Fixed interest rate of 3.2837% with maturities up to 2026 (bd)	**1,940**	1,992
Fixed interest rate of 4.59% with maturities up to 2025 (be)	**1,873**	3,116
Fixed interest rate of 5.5276% with maturities up to 2024 (bf)	**1,606**	3,744
Fixed interest rate of 6.8672% maturing in 2025 (bg)	**622**	621
Fixed interest rate of 6.37239% (bh)	**-**	4,770
Fixed interest rate of 5.81%, 5.89% and 6.36% (bi)	**-**	4,040
Fixed interest rate of 6.5917% (bj)	**-**	373
Fixed interest rate of 4.2105% (bk)	**-**	165
Floating interest rate based on BVAL plus margin, maturing in 2025 (bl)	**19,877**	15,628
Floating interest rate based on BVAL plus margin, with maturities up to 2038 (bm)	**14,086**	-
Floating interest rate based on BVAL plus margin, or BSP Term Deposit Auction Facility (BSP TDF) plus margin, whichever is higher, with maturities up to 2029 (aq)	**7,842**	7,956
Floating interest rate based on BVAL plus margin, with maturities up to 2030 (bn)	**7,187**	-

Forward

	Note	2023	2022
Floating interest rate based on BVAL plus margin, or BSP Overnight Lending Facility Rate plus margin, whichever is higher, with maturities up to 2030 (bo)		**P3,852**	P3,087
Floating interest rate based on BVAL plus margin, with maturities up to 2024 (bp)		**586**	1,170
Floating interest rate based on BVAL plus margin (bq)		**-**	879
Foreign currency-denominated Term Notes:			
Fixed interest rate of 8.331% with maturities up to 2030 (br)		**17,079**	24,654
Floating interest rate based on SOFR plus a spread, with maturities up to 2027 (bs)		**36,245**	26,794
Floating interest rate based on SOFR plus margin, maturing in 2026 (bt)		**16,421**	16,455
Floating interest rate based on SOFR plus margin, maturing in 2027 (bu)		**16,249**	16,282
Floating interest rate based on SOFR plus margin, with maturities up to 2028 (bv)		**12,172**	-
Floating interest rate based on SOFR plus margin, maturing in 2024 (bw)		**10,993**	10,955
Floating interest rate based on SOFR plus margin, with maturities up to 2030 (br)		**5,621**	8,140
Floating interest rate based on SOFR plus margin, maturing in 2024 (bx)		**5,487**	-
Floating interest rate based on SOFR plus margin, maturing in 2025 (by)		**5,484**	5,485
Floating interest rate based on SOFR plus margin, maturing in 2025 (bz)		**2,719**	-
Floating interest rate based on Tokyo Overnight Average Rate (TONA) plus margin, with maturities up to 2025 (ca)		**2,512**	4,528
Floating interest rate based on Bank Bill Swap Rate (BBSY) plus margin, with maturities up to 2024 (cb)		**1,791**	2,151
Floating interest rate based on BBSY plus margin, with maturities up to 2027 (cc)		**359**	377
Floating interest rate based on BBSY plus margin, with maturities up to 2026 (cd)		**77**	110
Floating interest rate based on LIBOR plus margin (ce)		**-**	27,858

Forward

	Note	2023	2022
Floating interest rate based on LIBOR plus margin (cf)		**P -**	P6,276
Floating interest rate based on LIBOR plus margin (cg)		**-**	2,767
		608,191	582,950
	38, 39, 40	**1,190,584**	1,088,196
Less current maturities		**236,798**	170,032
		P953,786	P918,164

a. The amount represents the P60,000 fixed rate bonds issued by the Parent Company consisting of: (i) five-year and three months Series L Bonds, due in 2028 with an interest rate of 7.4458% per annum; (ii) seven-year Series M Bonds, due in 2029 with an interest rate of 7.8467% per annum; and (iii) ten-year Series N Bonds, due in 2032 with an interest rate of 8.4890% per annum. The Bonds were listed at the Philippine Dealing & Exchange Corp (PDEx). Interest is payable every 14th of March, June, September and December of each year.

   Proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Parent Company's Series "2" Preferred Shares - Subseries "2-H"; (ii) the repayment of the Peso-denominated short-term loan facilities that were used to pay the Series A and Series D Bonds; (iii) the payment of Series E Bonds; and (iv) the refinancing of certain US dollar-denominated obligations.

   Unamortized debt issue costs amounted to P701 and P835 as at December 31, 2023 and 2022, respectively.

b. The amount represents the first, second, third and fourth tranche of the P60,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P20,000, P10,000, P20,000 and P10,000, respectively. The Bonds were listed at the PDEx.

   - The first tranche of the fixed rate bonds listed on March 1, 2017 amounting to P20,000 consists of: (i) five-year Series A Bonds, due in 2022 with an interest rate of 4.8243% per annum; (ii) seven-year Series B Bonds, due in 2024 with an interest rate of 5.284% per annum; and (iii) ten-year Series C Bonds, due in 2027 with an interest rate of 5.7613% per annum. Interest is payable every 1st of March, June, September and December of each year.

   - The second tranche of the fixed rate bonds listed on April 7, 2017 amounting to P10,000 comprises five-year Series D Bonds, due in 2022 with an interest rate of 5.1923% per annum. Interest is payable every 7th of January, April, July and October of each year.

   - The third tranche of the fixed rate bonds listed on March 19, 2018 amounting to P20,000 consists of: (i) five-year Series E Bonds, due in 2023 with an interest rate of 6.25% per annum; (ii) seven-year Series F Bonds, due in 2025 with an interest rate of 6.625% per annum; and (iii) ten-year Series G Bonds, due in 2028 with an interest rate of 7.125% per annum. Interest is payable every 19th of March, June, September and December of each year.

   - The fourth tranche of the fixed rate bonds listed on October 4, 2019 amounting to P10,000 comprises five-year Series H Bonds, due in 2024 with an interest rate of 5.55% per annum. Interest is payable every 4th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used to partially refinance various loans.

The Parent Company paid the P6,683 Series A Bonds, P10,000 Series D Bonds and P13,146 Series E Bonds on March 1, 2022, April 7, 2022 and March 20, 2023, respectively.

Unamortized debt issue costs amounted to P84 and P150 as at December 31, 2023 and 2022, respectively.

c. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P30,000. The Bonds were listed at the PDEx.

The first tranche of the fixed rate bonds listed on July 8, 2021, comprises six-year Series I Bonds, due in 2027 with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used to repay existing obligations.

Unamortized debt issue costs amounted to P238 and P300 as at December 31, 2023 and 2022, respectively.

d. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P30,000. The Bonds were listed at the PDEx.

The first tranche of the fixed rate bonds listed on March 4, 2022, consists of: (i) five-year Series J Bonds, due in 2027 with an interest rate of 5.2704% per annum; and (ii) seven-year Series K Bonds, due in 2029 with an interest rate of 5.8434% per annum. Interest is payable every 4th of March, June, September and December of each year.

Proceeds from the issuance of the bonds were used for refinancing the Parent Company’s short-term loan facilities and other general corporate purposes.

Unamortized debt issue costs amounted to P301 and P356 as at December 31, 2023 and 2022, respectively.

e. The amount represents the drawdown by the Parent Company on June 24, 2019 from its term loan facility amounting to P16,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9375% per annum payable quarterly. The proceeds were used for general corporate purposes.

The Parent Company paid the scheduled amortizations amounting to P720 and P560 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P49 and P67 as at December 31, 2023 and 2022, respectively.

f. The amount represents the drawdown by the Parent Company on June 30, 2023 from its term loan facility amounting to P5,200. The loan is amortized over six years and is subject to a fixed interest rate of 7.1968% per annum payable semi-annually and with a put option on the part of the lender on the third anniversary of the first drawdown date. The proceeds were used for the refinancing of Corona Virus Disease 2019 response activities during the period 2020 to 2022.

   Unamortized debt issue costs amounted to P52 as at December 31, 2023.

g. The amount represents the drawdown by the Parent Company on July 31, 2023 from its term loan facility amounting to US$150. The term of the loan is for five years and is subject to a fixed interest rate, payable quarterly. The proceeds of the loans were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

   Unamortized debt issue costs amounted to P59 as at December 31, 2023.

h. The amount represents the drawdown by the Parent Company of US$50 and US$1,950 on December 27, 2019 and March 19, 2020, respectively, from its term loan facility amounting to US$2,000. The term of the loan is for five years and is subject to a floating interest rate based on SOFR plus margin. Effective June 30, 2023 the benchmark rate of US dollar-denominated loans was changed from LIBOR to SOFR. The proceeds of the loans were used for general corporate purposes.

   Unamortized debt issue costs amounted to P439 and P1,018 as at December 31, 2023 and 2022, respectively.

i. The amount represents the drawdown by the Parent Company of US$1,493 on various dates in 2023 and 2022 from its US$2,165 term loan facility. The term of the loan is for 13 years and is subject to a floating interest rate. The proceeds were used to fund the land development works of the MIA Project in Bulacan.

   Unamortized debt issue costs amounted to P1,348 and P1,043 as at December 31, 2023 and 2022, respectively.

j. The amount represents the drawdown by the Parent Company of US$1,330 on various dates in 2023 from its term loan facility. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

   Unamortized debt issue costs amounted to P1,750 as at December 31, 2023.

k. The amount represents the drawdown by the Parent Company on various dates in 2022 and 2021 from its term loan facility amounting to US$900. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P759 and P1,008 as at December 31, 2023 and 2022, respectively.

l. The amount represents the drawdown by the Parent Company on various dates in 2022 from its term loan facility amounting to US$700. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P660 and P828 as at December 31, 2023 and 2022, respectively.

m. The amount represents the drawdown by the Parent Company on September 20, 2023 from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used to refinance a total of US$300 term loans availed in 2018.

   Unamortized debt issue costs amounted to P367 as at December 31, 2023.

n. The amount represents the drawdown by the Parent Company of US$200 and US$100 on November 15 and 24, 2023, respectively, from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

   Unamortized debt issue costs amounted to P445 as at December 31, 2023.

o. The amount represents the drawdown by the Parent Company on July 10, 2023 from its term loan facility amounting to US$200. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loans were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

   Unamortized debt issue costs amounted to P237 as at December 31, 2023.

p. The amount represents the drawdown by the Parent Company on December 23, 2021 from its term loan facility amounting to US$100. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes.

   Unamortized debt issue costs amounted to P49 and P65 as at December 31, 2023 and 2022, respectively.

q. The amount represents the drawdown by the Parent Company on August 2, 2022 from its term loan facility amounting to US$100. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P50 and P63 as at December 31, 2023 and 2022, respectively.

r. The amount represents the drawdown by the Parent Company on March 16, 2018 from its term loan facility amounting to US$400. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund the subscription of RPS in San Miguel Global Power to partially finance the acquisition of Masinloc Group of Companies.

   The loan was fully paid on February 24, 2023.

Unamortized debt issue costs amounted to P20 as at December 31, 2022.

s. The amount represents the drawdown by the Parent Company on June 26, 2018 from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund general corporate requirements and/or additional investments to its subsidiaries.

   The loan was fully paid on April 28, 2023.

   Unamortized debt issue costs amounted to P29 as at December 31, 2022.

t. The amount represents the drawdown by the Parent Company of US$120 and US$180 on September 25, 2018 and October 25, 2018, respectively, from its term loan facility amounting to US$300. The term of the loans is for five years and is subject to a floating interest rate. The proceeds were used to refinance existing US dollar-denominated obligations and/or for general corporate purposes.

   The loan was fully paid on September 20, 2023.

   Unamortized debt issue costs amounted to P45 as at December 31, 2022.

u. The amount represents the drawdown by the Parent Company on November 21, 2018 from its term loan facility amounting to US$200. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to repay existing US dollar-denominated obligations.

   The loan was fully paid on November 16, 2023.

   Unamortized debt issue costs amounted to P35 as at December 31, 2022.

v. The amount represents the drawdown by the Parent Company on October 24, 2017 from its term loan facilities amounting to US$300 entered into with various banks. The loans have various maturities and is subject to floating interest rate. The proceeds were used to fund general corporate requirements and/or partially repay existing loans.

   Payments made amounted to US$300 and $210 as at December 31, 2023 and 2022, respectively.

   The loan was fully paid on November 28, 2023.

   Unamortized debt issue costs amounted to P19 as at December 31, 2022.

w. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P40,000 on July 26, 2022. The Bonds were listed at the PDEX.

   The Bonds consists of: (i) three-year Series K Bonds due in 2025 with an interest rate of 5.9077% per annum; (i) five-year and nine months Series L Bonds due in 2028 with an interest rate of 7.1051% per annum; and, (iii) ten-year Series M Bonds due in 2032 with an interest rate of 8.0288% per annum. Interest is payable every 26th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power's investments in power-related assets, particularly the Liquefied Natural Gas (LNG) projects and related assets, coal power plant projects, Battery Energy Storage Systems (BESS) and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

Unamortized debt issue costs amounted to P440 and P524 as at December 31, 2023 and 2022, respectively.

x. The amount represents the first and second tranche of the P40,000 shelf registered fixed rate bonds issued by Petron amounting to P20,000 and P20,000 on October 27, 2016 and October 19, 2018, respectively. The Bonds were listed at the PDEx.

- The first tranche of the fixed rate bonds listed on October 27, 2016 amounting to P20,000, consists of: (i) five-year Series A Bonds, due in 2021 with an interest rate of 4.0032% per annum; and, (ii) seven-year Series B Bonds, due in 2023 with an interest rate of 4.5219% per annum. Interest is payable every 27th of January, April, July and October of each year.

- The second tranche of the fixed rate bonds listed on October 19, 2018 amounting to P20,000, consists of: (i) five-year and six months Series C Bonds, due in 2024 with an interest rate of 7.8183% per annum; and, (ii) seven-year Series D Bonds, due in 2025 with an interest rate of 8.0551% per annum. Interest is payable every 19th of January, April, July and October of each year.

The proceeds from the first tranche were used to partially settle the US$475 and US$550 Term Loan, repay short-term loans and for general corporate purposes.

The proceeds from the second tranche were used for the payment of short-term loans, redemption of a portion of Petron's Undated Subordinated Capital Securities (USCS) and for general corporate purposes.

Petron paid the P13,000 Series A Bonds and P7,000 Series B Bonds on October 27, 2021 and October 27, 2023, respectively.

Unamortized debt issue costs amounted to P52 and P104 as at December 31, 2023 and 2022, respectively.

y. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by Petron on October 12, 2021 amounting to P18,000. The Bonds were listed at the PDEx.

The first tranche of the fixed rate bonds amounting to P18,000, consist of four-year Series E Bonds, due in 2025 with an interest rate of 3.4408% per annum and six-year Series F Bonds, due in 2027 with an interest rate of 4.3368% per annum. Interest is payable every 12th of January, April, July and October of each year.

The proceeds were used primarily for the redemption of its outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

Unamortized debt issue costs amounted to P131 and P177 as at December 31, 2023 and 2022, respectively.

z. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P30,000 on April 24, 2019. The Bonds were listed at the PDEx.

The Bonds consist of: (i) three-year Series H Bonds, due in 2022 with an interest rate of 6.8350% per annum; (ii) five-year Series I Bonds, due in 2024 with an interest rate of 7.1783% per annum; and, (iii) seven-year Series J Bonds, due in 2026 with an interest rate of 7.60% per annum. Interest is payable every 24th of January, April, July and October of each year.

The net proceeds were used for refinancing of maturing long-term and short-term loans, investments in power-related assets and payment of transaction-related expenses.

San Miguel Global Power paid the P13,845 Series H Bonds on April 25, 2022.

Unamortized debt issue costs amounted to P44 and P85 as at December 31, 2023 and 2022, respectively.

aa. The amount represents the P15,000 fixed rate bonds issued by SMFB on March 10, 2020, divided into five-year Series A Bonds, due in 2025 with an interest rate of 5.05% per annum, and seven-year Series B Bonds, due in 2027 with an interest rate of 5.25% per annum. Interest is payable every 10th of March, June, September and December of each year. The Bonds were listed at the PDEx.

Proceeds from the issuance were used to redeem the outstanding Series "2" Perpetual Preferred Shares of SMFB and payment of transaction-related fees, costs and expenses.

Unamortized debt issue costs amounted to P73 and P108 as at December 31, 2023 and 2022, respectively.

ab. The amount represents the first and second tranche of the P35,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P20,000 and P15,000 on December 22, 2017 and August 17, 2018, respectively. The Bonds were listed at the PDEx.

- The first tranche of the fixed rate bonds listed on December 22, 2017 amounting to P20,000, consists of: (i) five-year Series D Bonds, due in 2022 with an interest rate of 5.375% per annum; (ii) seven-year Series E Bonds, due in 2024 with an interest rate of 6.25% per annum; and (iii) ten-year Series F Bonds, due in 2027 with an interest rate of 6.625% per annum. Interest is payable every 22nd of March, June, September and December of each year.

- The second tranche of the fixed rate bonds listed on August 17, 2018 amounting to P15,000 pertains to the five-year Series G Bonds, due in 2023 with an interest rate of 6.75% per annum. Interest is payable every 17th of February, May, August and November of each year.

Proceeds from the first tranche were used to refinance Peso-denominated short-term loans.

Proceeds from the second tranche were used to refinance the outstanding shareholder advances and partially refinance existing US dollar-denominated loan obligations and payment of transaction-related expenses.

San Miguel Global Power paid the P9,913 Series D Bonds and P15,000 Series G Bonds on December 22, 2022 and August 17, 2023, respectively.

Unamortized debt issue costs amounted to P31 and P75 as at December 31, 2023 and 2022, respectively.

ac. The amount represents the P15,000 fixed rate bonds issued by San Miguel Global Power on July 11, 2016, divided into: (i) five-year Series A Bonds, due in 2021 with an interest rate of 4.3458% per annum; (ii) seven-year Series B Bonds, due in 2023 with an interest rate of 4.7575% per annum; and, (iii) ten-year Series C Bonds, due in 2026 with an interest rate of 5.1792% per annum. Interest is payable every 11th of January, April, July and October of each year. The Bonds were listed at the PDEx.

Proceeds from the issuance were used to refinance the US$300 short-term loan that matured on July 25, 2016, which were used for the redemption of the US$300 bond in January 2016.

San Miguel Global Power paid the P6,153 Series A Bonds and P4,090 Series B Bonds on July 12, 2021 and July 11, 2023, respectively.

Unamortized debt issue costs amounted to P16 and P26 as at December 31, 2023 and 2022, respectively.

ad. The amount represents the P15,000 fixed rate bonds issued by SMB on April 2, 2014, divided into: (i) seven-year Series G Bonds, due in 2021 with an interest rate of 5.50% per annum; and (ii) ten-year Series H Bonds, due in 2024 with an interest rate of 6.00% per annum. Interest is payable every 2nd of April and October of each year. The Bonds were listed at the PDEx.

Proceeds from the Series G Bonds and Series H Bonds issuance were used to partially refinance the payment of Series B Bonds.

SMB paid the P12,462 Series G Bonds on April 5, 2021.

Unamortized debt issue costs amounted to P1 and P4 as at December 31, 2023 and 2022, respectively.

ae. The amount represents the P7,300 fixed rate bonds issued by SMC SLEX on May 22, 2015, divided into: (i) five-year and three months Series A Bonds, due in 2020 with an interest rate of 4.9925% per annum; (ii) seven-year Series B Bonds, due in 2022 with an interest rate of 5.5796% per annum; and, (iii) ten-year Series C Bonds, due in 2025 with an interest rate of 6.4872% per annum. Interest is payable every 22nd of February, May, August and November of each year. The Bonds were listed at the PDEx.

The proceeds from the issuance were used to prepay the Peso-denominated Corporate Notes drawn in 2012.

SMC SLEX paid the P2,400 Series B Bonds and P2,400 Series A Bonds on May 22, 2022 and August 24, 2020, respectively.

Unamortized debt issue costs amounted to P6 and P9 as at December 31, 2023 and 2022, respectively.

af. The amount represents the loan drawn by SMC Tollways from its P41,200 Corporate Notes Facility Agreement with various local banks dated December 9, 2019.

Proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction related fees, taxes and expenses. The loan is payable in 40 quarterly installments commencing on the third month from initial issue date. Final repayment date is ten years from initial issue date.

The Notes are subject to repricing on the fifth year from initial issue date.

Payments made amounted to P8,096 and P4,682 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P294 and P381 as at December 31, 2023 and 2022, respectively.

ag. The amount represents the drawdown by LPI from its P44,000 Omnibus Loan and Security Agreement (OLSA) with various banks dated June 22, 2017. The loan consists of Tranche A amounting to P42,000 and Tranche B amounting to P2,000 drawn on June 28, 2017 and January 31, 2018, respectively. The loan is payable quarterly up to June 2029.

Proceeds from the loan were used for the settlement of the US$360 short-term loan, acquisition of the Phase II Limay Greenfield Power Plant, repayment of shareholder advances and payment of transaction-related fees and expenses.

Payments made amounted to P11,185 and P8,430 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P318 and P392 as at December 31, 2023 and 2022, respectively.

ah. The amount represents the drawdown by SMEII on July 14, 2023 from its term loan facility amounting to P30,000. The loan is amortized over ten years up to May 2033 and is subject to a fixed interest rate of 7.1913% per annum. The proceeds were used for refinancing of existing short-term loan and/or other general corporate purposes.

Unamortized debt issue costs amounted to P209 as at December 31, 2023.

ai. The amount represents the drawdown by SMGP BESS from its P40,000 term loan facility on October 27, 2023 amounting to P28,000. The loan is subject to a fixed interest rate of 8.2104% per annum and payable quarterly up to October 2033. The proceeds of the loan were used for the purchase of outstanding perpetual securities issued to the Parent Company and reimbursement or repayment of reimbursable advances from San Miguel Global Power, both of which were used to finance payments for interest, design, construction and the operation of its BESS projects, and cover transaction-related costs, fees and expenses.

The drawdown includes payable to BankCom amounting to P4,060 as at December 31, 2023 (Note 33).

Unamortized debt issue costs amounted to P462 as at December 31, 2023.

aj. The amount represents the loan drawn by MMSS3 from its P31,000 OLSA with various banks dated December 15, 2014.

Proceeds of the loan were used to partially finance the design, construction and operation and maintenance of the Skyway Stage 3 Project. The loan is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one quarter after issuance of toll operation certificate by TRB. Final repayment date is 12 years after initial drawdown date.

Payments made amounted to P8,057 and P4,151 as at December 31, 2023 and 2022, respectively.

The drawdown includes payable to BankCom amounting to P2,738 and P3,205 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P111 and P163 as at December 31, 2023 and 2022, respectively.

ak. The amount represents the loan drawn by MPI from its P21,300 12-year OLSA with various banks dated August 9, 2018.

The proceeds were used by MPI for the repayment of the short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant and payment of transaction-related fees and expenses. On August 17, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced from 6.5077% and 7.7521% to 8.2443%, pursuant to the terms of the OLSA.

Payments made amounted to P6,481 and P5,184 as at December 31, 2023 and 2022, respectively.

The drawdown includes payable to BankCom amounting to P2,226 and P2,421 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P176 and P222 as at December 31, 2023 and 2022, respectively.

al. The amount represents the drawdown by San Miguel Global Power on April 26, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9265% per annum, payable quarterly. The proceeds were used for debt refinancing.

Payments made amounted to P900 and P750 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P9 and P34 as at December 31, 2023 and 2022, respectively.

am. The amount represents the loan drawn by NCC on various dates in 2023, 2022 and 2021 from the P12,500 OLSA with various banks dated June 22, 2021.

The loan is subject to a fixed interest rate of 4.8356% per annum and is payable in 34 unequal quarterly installments commencing on the seventh quarter from initial advance. Final repayment date is ten years from initial advance.

Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan.

Payments made amounted to P100 as at December 31, 2023.

The drawdown includes payable to BankCom amounting to P2,183 and P1,540 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P161 and P193 as at December 31, 2023 and 2022, respectively.

an. The amount represents the loans drawn by SMB on March 30, 2021 from its loan facilities amounting to P12,000 with various banks. The loans are subject to fixed interest rates, where P10,000 and P2,000 will mature on March 30, 2026 and March 30, 2028, respectively. The proceeds of the loans were used for the payment of Series G Bonds.

Payments made amounted to P58 and P31 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P45 and P62 as at December 31, 2023 and 2022, respectively.

ao. The amount represents the drawdown by SMB on December 19, 2019 from its term loan facility amounting to P10,000. The loan will mature on December 26, 2024 and is subject to a fixed interest rate of 4.63% per annum. The proceeds were used for general corporate purposes.

Unamortized debt issue costs amounted to P17 and P33 as at December 31, 2023 and 2022, respectively.

ap. The amount represents the loan drawn by SMB amounting to P5,000 and P5,000 on December 20, 2022 and February 21, 2023 from its P10,000 term loan facility executed on December 19, 2022 from a local bank. The loan is subject to fixed interest rates of 6.8412% and 6.5323% per annum for two years for loan drawn in 2022 and 2023, respectively, subject to repricing thereafter. The loan is payable in five years and four years and ten months and will mature in December 2027.

The proceeds of the loan were used to partially finance capital expenditures.

Unamortized debt issue costs amounted to P63 and P37 as at December 31, 2023 and 2022, respectively.

aq. The amount represents the loan drawn by SMFI amounting to P8,000 and P10,000 in 2020 and 2019, respectively, from its term loan facility amounting to P18,000. The loan is amortized for ten years and is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to a fixed interest rate. The proceeds were used to refinance its existing short-term obligations, fund capital expansion projects and for other general corporate purposes.

On December 14, 2020, SMFI exercised its one-time option to convert its P10,000 loan to a fixed interest rate of 3.5483% per annum.

Payments made amounted to P149 and P119 as at December 31, 2023, for the fixed interest loan and the floating interest loan, respectively.

Unamortized debt issue costs for the fixed interest loan amounted to P47 and P55 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs for the floating interest loan amounted to P39 and P44 as at December 31, 2023 and 2022, respectively.

ar. The amount represents the drawdown by SMCTC on December 19, 2019 amounting to P12,000 from its P42,000 Second Amendment to the OLSA with various local banks dated December 16, 2019.

Proceeds of the loan were used for consolidation of project loans, re-leveraging the project, repayment of certain shareholder advance and partial financing of operation and maintenance of the project. The loan is payable in 39 quarterly installments commencing on the third month from initial drawdown. Final repayment date shall be ten years after receipt.

The loan is subject to repricing on the fifth year from date of initial drawdown.

Payments made amounted to P2,580 and P1,500 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P65 and P84 as at December 31, 2023 and 2022, respectively.

as. The amount represents the drawdown by San Miguel Global Power from its P10,000 term loan facility on June 15 and August 8, 2023 amounting to P5,000 and P2,500, respectively. The loan is subject to a fixed interest rate of 7.968% per annum and will mature in June 2028. Proceeds of the loan were used to: (a) partially refinance maturing debt obligations, (b) fund general corporate purposes, including investments in LNG and BESS, and (c) cover transaction-related costs, fees and expenses.

Unamortized debt issue costs amounted to P61 as at December 31, 2023.

at. The amount represents the loans drawn by SMB from a local bank on April 1, 2022 amounting to P4,000 with a term of three years subject to fixed interest rate of 4.6332% per annum and P3,000 with a term of five years subject to fixed interest rate of 5.7513% per annum, payable quarterly. The proceeds of the loan were used to pay the Series F Bonds which matured on April 2, 2022.

Unamortized debt issue costs amounted to P28 and P42 as at December 31, 2023 and 2022, respectively.

au. The amount represents the drawdown by PF-Hormel on September 29, 2021 from its loan facilities with various banks amounting to P7,000. The loans will mature on September 29, 2026 and is subject to a fixed interest rate of 3.846% per annum. The proceeds of the loan were used for refinancing of existing indebtedness and general corporate purposes.

Unamortized debt issue costs amounted to P30 and P40 as at December 31, 2023 and 2022, respectively.

av. The amount represents the drawdown by Petron on May 19, 2022 from its term loan facility amounting to P5,000 which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over five years with a two-year grace period, after which the total principal will be amortized in seven semi-annual payments beginning May 19, 2024. The proceeds were used for partial financing of the power plant project.

Unamortized debt issue costs amounted to P25 and P33 as at December 31, 2023 and 2022, respectively.

aw. The amount represents the drawdown by San Miguel Global Power on May 28, 2021 from its term loan facility amounting to P5,000. The principal repayment is in semi-annual installments up to May 2025 and is subject to a fixed interest rate of 5.00% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P125 and P75 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P21 and P36 as at December 31, 2023 and 2022, respectively.

ax. The amount represents the drawdown by Petron on June 15, 2022 from its term loan facility amounting to P5,000 which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% per annum and amortized over five years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 15, 2023. The proceeds were used to partially pay its US dollar-denominated term loan.

Payments made amounted to P625 as at December 31, 2023.

Unamortized debt issue costs amounted to P20 and P31 as at December 31, 2023 and 2022, respectively.

ay. The amount represents the drawdown by Petron on June 16, 2022 from its term loan facility amounting to P5,000 which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% per annum and amortized over five years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay its US dollar-denominated term loan and various loan facilities.

Payments made amounted to P625 as at December 31, 2023.

Unamortized debt issue costs amounted to P20 and P32 as at December 31, 2023 and 2022, respectively.

az. The amount represents the drawdown by LCWDC in 2018 amounting to P4,200 from its P5,400 OLSA with various local banks dated September 16, 2016.

Proceeds of the loan were used for the Bulacan Bulk Water Supply Project.

The loan is subject to repricing on the seventh year from the initial drawdown date.

Payments made amounted to P840 and P504 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P18 and P22 as at December 31, 2023 and 2022, respectively.

ba. The amount represents the drawdown by Petron on September 8, 2022 from its term loan facility amounting to P2,375 which was signed and executed on September 6, 2022. The loan is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

Unamortized debt issue costs amounted to P10 and P16 as at December 31, 2023 and 2022, respectively.

bb. The amount represents the drawdown by SMYPC from its term loan facility amounting to P5,000. The loan will mature on January 30, 2025 and is subject to a fixed interest rate of 5.1657% per annum payable quarterly. The proceeds were used to refinance existing short-term loans.

Payments made amounted to P2,763 and P2,026 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P5 and P11 as at December 31, 2023 and 2022, respectively.

bc. The amount represents the drawdown by SMCSLC on July 14, 2021 from its term loan facilities with various banks amounting to P2,000. The loan will mature on July 14, 2026 and is subject to a fixed interest rate of 4.20% per annum payable quarterly. The proceeds were used to refinance existing indebtedness and for general corporate purposes.

Unamortized debt issue costs amounted to P8 and P11 as at December 31, 2023 and 2022, respectively.

bd. The amount represents the P2,000 seven-year term loan availed by SMMI on December 19, 2019. The loan is amortized for seven years and is subject to a floating interest rate based on BVAL plus margin with a one-time option to convert to a fixed interest rate within two years. The proceeds of the loan were used to refinance existing short-term loans, fund its capital expenditure requirements for the upgrade or expansion of its production facilities and/or finance other general corporate requirements.

On December 19, 2020, SMMI exercised its option to convert the interest rate from floating to fixed. As a result, the interest rate was fixed at 3.2837% per annum.

Payments made amounted to P54 as at December 31, 2023.

Unamortized debt issue costs amounted to P6 and P8 as at December 31, 2023 and 2022, respectively.

be. The amount represents the drawdown by Petron on April 27, 2020 from its term loan facility amounting to P5,000. The loan is amortized over five years and is subject to a fixed interest rate of 4.59% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P3,124 and P1,875 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P3 and P9 as at December 31, 2023 and 2022, respectively.

bf. The amount represents the drawdown by Petron on July 25, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 5.5276% per annum payable quarterly. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-fired Power Plant.

Payments made amounted to P13,393 and P11,250 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P1 and P6 as at December 31, 2023 and 2022, respectively.

bg. The amount represents the drawdown by Petron on September 30, 2022 from its term loan facility amounting to P625 which was signed and executed on September 6, 2022. The loan is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

Unamortized debt issue costs amounted to P3 and P4 as at December 31, 2023 and 2022, respectively.

bh. The amount represents loan drawn by SCII on December 29, 2021 from its P4,800 OLSA with various local banks dated December 22, 2021.

The loan is subject to a fixed interest rate of 6.37239% per annum and is payable in 23 unequal quarterly installments commencing on the 6th quarter from initial advance. Final repayment date is seven years from initial advance.

Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

The drawdown includes payable to BankCom amounting to P2,000 as at December 31, 2022 (Note 33).

The loan was fully paid on December 29, 2023.

Unamortized debt issue costs amounted to P30 as at December 31, 2022.

bi. The amount represents the outstanding loan drawn by ECC from its TLFSA with various local banks dated February 3, 2016, to refinance the previous loan and partially finance the line 3 expansion project of its cement plant. The loan is subject to a fixed interest rate payable in 32 quarterly installments commencing on the 9th quarter from loan availment and will be fully paid on March 2, 2026.

The drawdown includes payable to BankCom amounting to P810 as at December 31, 2022 (Note 33).

The loan was fully paid on May 29, 2023.

Unamortized debt issue costs amounted to P9 as at December 31, 2022.

bj. The amount represents the loan drawn by SIDC from its P3,500 loan facility with local banks, entered in 2013. The proceeds of the loan were used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project. Repayment period is within 32 unequal consecutive quarterly installments on each repayment date in accordance with the agreement beginning on the earlier of the 27th month from initial drawdown date or the third month from the date of receipt by SIDC of the financial completion certificate for the Project.

Payments made amounted to P3,127 as at December 31, 2022.

The loan was fully paid on June 30, 2023.

bk. The amount represents drawdown by GSMI on December 28, 2020 from its term-loan facility amounting to P500. The loan is amortized over three years and is subject to a fixed interest rate of 4.2105% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P334 as at December 31, 2022.

The loan was fully paid on December 28, 2023.

Unamortized debt issue costs amounted to P1 as at December 31, 2022.

bl. The amount represents the drawdown by SSHCI on various dates in 2023 and 2022 amounting to P4,200 and P15,800, respectively, from its P20,000 term loan facility. The term of the loan is for three years and is subject to a floating interest rate based on BVAL plus margin payable quarterly. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

The drawdown includes payable to BankCom amounting to P1,000 and P790 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P123 and P172 as at December 31, 2023 and 2022, respectively.

bm. The amount represents the drawdown by SMC MRT 7 on various dates in 2023 amounting to P14,300 from the P100,000 OLSA with various banks executed on May 18, 2023. The loan is subject to a floating interest rate and with a term of 15 years. The proceeds were used to finance the MRT 7 Project.

The drawdown includes payable to BankCom amounting to P930 as at December 31, 2023 (Note 33).

Unamortized debt issue costs amounted to P214 as at December 31, 2023.

bn. The amount represents the outstanding balance from the amended ORA executed by MPCL with local banks on January 17, 2023 (the “Amended ORA”) amounting to P8,155. The loan is subject to floating interest rate with maturities up to January 2030. MPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary as allowed under the terms of the agreement.

Payments made amounted to P877 as at December 31, 2023.

The drawdown includes payable to BankCom amounting to P4,389 as at December 31, 2023 (Note 33).

Unamortized debt issue costs amounted to P91 as at December 31, 2023.

bo. The amount represents the drawdown by SMC NAIAX on various dates in 2023 and 2022 amounting to P4,310 from the P5,656 OLSA with various banks dated December 21, 2022. Proceeds of the loan were used to prepay the balance of the 2014 OLSA and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project. The loan is payable in 30 equal quarterly installments commencing on the third month from initial drawdown date. Final repayment date is seven years and six months from the signing date of the OLSA.

The loan is subject to annual repricing from the date of initial drawdown.

Payments made amounted to P416 as at December 31, 2023.

The drawdown includes payable to BankCom amounting to P1,168 and P937 as at December 31, 2023 and 2022, respectively (Note 33).

Unamortized debt issue costs amounted to P42 and P37 as at December 31, 2023 and 2022, respectively.

bp. The amount represents drawdowns by SMYPC of P1,449 and P551 in 2020 and 2019, respectively from its term loan facility amounting to P2,000. The loan is amortized for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

Payments made amounted to P1,413 and P827 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P1 and P3 as at December 31, 2023 and 2022, respectively.

bq. The amount represents drawdown of SMYPC from its term loan facility amounting to P4,000. The term of the loan is for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

Payments made amounted to P3,120 as at December 31, 2022.

The loan was fully paid on July 30, 2023.

Unamortized debt issue costs amounted to P1 as at December 31, 2022.

br. The amount represents total outstanding loan drawn in various tranches by MPCL from its Omnibus Expansion Financing Agreement with various local banks dated December 1, 2015, to finance the construction of the additional 335 MW coal-fired plant within MPCL existing facilities. The loan is divided into fixed interest tranche amounting to US$312 and US$335 as at December 31, 2023 and 2022, respectively, and floating interest tranche based on 6-month SOFR plus margin amounting to US$103 and US$110 as at December 31, 2023 and 2022, respectively. The loan has maturities up to December 15, 2030. On December 16, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced from 5.5959% to 8.331%, pursuant to the terms of the agreement.

Unamortized debt issue costs amounted to P173 and P209 as at December 31, 2023 and 2022, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P57 and P69 as at December 31, 2023 and 2022, respectively, for the floating interest tranche.

bs. The amount represents the drawdowns by Petron in November and December 2022 amounting to US$267 and US$228 loans, respectively, from its US$550 term loan facility. The loan is amortized over five years with a two-year grace period, after which the total principal will be amortized in seven equal semi-annual installments beginning November 8, 2024. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months. The proceeds were used to partially prepay the US$800 term loan facility availed in 2019 and the US$150 term loan availed in 2020.

In 2023, Petron drew a total of additional US$55 to partially prepay JPY15,000 and US$800 term loan facilities.

On February 17, 2023, Petron increased its term loan facility from $550 to US$669 and availed US$88 from the additional US$119 loan facility in May 2023 to fully pre-terminate the US$800 term loan facility. In August 2023, the remaining US$31 was drawn to pay Petron's P7,000 Series B Bonds on October 27, 2023

Unamortized debt issue costs amounted to P797 and P804 as at December 31, 2023 and 2022, respectively.

bt. The amount represents the balance of the US$300 five-year term loan availed in tranches by San Miguel Global Power on March 12, 2021 and June 7, 2021. These were drawn from a Syndication Agreement executed on May 21, 2021 which amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200 to US$300. The loan is subject to floating interest rate based on SOFR plus margin and will mature in March 2026. The proceeds were used as repayment of Facility A Loan that matured on March 12, 2021 and the payment of Series A Bonds in July 2021.

Unamortized debt issue costs amounted to P190 and P272 as at December 31, 2023 and 2022, respectively.

bu. The amount represents the drawdown of San Miguel Global Power on August 26, 2022 from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate based on SOFR plus margin and will mature in August 2027. The proceeds were used for general corporate purposes, including capital expenditures and refinancing of loans, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P362 and P445 as at December 31, 2023 and 2022, respectively.

bv. The amount represents the drawdown of Petron on July 13, 2023 from its term loan facility amounting to US$225. The facility was signed on March 28, 2023, which subsequently increased from US$150 to US$225 on June 8, 2023. The facility is amortized over five years with a two-year grace period, after which the total principal will be amortized in seven equal semi-annual installments beginning on March 28, 2025. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months. Proceeds from the US$225 Facility were used to partially refinance the redemption of US$500 SPCS.

Unamortized debt issue costs amounted to P286 as at December 31, 2023.

bw. The amount represents the drawdown of San Miguel Global Power on January 21, 2022 from its term loan facility amounting to US$200. The initial loan amount under the facility agreement was increased from US$100 to US$200 on December 16, 2021. The term of the loan is for three years and is subject to a floating interest rate based on SOFR plus margin and will mature in September 2024. The proceeds were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P81 and P196 as at December 31, 2023 and 2022, respectively.

bx. The amount represents drawdown by San Miguel Global Power on March 16, 2023 from its term loan facility amounting to US$100. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in September 2024. The proceeds of the loan were used for general corporate purposes, capital expenditures, refinancing of loan, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P50 as at December 31, 2023.

by. The amount represents drawdown by San Miguel Global Power on May 24, 2022 from its term loan facility amounting to US$100. The term of the loan is three years and is subject to a floating interest rate based on SOFR plus margin and will mature in May 2025. The proceeds were used for working capital requirements relating to expansion projects, for general corporate purposes, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P53 and P90 as at December 31, 2023 and 2022, respectively.

bz. The amount represents drawdown by San Miguel Global Power on October 31, 2023 from its term loan facility amounting to US$50. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in April 2025. The proceeds of the loan were used for loan refinancing and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P50 as at December 31, 2023.

ca. The amount represents the drawdown by Petron on April 22, 2020 from its term loan facility amounting to JPY15,000 with various banks. The loan is amortized over five years and is subject to a floating interest rate based on JPY LIBOR plus a spread payable every 1, 3 or 6 months as selected by the borrower. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the TONA as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15,000 facility is based on TONA plus a spread, repriced every 1, 3, or 6 months. The proceeds of the loan were used to partially prepay its US$1,000 term loan facility.

Payments made amounted to JPY8,572 and JPY4,286 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P17 and P46 as at December 31, 2023 and 2022, respectively.

cb. The amount represents the drawdown by SMYA on July 31, 2019 amounting to AU$80 from AU$100 syndicated facility agreement entered into by SMYA on July 23, 2019. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$33 and AU$23 as at December 31, 2023 and 2022, respectively.

Unamortized debt issue costs amounted to P6 and P17 as at December 31, 2023 and 2022, respectively.

cc. The amount represents the drawdown by SMYA on November 11, 2022 amounting to AU$10. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to finance short-term obligations and general corporate purposes.

Payments made amounted to AU$1 as at December 31, 2023.

cd. The amount represents the loan drawn by SMYA on February 25, 2021 amounting to AU$5. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$3 and AU$2 as at December 31, 2023 and 2022, respectively.

ce. The amount represents the balance of the US$700 term loan facility availed by San Miguel Global Power on March 16, 2018. The US$700 term loan facility is divided into Facility A Loan amounting to US$200 maturing on March 12, 2021 and Facility B Loan amounting to US$500 maturing on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

San Miguel Global Power fully paid Facility A Loan and Facility B loan on March 12, 2021 and March 13, 2023, respectively.

The loan was fully paid on March 13, 2023.

Unamortized debt issue costs amounted to P19 as at December 31, 2022.

cf. The amount represents the drawdowns by Petron in May and July 2019, amounting to US$536 and US$264 loans, respectively, from its US$800 term loan facility. The loan is amortized for five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to refinance US dollar-denominated and Peso-denominated bilateral short-term loans, to partially prepay its existing US$1,000 term loan and for general corporate purposes.

Payments made amounted to US$686 as at December 31, 2022.

The loan was fully paid on May 15, 2023.

Unamortized debt issue costs amounted to P72 as at December 31, 2022.

cg. The amount represents the drawdown by San Miguel Global Power on April 12, 2021 from its term loan facility amounting to US$50. The term of the loan is for three years and is subject to a floating interest rate based on LIBOR plus margin.

The proceeds were used to finance the capital expenditures of the Batangas Combined Cycle Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs and expenses of the facility.

The loan was fully paid in October 2023.

Unamortized debt issue costs amounted to P21 as at December 31, 2022.

The gross amount of long-term debt payable to BankCom amounted to P18,694 and P11,703 as at December 31, 2023 and 2022, respectively (Note 33).

The debt agreements contain, among others, covenants relating to merger and consolidation, negative pledge, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group is required to comply with the following financial ratios:

Parent Company	Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) to consolidated total interest expense	Not less than 2.00:1.00
	Consolidated net debt to consolidated total equity	Does not exceed 2.10:1.00
Major subsidiaries:		
Petron	Net leverage	Not to exceed 6.50
	Consolidated gross debt to consolidated net worth	Not to exceed 2.75
San Miguel Global Power	Net debt to equity	Not more than 3.25x
	Interest coverage	Not less than 2.25x
SMFB	Consolidated debt to consolidated equity	Not more than 3.50x
	Consolidated total EBITDA to consolidated interest expense	Not less than 2.00x

The Group is in compliance with the covenants of the debt agreements or obtained the necessary waivers as at December 31, 2023 and 2022.

Long-term debt includes syndicated project finance loans amounting to P138,481 and P146,526 as at December 31, 2023 and 2022, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

The movements in debt issue costs are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P11,507**	P8,511
Additions		**5,525**	6,087
Amortization	*30*	**(3,717)**	(2,824)
Reclassification, capitalized and others		**(65)**	(267)
Balance at end of year		**P13,250**	P11,507

Repayment Schedule
The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2024	P238,332	P1,534	P236,798
2025	120,315	1,398	118,917
2026	166,897	1,746	165,151
2027	196,113	2,073	194,040
2028 and thereafter	482,177	6,499	475,678
Total	**P1,203,834**	**P13,250**	**P1,190,584**

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 39.

22. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	Note	**2023**	2022
Retirement liabilities - noncurrent	*5, 35*	**P10,652**	P9,539
Retention payable - noncurrent		**8,109**	8,210
ARO	*4*	**4,442**	4,264
IRO	*4*	**1,248**	899
Cylinder deposits		**748**	736
Cash bonds		**439**	419
Customers' deposits	*39, 40*	**381**	343
Derivative liabilities - noncurrent	*4, 39, 40*	**269**	-
MRO and decommissioning	*4, 5*	**103**	100
Obligation to ROP - service concession agreement	*4, 34*	**46**	43
Amounts owed to related parties	*33*	**2**	1
Others	*5*	**2,306**	1,590
	39, 40	**P28,745**	P26,144

"Others" include deferred rent income and liability to contractor and supplier.

23. Income Taxes

The components of income tax expense are shown below:

	2023	2022	2021
Current	**P21,678**	P19,442	P14,258
Deferred	**6,730**	(6,125)	3,535
	P28,408	P13,317	P17,793

The movements of deferred tax assets and liabilities are accounted for as follows:

2023	**Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at December 31**
Allowance for impairment losses on trade and other receivables and inventory	**P2,017**	**P92**	**P -**	**(P1)**	**P2,108**
MCIT	**808**	**366**	**-**	**-**	**1,174**
NOLCO	**14,816**	**7,855**	**-**	**-**	**22,671**
Undistributed net earnings of foreign subsidiaries	**(846)**	**-**	**-**	**-**	**(846)**
Leases	**(22,404)**	**(105)**	**-**	**(1,757)**	**(24,266)**
Unrealized intercompany charges and others	**1,866**	**(14,938)**	**614**	**1,747**	**(10,711)**
	(P3,743)	**(P6,730)**	**P614**	**(P11)**	**(P9,870)**

2022	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade and other receivables and inventory	P2,752	(P742)	P9	(P2)	P2,017
MCIT	1,045	(237)	-	-	808
NOLCO	8,374	6,442	-	-	14,816
Undistributed net earnings of foreign subsidiaries	(846)	-	-	-	(846)
Leases	(19,044)	(3,344)	-	(16)	(22,404)
Unrealized intercompany charges and others	(3,882)	4,006	1,906	(164)	1,866
	(P11,601)	P6,125	P1,915	(P182)	(P3,743)

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	**2023**	2022
Deferred tax assets	*4*	**P19,633**	P22,554
Deferred tax liabilities		**(29,503)**	(26,297)
		(P9,870)	(P3,743)

As at December 31, 2023, the NOLCO of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statement of financial position, that can be claimed as deduction from future taxable income are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**
2020	December 31, 2025	**P5,414**
2021	December 31, 2026	**544**
2022	December 31, 2025	**3,320**
2023	December 31, 2026	**27,560**
		P36,838

As at December 31, 2023, the MCIT of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statement of financial position, that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	MCIT
2021	December 31, 2024	**P92**
2022	December 31, 2025	**94**
2023	December 31, 2026	**988**
		P1,174

As at December 31, 2023 and 2022, deferred tax assets in respect of NOLCO and others amounting to P14,284 and P9,580, respectively, has not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

For taxable years 2023 and 2022, the expiration period of NOLCO reverted to three years.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Impact of change in tax rate	**-**	-	(5.47%)
Interest income subject to final tax	**(4.80%)**	(4.43%)	(1.36%)
Equity in net earnings of associates and joint ventures	**(0.59%)**	(0.75%)	(0.39%)
Gain on sale of investments subject to final or capital gains tax	**(0.03%)**	(0.46%)	(0.06%)
Others, mainly income subject to different tax rates - net	**19.28%**	13.87%	9.26%
Effective income tax rate	**38.86%**	33.23%	26.98%

RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. The rate of MCIT reverted to 2% based on gross income starting July 1, 2023. Accordingly, current and deferred taxes as at and for the year ended December 31, 2023 and 2022 were computed and measured using the applicable income tax rates. MCIT was computed using 1.5% and 1% tax rates in 2023 and 2022, respectively.

24. Equity

a. Amendments to the Articles of Incorporation

On July 23, 2009, during the annual stockholders' meeting of the Parent Company, the stockholders approved the amendments to the Articles of Incorporation for the declassification of the common shares of the Parent Company. The authorized capital stock of the Parent Company amounting to P22,500 was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares with a par value of P5.00 per share and 1,110,000,000 Series "1" Preferred Shares with a par value of P5.00 per share, and defined the terms and features of the Series "1" Preferred Shares. The SEC approved the amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Parent Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Parent Company, to increase the authorized capital stock of the Parent Company from P22,500 to P30,000 as follows: (a) the increase in the number of the common shares from 3,390,000,000 common shares to 3,790,000,000, or an increase of 400,000,000 common shares; and (b) the creation and issuance of 1,100,000,000 Series "2" Preferred Shares with a par value of P5.00 per share.

On September 21, 2012, the SEC approved the amendment to the Articles of Incorporation of the Parent Company to increase the authorized capital stock, and consequently creating the Series "2" Preferred Shares.

On June 9, 2015, during the annual stockholders meeting of the Parent Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares, consisting of 691,099,686 Series "1" preferred treasury shares to Series "2" preferred treasury shares and 118,900,314 Series "1" preferred unissued shares to Series "2" preferred unissued shares. With the approved reclassification, the resulting distribution of the preferred shares of the Parent Company was 300,000,000 for Series "1" Preferred Shares and 1,910,000,000 for Series "2" Preferred Shares. The stockholders also approved the issuance of the Series "2" Preferred Shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares was approved by the SEC on July 14, 2015.

b. Capital Stock

Common Shares

On July 27, 2010, the BOD of the Parent Company approved the offer to issue approximately 1,000,000,000 common shares (from the unissued capital stock and treasury shares) at a price of not less than P75.00 per share.

Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company were declassified and are considered as common shares without distinction, as approved by the SEC. Both are available to foreign investors, subject to the foreign ownership limit.

The Parent Company has a total of 33,379 and 33,653 common shareholders as at December 31, 2023 and 2022, respectively.

The number of issued and outstanding shares of common stock are as follows:

	2023	2022	2021
Issued shares	**3,288,649,125**	3,288,649,125	3,288,649,125
Less treasury shares	**904,752,537**	904,752,537	904,752,537
Issued and outstanding shares	**2,383,896,588**	2,383,896,588	2,383,896,588

Preferred Shares

i. Series "1" Preferred Shares

Series "1" Preferred Shares have a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the BOD of the Parent Company at a fixed rate of 8% per annum calculated in respect of each Series "1" Preferred Share by reference to the Issue Price thereof in respect of each dividend period.

Series "1" Preferred Shares are non-voting except as provided for under the Corporation Code. The Series "1" Preferred Shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the residual assets of the Parent Company, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series "1" Preferred Shares. The exchange ratio was one common share for one Series "1" preferred share and the qualified shareholders of record as at July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class "A" common shares and 396,876,601 Class "B" common shares for Series "1" Preferred Shares.

On October 15, 2009, the BOD of the Parent Company approved the issuance, through private placement, of up to 226,800,000 Series "1" Preferred Shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series "1" Preferred Shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series "1" preferred share.

On December 8, 2010 and October 3, 2011, the Parent Company listed 873,173,353 and 97,333,000 Series "1" Preferred Shares worth P65,488 and P7,300, respectively.

On August 13, 2012, the BOD of the Parent Company approved the redemption of Series "1" Preferred Shares at a redemption price of P75.00 per share.

On October 5, 2012, 970,506,353 Series "1" Preferred Shares were reverted to treasury.

On April 14, 2015, the Parent Company reissued 279,406,667 Series "1" Preferred Shares held in treasury in the name of certain subscribers at P75.00 per share. The Series "1" Preferred Shares became tradable at the PSE beginning June 10, 2015.

On March 12, 2020, the BOD of the Parent Company approved the redemption of Series "1" Preferred Shares at a redemption price of P75.00 per share.

On April 14, 2020, 279,406,667 Series "1" Preferred Shares were reverted to treasury.

The Parent Company has 279,406,667 Series "1" Preferred Shares held in treasury as at December 31, 2023 and 2022.

The Parent Company has no outstanding Series "1" Preferred Shares as at December 31, 2023 and 2022.

ii. Series “2” Preferred Shares

Subseries 2-A, Subseries 2-B and Subseries 2-C
In September 2012, the Parent Company issued 1,067,000,000 Series “2” Preferred Shares at the issue price of P75.00 per share. The said Series “2” Preferred Shares worth P80,025 were listed at the PSE on September 28, 2012. The SEC approved the registration and issued a permit to sell on August 10, 2012.

The Series “2” Preferred Shares were issued in three subseries (Subseries “2-A”, Subseries “2-B” and Subseries “2-C”) and are Peso-denominated, perpetual, cumulative, non-participating and non-voting.

The Parent Company has the redemption option starting on the third, fifth and seventh year and every dividend payment thereafter, with a “step-up” rate effective on the 5th, 7th and 10th year, respectively, if the shares are not redeemed. Dividend rates are 7.500%, 7.625%, and 8.000% per annum for Subseries “2-A”, Subseries “2-B” and Subseries “2-C” Preferred Shares, respectively.

On September 21, 2015, the Parent Company redeemed its 721,012,400 Series “2” Preferred Shares - Subseries “2-A” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P54,076 to the holders of Subseries “2-A” Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 20, 2015.

On September 23, 2019, the Parent Company redeemed its 90,428,200 Series “2” Preferred Shares - Subseries “2-B” at a redemption price of P75.00 per share. The Parent Company paid P6,782 to the holders of Subseries “2-B” Preferred Shares. The redemption was approved by the BOD of the Parent Company on September 12, 2019.

On September 21, 2021, the Parent Company redeemed its outstanding 255,559,400 Series “2” Preferred Shares - Subseries “2-C” at a redemption price of P75.00 per share. The Parent Company paid P19,167 to the holders of Subseries “2-C” Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

As at December 31, 2023, there are no more outstanding Series “2” Preferred Shares out of the 1,067,000,000 Series “2” Preferred Shares subject of the SEC’s permit to sell on August 10, 2012 and listed at the PSE on September 28, 2012.

Subseries 2-D, Subseries 2-E and Subseries 2-F
On September 21, 2015, the Parent Company issued and listed at the PSE 446,667,000 Series “2” Preferred Shares held in treasury in three subseries (Subseries “2-D”, Subseries “2-E” and Subseries “2-F”) and are Peso-denominated, perpetual, cumulative, non-participating and non-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries “2-D”, Subseries “2-E” and Subseries “2-F” Preferred Shares, respectively. The SEC approved the registration and issued a permit to sell on August 6, 2015.

On September 21, 2020, the Parent Company redeemed its 89,333,400 Series "2" Preferred Shares - Subseries "2-D" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P6,700 to the holders of Subseries "2-D" Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 6, 2020.

On September 21, 2021, the Parent Company redeemed its 134,000,100 Series "2" Preferred Shares - Subseries "2-E" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P10,050 to the holders of Subseries "2-E" Preferred Shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

The Subseries "2-F" Preferred Shares include 1,333,500 shares amounting to P100 held by a subsidiary, which were reclassified to Treasury shares upon consolidation of the subsidiary on December 14, 2022 (Note 5).

As at December 31, 2023, only the Subseries "2-F" Preferred Shares remain outstanding out of the 446,667,000 Series "2" Preferred Shares subject of the SEC's permit to sell on August 6, 2015 and listed at the PSE on September 21, 2015.

Subseries 2-G, Subseries 2-H and Subseries 2-I
On February 24, 2016, the BOD of PSE approved the listing application of the Parent Company of up to 975,571,800 shares of Series "2" Preferred Shares under shelf registration (the Shelf Registered Shares) and the offering of up to 400,000,000 shares of Series "2" Preferred Shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved the Shelf Registered Shares and issued a permit to sell on March 8, 2016.

The Parent Company offered the "First Tranche" of up to: (i) 280,000,000 shares of Series "2" Preferred Shares consisting of Subseries "2-G", Subseries "2-H" and Subseries "2-I" and (ii) 120,000,000 shares of Series "2" Preferred Shares to cover the oversubscription option. The First Tranche was re-issued and offered from the Series "2" Preferred Shares Subseries held in treasury. The First Tranche was issued on March 30, 2016 which was also the listing date of the Shelf Registered Shares.

Dividend rates are 6.5793%, 6.3222% and 6.3355% per annum for Subseries "2-G", Subseries "2-H" and Subseries "2-I" Preferred Shares, respectively.

Following the completion of the Parent Company's follow-on offering of 280,000,000 Series "2" Preferred Shares, with an oversubscription option of 120,000,000 Series "2" Preferred Shares, the Parent Company re-issued the Series "2" Preferred Shares held in treasury, as follows: (i) 244,432,686 Series "2" Preferred Shares; and (ii) 155,567,314 Subseries "2-A" Preferred Shares (collectively, the "Offer Shares"). The Series "2" Preferred Shares were Series "1" Preferred Shares held in treasury that were reclassified to Series "2" Preferred Shares on June 9, 2015.

The remaining 575,571,800 Shelf Registered Shares were no longer be issued due to the expiration of the shelf registration, which is a period of three years from the date of approval.

On March 30, 2021, the Parent Company redeemed its 66,666,600 Series "2" Preferred Shares - Subseries "2-G" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P5,000 to the holders of Subseries "2-G" Preferred Shares. The redemption was approved by the BOD of the Parent Company on March 11, 2021.

On December 21, 2022, the Parent Company redeemed its 164,000,000 Series "2" Preferred Shares - Subseries "2-H" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P12,300 to the holders of Subseries "2-H" Preferred Shares. The redemption was approved by the BOD of the Parent Company on September 22, 2022.

As at December 31, 2023, only the Subseries "2-I" Preferred Shares remain outstanding out of the 400,000,000 shelf-registered Series "2" Preferred Shares subject of the SEC's permit to sell on March 8, 2016 and listed at the PSE on March 30, 2016.

Subseries 2-J and Subseries 2-K
On September 30, 2020, the BOD of PSE approved the listing application of the Parent Company of up to 533,333,334 Series "2" Preferred Shares under shelf registration (the Shelf Registered Shares) and the offering of up to 266,666,667 Series "2" Preferred Shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on October 9, 2020 and issued a permit to sell the First Tranche on the same date.

The Parent Company offered the First Tranche consisting of: (i) 133,333,400 Subseries "2-J" Preferred Shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries "2-J" Preferred Shares at an offer price of P75.00 per share. The First Tranche consisting of 266,666,667 Subseries "2-J" Preferred Shares was issued on October 29, 2020, which was also the date when the First Tranche was listed at the PSE.

The Parent Company offered a Second Tranche of the Shelf Registered Shares, consisting of (i) 133,333,400 Subseries "2-K" Preferred Shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries "2-K" Preferred Shares at an offer price of P75.00 per share. The Second Tranche consisting of 183,904,900 Subseries "2-K" was issued and listed at the PSE on December 10, 2020.

The First and Second Tranche were re-issued and offered from the Subseries "2-A" Preferred Shares held in treasury.

Dividend rates are 4.75% and 4.50% per annum for Subseries "2-J" and Subseries "2-K" Preferred Shares, respectively.

Subseries 2-M
On August 23, 2023, the Parent Company issued via private placement 173,333,325 Subseries "2-M" Preferred Shares at an offer price of P75.00 per share, with a fixed dividend rate of 8.375% per annum. Subseries "2-M" Preferred Shares were listed at the PSE on August 29, 2023. The Subseries "2-M" Preferred Shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC.

Subseries 2-L, Subseries 2-N and Subseries 2-O
On October 17, 2023, the BOD of PSE approved the shelf registration application of the Parent Company of up to 866,666,700 Series "2" cumulative, non-voting, non-participating, non-convertible, redeemable and re-issuable (the Shelf Registered Shares) and with an offer Supplement for the First Tranche of 400,000,000 Series "2-L", Series "2-N" and Series "2-O" Preferred Shares (the "Base Offer Shares") and an Over-subscription Option of up to 266,666,700 Series "2-L", Series "2-N" and Series "2-O" Preferred Shares, with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on November 9, 2023 and issued a permit to sell the First Tranche on the same date.

On December 1, 2023, the First Tranche consisting of 165,358,600 Subseries "2-L" Preferred Shares, 100,115,100 Subseries "2-N" Preferred Shares, and 187,859,700 Subseries "2-O" Preferred Shares was issued and listed at the PSE.

Dividend rates are 7.9145%, 8.3466% and 8.5936% per annum for Subseries "2-L", Subseries "2-N" and Subseries "2-O" Preferred Shares, respectively.

The Parent Company has 288,194,494 and 916,194,719, including the 1,333,500 preferred shares held by a subsidiary (Note 5), Series "2" Preferred Shares held in treasury as at December 31, 2023 and 2022, respectively.

The Parent Company has 1,469,905,192 and 843,238,467 outstanding Series "2" Preferred Shares as at December 31, 2023 and 2022, respectively.

The Parent Company has a total of 277 and 251 preferred shareholders as at December 31, 2023 and 2022, respectively.

c. Treasury Shares

Treasury shares consist of:

	2023	2022	2021
Common	**P67,093**	P67,093	P67,093
Preferred	**42,670**	89,670	77,270
	P109,763	P156,763	P144,363

Common Shares

The Parent Company has 904,752,537 common shares held in treasury as at December 31, 2023, 2022 and 2021.

1. In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series "1" Preferred Shares of the Coconut Industry Investment Fund (CIIF) companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

   On October 5, 2016, the Supreme Court of the Philippines in G.R. Nos. 177857-58 and 178193 issued a Judgment denying the "Manifestation and Omnibus Motion" filed by the Presidential Commission on Good Government to amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 CIIF Block of SMC Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government. The denial of the motion is without prejudice to the right of the ROP to file the appropriate action or proceeding to determine the legal right of the Parent Company to the 25,450,000 treasury shares of the Parent Company. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the ROP. To date, no such further action or proceeding has been filed by the ROP relating to the 25,450,000 Treasury Shares of the Parent Company.

2. In 2009, 873,173,353 common shares reverted to treasury were acquired through the exchange of common shares to preferred shares, on a one-for-one basis, at P75.00 per share amounting to P65,488.

3. On May 5, 2011, the Parent Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Parent Company consisting of 27,580,000 common shares from the treasury shares of the Parent Company and 82,740,000 SMC common shares held by Top Frontier, priced at P110.00 per share.

4. Also on May 5, 2011, US$600 worth of exchangeable bonds of the Parent Company sold to overseas investors were simultaneously listed at the Singapore Exchange Securities Trading Limited (SGX-ST). The exchangeable bonds have a maturity of three years, a coupon of 2% per annum and a conversion premium of 25% of the offer price. The exchangeable bonds are exchangeable for common shares to be re-issued from the treasury shares of the Parent Company. The initial exchange price for the exchange of the exchangeable bonds into common shares is P137.50 per share.

On December 5, 2011, 765,451 common shares were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at an exchange price of P113.24 per share. Subsequently on December 8, 2011 and February 10 and 16, 2012, the delivered common shares of stock of the Parent Company were transacted and crossed at the PSE via a special block sale in relation to the issuance of common shares pursuant to the US$600 exchangeable bonds of the Parent Company.

In 2014, 2013 and 2012, additional 1,077,573, 6,540,959 and 1,410,604 common shares, respectively, were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at exchange prices ranging from P80.44 to P113.24 per share. The additional common shares of stock of the Parent Company were transacted and crossed at the PSE on various dates via special block sales.

A total of 9,794,587 common shares were issued to the bondholders of the Parent Company's exchangeable bonds as at December 31, 2014.

5. In 2014 and 2013, 68,150 common shares and 3,410,250 common shares, respectively, under the Parent Company's Employee Stock Purchase Plan (ESPP) were cancelled and held in treasury shares.

   In 2016, the Parent Company discontinued the ESPP.

d. Capital Securities

SPCS

On December 5, 2019, the BOD approved the establishment of a medium term note programme amounting to US$3,000 (the "Programme"), and the issuance of US$500 perpetual securities out of the Programme. The Programme and the initial issuance of perpetual securities were both registered at the SGX-ST.

The Programme will be available for a medium term and will allow the Parent Company to tap the financial market for funding through the issuance of securities, including but not limited to corporate notes, bonds, and perpetual securities and other similar instruments at different currencies (other than Philippine peso). The establishment of the Programme will give the Parent Company ready access to funding and will give the Parent Company the flexibility to fund its contemplated investments and projects such as the MRT 7 construction, the MIA, as well as the refinancing of its existing obligations and for other general corporate purposes. All instruments and securities that will be issued out of the Programme shall be exempt securities and shall not be required to be registered with the PSE.

On July 29, 2020, the Parent Company issued US$500 (P24,595) SPCS at an issue price of 100%, with a rate of distribution of 5.5% per annum, payable every January 29 and July 29 of each year. The securities were issued under the Programme. The net proceeds were used to finance investments and various projects, to refinance existing obligations and for general corporate purposes.

RPS

On various dates in June and July 2020, the Parent Company issued a total of P14,810 RPS (including P4,000 RPS issued to a related party) at an issue price of 100%, with a rate of distribution of 5% per annum.

On September 29 and October 19, 2020, the Parent Company purchased and cancelled a total of P10,810 RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by the Parent Company to purchase the RPS.

The P4,000 RPS issued to a related party, with a distribution rate of 5% per annum, is payable every January 1, April 1, July 1 and October 1 of each year.

On May 25, 2023, the Parent Company purchased the P4,000 RPS issued to a related party at an amount equivalent to its face value. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

On August 4, 2020, the Parent Company issued US$100 (P4,909) RPS to a related party at an issue price of 100%, with a rate of distribution of 2.5% per annum, payable every February 5, May 5, August 5 and November 5 of each year.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears. The Parent Company has the right to defer this distribution under certain conditions.

The net proceeds of RPS were used by the Parent Company for general corporate purposes.

The amount of RPS presented in the consolidated financial statements was net of the RPS issued to related parties amounting to US$100 (P4,909) in 2023 and 2022 and P4,000 in 2022 (Note 5).

e. Unappropriated Retained Earnings

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 in 2023, 2022 and 2021, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

f. Appropriated Retained Earnings

The BOD of certain subsidiaries approved additional appropriations amounting to P34,817, P23,602 and P29,112 in 2023, 2022 and 2021, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P18,651, P19,228 and P22,637 in 2023, 2022 and 2021, respectively.

g. Non-controlling Interests

Non-controlling interests consist of:

	2023	2022
Capital securities of subsidiaries	**P189,484**	P214,365
Share in the net assets of subsidiaries	**116,353**	110,383
Preferred shares of subsidiaries	**43,108**	29,611
	P348,945	P354,359

The following are the developments relating to the capital securities and preferred shares of subsidiaries:

Energy

- San Miguel Global Power

  a) Issuance of SPCS

  San Miguel Global Power has the following US dollar-denominated SPCS issued and listed at the SGX-ST:

Date of Issuance	Initial Rate of Distribution Per Annum	Issued Amount		Balance as at December 31, 2023	
April 25 and July 3, 2019	6.50%	US$800	P41,050	US$783	P40,187
November 5, 2019	5.95%	500	24,837	492	24,445
January 21, 2020 October 21 and	5.70%	600	30,171	593	29,836
December 15, 2020	7.00%	750	36,141	724	34,884
June 9 and September 15, 2021	5.45%	750	35,568	684	32,416
		US$3,400	**P167,767**	**US$3,276**	**P161,768**

The holders of the SPCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. San Miguel Global Power has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of San Miguel Global Power with no fixed redemption date. The SPCS are redeemable in whole, but not in part, at the option of San Miguel Global Power, on step-up date or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the SPCS plus any accrued, unpaid or deferred distribution.

The net proceeds from the issuance of SPCS in 2019 were used for the redemption of the US$300 USCS in November 2019, repayment of indebtedness, capital expenditures and investments in power-related assets, the development of the BESS projects and general corporate purposes.

The net proceeds in 2020 were used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

The net proceeds in 2021 were used primarily for investments in the 1,320 MW BCCPP and related assets or for general corporate purposes.

b) Repurchase of SPCS

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US dollar-denominated SPCS listed at the SGX-ST to purchase for cash said SPCS up to a total aggregate principal amount of US$400. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which San Miguel Global Power accepted for purchase from such security holders were paid the applicable purchase price amounting to US$81 (P4,703, inclusive of transaction costs of P25) and the relevant accrued distribution amounting to US$2 (P102) on November 9, 2022.

The difference between the price paid and the net carrying value of the SPCS repurchased amounting to P1,297, net of transaction costs, was recognized as part of "Equity reserves" account in the consolidated statements of financial position.

The payment for the repurchased SPCS was funded by San Miguel Global Power's issuance of RPS to SMC.

c) Redemption of USCS

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 (P14,582) USCS issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the settlement amount and the carrying amount of the USCS amounting to P758 was recognized as part of "Equity reserves" account in the consolidated statements of financial position.

The US$300 USCS were redeemed using in part the proceeds of the US$350 SPCS issued on December 15, 2020.

Fuel and Oil

- Petron

a) Issuance of SPCS

On April 19, 2021, Petron issued US$550 (P26,231) SPCS at an issue price of 100%, with an initial rate of distribution of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

b) Redemption of SPCS

On January 19, 2023, Petron redeemed US$22 (P1,118) from US$500 SPCS issued in 2018 at a purchase price of US$927.00 per US$1,000.00 in principal amount.

On July 19, 2023, the remaining outstanding SPCS with an aggregate amount of US$478 (P23,763) was fully redeemed at a purchase price of US$1,000.00 per US$1,000.00 in principal amount. Following such redemption, distributions ceased to accrue and the redeemed securities were cancelled and delisted from the SGX-ST.

The difference between the price paid and the net carrying amount of the SPCS redeemed was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at December 31, 2023.

c) Redemption of Series 2B Preferred Shares

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The redemption was approved by the BOD of Petron on March 9, 2021.

d) Issuance of Series 4 Preferred Shares

On July 7, 2023, Petron issued and listed at the PSE 5,000,000 Series 4A, 2,995,000 Series 4B, and 6,005,000 Series 4C Preferred Shares (inclusive of the oversubscription of 1,500,000 shares) under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 per preferred share or for a total amount of P14,000. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the SEC on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares. The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US$478 SPCS issued in 2018.

Petron has the redemption option starting on the second and half, third and fifth year or on any dividend payment date thereafter for Series 4A, Series 4B and Series 4C Preferred Shares, respectively. Dividend rates are 6.7079%, 6.7972%, 7.0861% per annum for Series 4A, Series 4B and Series 4C Preferred Shares, respectively.

The details of material share in the net assets of subsidiaries are as follows:

	December 31, 2023		December 31, 2022	
	Petron	**SMFB**	Petron	SMFB
Percentage of non-controlling interests	**31.74%**	**11.24%**	31.74%	11.24%
Carrying amount of non-controlling interests	**P15,462**	**P70,402**	P15,964	P65,539
Net income attributable to non-controlling interests	**P1,836**	**P17,636**	P1,157	P14,868
Other comprehensive income (loss) attributable to non-controlling interests	**(P1,068)**	**(P545)**	P741	P206
Dividends paid to non-controlling interests	**P510**	**P12,229**	P177	P10,260

The following are the audited condensed financial information of subsidiaries with material non-controlling interests:

	December 31, 2023		December 31, 2022	
	Petron	**SMFB**	Petron	SMFB
Current assets	**P233,007**	**P135,889**	P243,287	P132,957
Noncurrent assets	**210,897**	**219,886**	216,784	206,521
Current liabilities	**(234,729)**	**(103,008)**	(227,555)	(90,070)
Noncurrent liabilities	**(109,540)**	**(83,652)**	(118,966)	(90,335)
Net Assets	**P99,635**	**P169,115**	P113,550	P159,073
Sales	**P801,027**	**P379,822**	P857,638	P358,853
Net income	**P10,134**	**P38,105**	P6,697	P34,665
Other comprehensive income (loss)	**(2,489)**	**(1,672)**	1,721	326
Total Comprehensive Income	**P7,645**	**P36,433**	P8,418	P34,991
Cash flows provided by (used in) operating activities	**P19,204**	**P76,831**	(P22,674)	P39,811
Cash flows used in investing activities	**(6,438)**	**(27,690)**	(2,382)	(35,425)
Cash flows provided by (used in) financing activities	**(21,753)**	**(33,194)**	22,807	(5,698)
Effect of exchange rate changes on cash and cash equivalents	**(677)**	**(39)**	3,026	830
Net increase (decrease) in cash and cash equivalents	**(P9,664)**	**P15,908**	P777	(P482)

25. Sales

Sales consist of:

	Note	**2023**	2022	2021
Goods		**P1,408,087**	P1,472,886	P918,118
Services		**38,616**	33,705	23,075
	6, 33	**P1,446,703**	P1,506,591	P941,193

26. Cost of Sales

Cost of sales consist of:

	Note	**2023**	2022	2021
Inventories	*9, 40*	**P929,217**	P1,021,867	P524,350
Taxes and licenses		**115,944**	106,351	90,305
Depreciation and amortization	*28*	**43,390**	37,846	33,548
Power purchases	*34*	**25,250**	57,089	20,557
Fuel and oil		**21,850**	23,212	12,671
Personnel	*29*	**15,347**	12,791	10,049
Contracted services		**14,932**	12,794	15,144
Freight, trucking and handling		**13,728**	12,367	7,096
Communications, light and water		**9,846**	4,406	6,257
Repairs and maintenance		**7,614**	5,328	5,017
Tolling fees	*34*	**5,825**	6,692	6,816
Energy fees	*34*	**1,641**	10,452	17,762
Rent		**839**	879	596
Others	*9, 34*	**2,987**	2,533	847
		P1,208,410	P1,314,607	P751,015

27. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2023	2022	2021
Selling	**P46,871**	P43,469	P37,177
Administrative	**46,937**	40,503	40,814
	P93,808	P83,972	P77,991

Selling expenses consist of:

	Note	2023	2022	2021
Personnel	*29*	**P13,769**	P12,454	P8,218
Freight, trucking and handling		**9,833**	10,247	9,387
Depreciation and amortization	*28*	**7,611**	6,801	5,698
Advertising and promotions		**7,015**	5,885	5,586
Rent		**2,179**	2,017	1,633
Repairs and maintenance		**2,171**	1,783	1,534
Supplies		**1,219**	916	740
Taxes and licenses		**1,056**	949	836
Travel, entertainment and representation		**870**	685	440
Professional fees		**575**	561	540
Communications, light and water		**491**	717	485
Others		**82**	454	2,080
		P46,871	P43,469	P37,177

Administrative expenses consist of:

	Note	2023	2022	2021
Personnel	*29*	**P22,373**	P19,845	P23,660
Depreciation and amortization	*28*	**4,856**	4,595	4,802
Travel, entertainment and representation		**4,680**	3,119	2,605
Taxes and licenses		**4,673**	3,845	3,488
Professional fees		**2,899**	2,605	2,451
Repairs and maintenance		**1,908**	1,855	1,576
Supplies		**945**	916	934
Communications, light and water		**930**	948	957
Rent		**478**	408	534
Impairment loss (reversal of impairment loss)	*8, 9, 13, 15, 18*	**319**	115	(455)
Research and development		**80**	45	38
Others	*34*	**2,796**	2,207	224
		P46,937	P40,503	P40,814

28. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	**2023**	2022	2021
Cost of sales:				
Property, plant and equipment	*13*	**P27,091**	P22,435	P18,800
Other intangible assets	*17*	**7,813**	7,178	5,963
Right-of-use assets	*14*	**3,950**	4,532	5,571
Biological assets and others	*15, 16, 18*	**4,536**	3,701	3,214
	26	**43,390**	37,846	33,548
Selling and administrative expenses:				
Property, plant and equipment	*13*	**5,076**	4,743	5,106
Right-of-use assets	*14*	**949**	1,082	953
Investment property, deferred containers and others	*15, 17, 18*	**6,442**	5,571	4,441
	27	**12,467**	11,396	10,500
		P55,857	P49,242	P44,048

"Others" include depreciation of investment property and amortization of catalyst in cost of sales, and depreciation of idle assets and amortization of computer software and licenses in selling and administrative expenses.

29. Personnel Expenses

Personnel expenses consist of:

	Note	**2023**	2022	2021
Salaries and wages		**P29,863**	P26,543	P23,026
Retirement costs	*35*	**1,784**	2,028	3,443
Other employee benefits		**19,842**	16,519	15,458
		P51,489	P45,090	P41,927

Personnel expenses are distributed as follows:

	Note	**2023**	2022	2021
Cost of sales	*26*	**P15,347**	P12,791	P10,049
Selling expenses	*27*	**13,769**	12,454	8,218
Administrative expenses	*27*	**22,373**	19,845	23,660
		P51,489	P45,090	P41,927

30. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	**2023**	2022	2021
Interest expense		**P83,083**	P54,269	P42,891
Other financing charges	*21, 35*	**8,220**	6,526	6,374
		P91,303	P60,795	P49,265

Amortization of debt issue costs included in "Other financing charges" amounted to P3,755, P2,824 and P2,630 in 2023, 2022 and 2021, respectively (Note 21).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	Note	**2023**	2022	2021
Loans payable	*19*	**P15,400**	P7,718	P3,737
Long-term debt	*21*	**63,911**	41,766	33,097
Lease liabilities	*14, 34*	**3,772**	4,785	6,057
		P83,083	P54,269	P42,891

31. Interest Income

Interest income consists of:

	Note	**2023**	2022	2021
Interest from short-term investments, cash in banks and others	*7, 12, 35*	**P13,206**	P6,761	P3,291
Interest on amounts owed by related parties	*12, 33, 35*	**821**	347	300
		P14,027	P7,108	P3,591

32. Other Income (Charges)

Other income (charges) consists of:

	Note	**2023**	2022	2021
Construction revenue (a)	*4, 17, 34*	**P60,606**	P60,461	P29,769
Gain (loss) on foreign exchange - net	*39*	**2,485**	(21,518)	(4,846)
Miscellaneous gain (b)	*5, 43*	**2,291**	22	170
Dividend income (c)	*12*	**25**	1,352	2,674
Provision on impairment (d)	*8, 11, 13, 17, 18*	**(780)**	(1,111)	(449)
Gain (loss) on derivatives - net	*40*	**(1,379)**	2,920	285
Construction costs (a)	*4, 17, 34*	**(60,606)**	(60,461)	(29,769)
Others - net (e)	*4 ,34*	**1,444**	2,157	398
		P4,086	(P16,178)	(P1,768)

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

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

b. Miscellaneous gain represents the income recognized in 2023 by GSMI from the assignment of products rights amounting to P1,530, income recognized by the Group from the Tax Credit Certificates (TCC) issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light (Note 43) amounting to P761 and P162 in 2023 and 2021, respectively, and the gain recognized from the consolidation of Mema in 2022 amounting to P22.

c. In 2021, the Parent Company received US$32 (P1,594) as dividend from its investment in redeemable preferred shares of stock of Carmen Red Ltd., which was redeemed on December 28, 2021.

d. *Australian Packaging Operations*. The Group's packaging operations in Australia particularly the wine filling and bottling operations is being challenged by the ongoing restrictions imposed by China on importations from Australia, including wines. In 2021, China imposed a punitive tariff on Australian wines which severely impacted the Australian wine industry. The ongoing trade restriction and the lingering effect of COVID-19 led to the decline in demand for products of SMYA compared to forecasted revenues. Management has determined that the carrying amount of the cash generating unit is higher than the recoverable value. Accordingly, impairment loss of P188 and P789 in 2023 and 2022, respectively, were recognized by SMYA.

   Advances for Investments. As discussed in Note 12, SMPI made advances to future investees that will be applied against future stock subscriptions. Management assessed that the carrying amount of advances for investments may not be recoverable in full. Accordingly, additional impairment losses amounting to P498 and P241 were recognized in 2023 and 2022, respectively.

   La Pacita Biscuit Operations. As discussed in Notes 10 and 17, Magnolia ceased the operation of La Pacita biscuit on October 17, 2021. Impairment loss was recognized amounting to P386 in 2021 to reduce the carrying amount of trademark to recoverable amount.

e. "Others" consist of rent income, commission income, changes in fair value of financial assets at FVPL, gain on settlement of ARO, insurance claims, casualty loss, loss on retirement of breeding stocks and expenses of closed facilities.

33. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at December 31:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	*8, 36*	**2023**	**P8**	**P -**	**P -**	**P515**	On demand; non-interest bearing	Unsecured
		2022	11	-	-	515		
	18	**2023**	**-**	**-**	**3,037**	**-**	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing	Unsecured; no impairment
		2022	-	-	3,037	-		
Retirement Plans	*8, 35*	**2023**	**29**	**-**	**3,332**	**-**	On demand; non-interest bearing	Unsecured; no impairment
		2022	23	-	3,480	-		
	8, 31, 35	**2023**	**239**	**-**	**4,129**	**9**	On demand; interest bearing	Unsecured; no impairment
		2022	246	-	4,127	-		
Associates	*8, 18, 20, 22*	**2023**	**2,466**	**-**	**1,119**	**73**	On demand; non-interest bearing	Unsecured; no impairment
		2022	1,970	11	888	74		
	8, 10, 12, 18, 19, 21, 31	**2023**	**469**	**-**	**4,288**	**25,076**	Less than 1 to 12 years; interest bearing	Unsecured; secured; no impairment
		2022	6	-	12,346	19,875		
Joint Ventures	*8,18, 20, 22*	**2023**	**74**	**65**	**197**	**18**	On demand; non-interest bearing	Unsecured; no impairment
		2022	63	471	117	17		
	8	**2023**	**40**	**-**	**621**	**-**	On demand; interest bearing	Unsecured; with impairment
		2022	-	-	621	-		
	8, 18, 31	**2023**	**77**	**-**	**1,479**	**-**	Less than 1 to 10.5 years; interest bearing	Unsecured; no impairment
		2022	59	-	1,135	-		
Shareholder of the Ultimate Parent Company	*8, 20*	**2023**	**-**	**-**	**1,300**	**-**	On demand; Non-interest bearing	Unsecured; no impairment
Shareholders in Subsidiaries	*8, 20*	**2023**	**30**	**990**	**100**	**1,304**	On demand; non-interest bearing	Unsecured; no impairment
		2022	184	890	91	2,658		
Others	*8, 20, 22*	**2023**	**451**	**2,965**	**157**	**162**	On demand; non-interest bearing	Unsecured; no impairment
		2022	6,157	4,284	173	13		
Total		**2023**	**P3,883**	**P4,020**	**P19,759**	**P27,157**		
Total		2022	P8,719	P5,656	P26,015	P23,152		

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

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

3. Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from the Ultimate Parent Company related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

      (i) Amounts owed by the Ultimate Parent Company amounting to P2,312: On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

      (ii) Amounts owed by the Ultimate Parent Company amounting to P725: These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 18).

   b) Amounts owed by related parties include investments in debt securities under investment agreement with BankCom for a total amount of P4,288 and P12,250 as at December 31, 2023 and 2022, respectively, presented as part of “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts in the consolidated statements of financial position (Notes 10 and 12).

   c) Amounts owed by related parties include non-interest bearing receivable from joint ventures included as part of “Trade and other receivables - net” account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 as at December 31, 2023 and 2022.

   d) Amounts owed by related parties include the receivable from the assignment by ECC to FEHI of the advances for future investment in KSHI, included as part of “Trade and other receivables - net” account in the consolidated statement of financial position as at December 31, 2023 (Note 5).

4. Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of “Lease liabilities - current portion” amounted to P4 and P6 as at December 31, 2023 and 2022, respectively, and as part of “Lease liabilities - net of current portion” amounted to P5 as at December 31, 2023. The amount owed to the Ultimate Parent Company pertains to dividends payable (Note 36).

5. The amounts owed to associates include interest bearing loans payable to BankCom presented as part of “Loans payable” account amounting to P6,382 and P8,172 and “Long-term debt” account amounting to P18,694 and P11,703 in the consolidated statements of financial position as at December 31, 2023 and 2022, respectively (Notes 19 and 21).

   The amounts owed to associates include syndicated project finance loans amounting to P8,315 and P10,913 as at December 31, 2023 and 2022, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

6. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	**2023**	2022	2021
Short-term employee benefits		**P544**	P631	P436
Retirement cost	*35*	**47**	17	45
		P591	P648	P481

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

34. Significant Agreements and Lease Commitments

Significant Agreements

- Energy

  - *IPPA Agreements*

    As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following appointed subsidiaries:

Subsidiary	Power Plant	Location
SPI	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SRHI	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province

SPPC also became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010 until the Ilijan Power Plant was turned over to SPPC in June 2022.

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of RA No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;

iv. for SPI and SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral power supply contracts;

v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;

vi. maintain the performance bond in full force and effect with a qualified bank; and

vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P1,641, P10,452 and P17,762 in 2023, 2022 and 2021, respectively (Note 26). SPI and SRHI renewed their performance bonds amounting to US$58 and US$20, which will expire on November 2, 2024 and January 25, 2025, respectively.

On June 16, 2015, SPPC renewed its performance bond amounting to US$60 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Note 43).

The lease liabilities are carried at amortized cost using the US dollar and Philippine peso discount rates as follows:

	US Dollar	Philippine Peso
SPI	3.89%	8.16%
SPPC	3.85%	8.05%
SRHI	3.30%	7.90%

The discount determined at the inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income. Interest expense amounted to P2,421, P3,462 and P4,706 in 2023, 2022 and 2021, respectively (Note 30).

On April 4, 2022, SPPC entered into a long-term lease agreement with PSALM for parcels of land with an aggregate area of 242,445.50 square meters. The leased premises shall be used for the operation, management, expansion and maintenance of the Ilijan Power Plant. The lease agreement shall expire after 25 years, commencing on the expiration of the IPPA Agreement between SPPC and PSALM in June 2022, and is subject to renewal upon mutual agreement of both parties.

Subsequently, upon the request of SPPC, PSALM issued an Additional Leased Premises Certification for the parcels of land with an aggregate area of 24,116 square meters where the Ilijan switchyard is located.

In 2022, SPPC paid in advance the total lease charges amounting to P1,823 covering the entire leased premises and duration of the lease term. This is presented under “Right-of-use assets - net” account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 14).

In June 2022, the IPPA Agreement between SPPC and PSALM has ended. Accordingly, the Ilijan Power Plant was reclassified from "Right-of-use assets - net" to “Property, plant and equipment - net” account pursuant to the terms and conditions of the IPPA Agreement (Notes 13 and 14).

The power plants under the remaining IPPA lease arrangements with PSALM, presented under “Right-of-use assets - net” account in the consolidated statements of financial position, amounted to P95,545 and P99,116 as at December 31, 2023 and 2022, respectively (Note 14).

- *Land Lease Agreement with PSALM*

MPCL has an existing lease agreement with PSALM for the lease of the 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

The lease liability is amortized using the discount rate over the period of the agreement. Amortization is recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income which amounted to P3 in 2023, 2022 and 2021 (Note 30).

MPCL’s land under lease arrangement, presented under “Right-of-use assets - net” account in the consolidated statements of financial position amounted to P89 as at December 31, 2023 and 2022 (Notes 4 and 14).

- *Market Participation Agreements (MPA)*

  SPI, SRHI, SPPC, LPI, MPI, MPCL, SMGP Kabankalan, SMGP BESS and MPGC each entered into separate MPAs with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

  The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

  Upon the initiative of the DOE and PEMC, IEMOP was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SPI, SRHI, SPPC, LPI, SMELC, MPI and MPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

  Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by IEMOP to SPI, SRHI, SPPC, LPI, MPI, MPCL, SMGP BESS, SMGP Kabankalan and MPGC amounted to P372, P201 and P126 in 2023, 2022 and 2021, respectively (Note 26).

  LPI and MPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM which expired in 2021. Subsequently, LPI and MPCL has extended its validity until October 24, 2024 and February 15, 2025, respectively.

- *PSAs and RSCs*

  SPI, SPPC, SRHI, MPI, LPI, SMELC, SEDI and MPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Suppliers (RES) and other entities.

  Counterparties for RSCs are contestable customers, or large industrial users which have been certified contestable by the ERC.

  Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

SPI, SPPC, SRHI, MPI, LPI, MPCL, SMGP Kabankalan and MPGC can also purchase power from WESM or other power generation companies during periods when power generated from the power plants is not sufficient to meet the customers' power requirements. Power purchases amounted to P25,250, P57,089 and P20,557 in 2023, 2022 and 2021, respectively (Note 26).

On March 2, 2021, EERI and MPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively.

On March 17, 2023, EERI and MPCL each submitted a Notice of Termination to Meralco due to the non-occurrence of the acceptance date of ERC's Final Approvals on or before the longstop date prescribed in the respective agreements. The termination of the agreements took effect upon the lapse of 15 days from the receipt of the notice and will not result in any liability on the part of EERI and MPCL.

- *Ancillary Service Procurement Agreement (ASPA)*

  On September 8, 2017, MPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of five years commencing on May 26, 2018 to allocate the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

  On May 6, 2021, SMGP Kabankalan entered into an ASPA with NGCP for a period of five years commencing on January 26, 2022, allocating its 20 MW Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC.

  On May 2, 2023, SMGP BESS entered into several ASPA with NGCP for a period of five years commencing on various dates in 2023, allocating its 220 MW BESS located in several sites nationwide to provide ancillary services to the NGCP based on the Provisional Authority Granted by the ERC.

- *Coal Supply Agreements*

  SPI, MPI, LPI, MPCL and MPGC have supply agreements with various coal suppliers for the coal requirements of the power plants.

- *Liquefied Natural Gas Supply Agreements*

  SPPC has supply agreements with various LNG suppliers for the natural gas requirements of the Ilijan Power Plant.

- *Distribution Wheeling Service (DWS) Agreements*

  As RES, LPI and MPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

  The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

  SMELC's DWS Agreements were no longer renewed relative to the expiration of its RES license in September 2021.

- *Concession Agreement*

  San Miguel Global Power entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

  On January 28, 2014, San Miguel Global Power and APEC, entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of San Miguel Global Power under the Concession Agreement effective January 2, 2014.

  The Concession Agreement include, among others, the following rights and obligations:

  i) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement, and (b) the amount of P2 every quarter for the upkeep of residual ALECO (fixed concession fee);

  ii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,049;

  iii) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and

  iv) at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

  In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

  On September 27, 2022, APEC received from ALECO its notification to terminate the Concession Agreement. APEC refuted the claims made by ALECO in a letter dated November 4, 2022.

On November 18, 2022, APEC served its Notice of Termination to ALECO based on ALECO's default of its obligations under the Concession Agreement.

Effective November 21, 2022, the Concession Agreement was terminated. Notwithstanding the pending dispute, APEC agreed to turn-over the operations of the distribution business to ALECO and agreed to provide assistance and cooperation to ALECO during the transition period beginning on November 21, 2022 and ending on December 21, 2022, without prejudice to APEC's remedies against ALECO under the terms of the Concession Agreement.

- Fuel and Oil

  - *Supply Agreements*

    Petron has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco) and Kuwait Petroleum Corporation (KPC). The contract with Saudi Aramco is from January 1, 2023 to December 31, 2023 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice. The contract with KPC is from July 1, 2023 to December 31, 2024.

    PMRMB acquires crude oil and condensate for the Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. The PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. ("EMEPMI") for a period of two years until March 2024 supplemented by other short-term supply contracts and spot crude purchases. As at December 31, 2023, about 47% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

    Outstanding liabilities of the Group for such purchases are shown as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position as at December 31, 2023 and 2022 (Note 20).

  - *Lease Agreement with Philippine National Oil Company (PNOC)*

    On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Also, as at December 31, 2023 and 2022, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 43).

- Infrastructure

  - *Airport Concession Agreement*

    i. *Boracay Airport*

    The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations.

    On June 22, 2009, TADHC entered into a Concession Agreement with the ROP, through the Department of Transportation (DOTr) and Civil Aviation Authority of the Philippines. Based on the Concession Agreement, TADHC has been granted with the concession of the Airport Project which includes the development and upgrade of the Caticlan Airport (marketed and promoted as Boracay Airport) as an international airport. Subject to existing law, the Concession Agreement also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of 25 years (as may be renewed or extended for another 25 years upon written agreement of the parties), and to collect the fees, rentals and other charges as may be determined in accordance with the Concession Agreement.

    The salient features of the Concession Agreement are presented below:

    1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.

    2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As at December 31, 2021, TADHC has yet to pay the OMPS as the Airport Project has not yet entered the In-Service Date.

    3. Immediately upon receiving the Notice to Commence Implementation (NCI) and provided all conditions precedent in the Concession Agreement are fulfilled or waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.

4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to a loan with BankCom. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leverage to the loan obtained (Notes 21 and 33).

5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC of the works required to be carried out in connection with the construction and completion of civil, structural, sanitary, mechanical, electrical and architectural infrastructure. This performance security shall be partially released by the ROP from time to time to the extent of the percentage-of-completion of the Airport Project. TADHC has paid P1 and P2 premiums in 2022 and 2021, respectively, for the Work Performance Security and is included as part of "Airport concession rights" under "Other intangible assets" account in the consolidated statements of financial position (Note 17). The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statements of financial position (Note 10).

6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The first payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

After fulfillment of all contractual and legal requirements, the Concession Agreement became effective on December 7, 2009. The NCI issued to TADHC by the DOTr was accepted by TADHC on December 18, 2009.

In accordance with the license granted by the ROP, as expressly indicated in the Concession Agreement, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Construction work for the extension of runway has been completed in 2016. The construction of the new terminal building is ongoing and expected to be completed in 2025.

ii. *MIA*

On August 14, 2019, the ROP, through the DOTr, issued a NOA to SMHC, awarding the MIA Project. In accordance with the NOA, SMAI was registered by SMHC as the concessionaire.

The MIA Project shall create a gateway for international and domestic travel, with the necessary ancillary facilities to support the creation of a new airport city outside Metro Manila to decongest the existing road networks and provide an alternative higher capacity airport facility.

A. Concession Agreement

On September 18, 2019, SMAI entered into a Concession Agreement with the ROP, through the DOTr, for the right to finance, design, construct, supply, complete, test, commission and eventually operate and maintain the MIA Project for a period of 50 years from the issuance of the Certificate of Substantial Completion for the first phase.

The salient features of the Concession Agreement are presented below:

1. The MIA shall consist of airfield facilities, passenger and cargo terminal buildings, airport support facilities and an airport toll road facility which will connect the MIA to the North Luzon Expressway and will be implemented in three phases, with increasing capacity for each phase completed.

2. The implementation of the first phase shall be completed within a period of five years from the date of commencement of construction, with the remaining phases subject to the timely submission and approval of the required documentation for each phase.

3. SMAI shall turnover 100 hectares of land to the ROP as government center land area and execute the necessary documents to transfer full ownership in favor of the ROP.

4. SMAI shall be responsible for the acquisition of right-of-way and possession of sufficient title to the facilities of the site of the MIA and the removal or abatement of all liens, encumbrances and hazardous substances within the MIA's vicinities as the case may be.

5. SMAI shall provide proper maintenance of the MIA's facilities and ensure that all airport facilities and airport toll road are in the condition required upon turnover to the ROP at the end of the concession period.

6. All revenues derived from the operations, maintenance and management of the MIA shall accrue to SMAI, including the lease or sublease of all business or commercial ventures and activities consistent with the MIA's operations.

B. Legislative Franchise

On December 20, 2020, RA No. 11506 lapsed into law, granting SMAI a franchise to construct, develop, establish, operate and maintain a domestic and international airport in the municipality of Bulakan and to construct, develop, establish, operate and maintain an adjacent Airport City (the MIA Project). The franchise is for a period of 50 years. RA No. 11506 became effective on January 15, 2021 and enhances the earlier Concession Agreement.

The salient features of RA No. 11506 are as follows:

1. SMAI shall be exempt from any and all direct and indirect taxes of any kind, nature and description, including but not limited to income taxes, value-added taxes, excise taxes, customs duties and tariffs, business taxes, among others during a ten-year construction period beginning from the effectivity of RA No. 11506. After the construction period, SMAI shall be exempt from income and real estate taxes until SMAI has fully recovered the costs incurred in the construction of the MIA Project.

2. After SMAI has fully recovered the costs, SMAI shall be entitled to generate income from its operations equivalent to an internal rate of return of 12% per annum. Any amount in excess shall be remitted to the national government.

3. SMAI is also required to offer at least 20% of its outstanding capital stock to any securities exchange in the Philippines for public participation within 5 years upon full recovery of costs incurred in the construction of the MIA Project.

- *MRT 7 Concession Agreement*

The ROP awarded ULC BVI the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme, which is a modified Build-Transfer-Operate arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC BVI entered into the MRT 7 Agreement or Concession Agreement with the ROP through the DOTr, for a 25-year concession period, subject to extensions as may be provided for under the Concession Agreement and by law. Based on the Concession Agreement, ULC BVI has been granted the right to finance, design, test, commission, construct and operate and maintain the MRT 7 Project, which consists of a highway, Intermodal Transport Terminal and Metro Rail Transit System including the depot and rolling stock.

The ROP through the DOTr granted ULC BVI the following rights under the Concession Agreement:

- To finance, design, construct, supply, complete and commission the MRT 7 Project;

- To designate a Facility Operator and/or a Maintenance Provider to Operate and Maintain the MRT 7 Project;

- To receive the Amortization Payments and the Revenue Share as specified in the Concession Agreement;

- To charge and collect the Agreed Fares or the Actual Fares and/or to receive the Fare Differential, if any;

- Development Rights as specified in the Concession Agreement; and

- To do any and all acts which are proper, necessary or incidental to the exercise of any of the above rights and the performance of its obligations under the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The MRT 7 Project cost shall be financed by ULC BVI through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the Concession Agreement, ULC BVI's estimated capital commitment to develop the MRT 7 Project amounts to US$1,236, adjusted to 2008 prices at US$1,540 per National Economic and Development Authority Investment Coordination Committee approval on July 14, 2014.

2. ULC BVI shall post a Performance Security for Construction and Operations and Maintenance in favor of the ROP as guarantee for faithful performance by ULC BVI to develop the MRT 7 Project. This performance security for operations and maintenance shall be reduced every year of the concession period to the amounts as specified in the Concession Agreement.

3. All rail-based revenues above 11.90% internal rate of return of ULC BVI for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC BVI and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.

4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC BVI a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the Concession Agreement. The ROP's amortization payment to ULC BVI shall start when the MRT 7 Project is substantially completed.

5. For every semi-annual full payment made by the ROP through the DOTr, and actually received by ULC BVI, the latter shall issue a Certificate of Transfer of Ownership, in favor of the former representing a pro-indiviso interest in the assets of the MRT 7 Project in proportion to the amortization payment made over the total amortization payment to be made during the concession period. After the end of the concession period but provided that all the amortization payment and other amounts due to ULC BVI under the Concession Agreement shall have been fully paid, settled and otherwise received by ULC BVI, full ownership of the assets of the MRT 7 Project shall be transferred to it, free from all liens and encumbrances.

6. The amortization payments shall be adjusted pursuant to the escalation formula based on parametric formula for price adjustment reflecting changes in the prices of labor, materials and equipment necessary in the implementation/completion of the MRT 7 Project both local and at the country where the equipment/components shall be sourced.

7. Net passenger revenue shall be shared by the ROP and ULC BVI on a 30:70 basis.

8. The ROP grants ULC BVI the exclusive and irrevocable commercial Development Rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the Concession Agreement until the end of the concession period, which can be extended for another 25 years, subject to the ROP's approval. In consideration of the Development Rights granted, ULC BVI or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the Development Rights.

9. Upon the expiration of the concession period and payment in full of the amortization payments and the other obligations of the ROP through the DOTr, the Concession Agreement shall be deemed terminated, and all the rights and obligations thereunder shall correspondingly cease to exist, other than all rights and obligations accrued prior to the date of such expiration including, without limitation, the obligations of ROP through the DOTr to make termination payments in accordance with the Concession Agreement and following expiration of the concession period, the Development Rights of ULC BVI pursuant to the Concession Agreement shall survive.

10. If ULC BVI and ROP through the DOTr are not able to agree on the solution to be adopted in an appropriate Variation Order within the period specified in the Concession Agreement, then ULC BVI may proceed to terminate the Concession Agreement. Also, if either of ULC BVI and ROP through the DOTr intends to terminate the Concession Agreement, by mutual agreement under the Concession Agreement, it shall give a notice of intention to terminate to the other. Following receipt of the Intent Notice, the parties shall meet for a period of up to eight weeks and endeavor to agree on the terms, conditions arrangements, and the necessary payments for such termination. If at the expiration of the said period, ULC BVI and ROP through the DOTr are unable to agree on and execute an agreement for the mutual termination of the Concession Agreement, the same shall remain valid and in effect.

On July 23, 2014, the ROP through the DOTr confirmed their obligations under the MRT 7 Agreement dated June 18, 2008 through the Performance Undertaking issued by the Department of Finance, which was received by ULC BVI on August 19, 2014. The Performance Undertaking is a recognition of the obligations of the ROP through the DOTr under the Concession Agreement, particularly the remittance of semi-annual amortization payment in favor of ULC BVI. The issuance of the Performance Undertaking triggers the obligation of ULC BVI to achieve financial closure within 18 months from the date of the receipt of the Performance Undertaking. Within the aforementioned period, ULC BVI achieved Financial Closure, as defined in the MRT 7 Agreement. There were no changes in the terms of the Concession Agreement in 2023.

On April 20, 2016, ULC BVI through the Parent Company, led the ground breaking ceremony for the MRT 7 Project.

Pursuant to Section 19.1 of the Concession Agreement, on September 30, 2016, ULC BVI sent a request letter to the ROP through the DOTr to secure the latter's prior approval in relation to the intention of ULC BVI to assign all its rights and obligations under the Concession Agreement to SMC MRT 7, the designated special purpose company for the MRT 7 Project. The assignment of the rights and obligations from ULC BVI to SMC MRT 7 will be achieved through execution of Accession Agreement. Based on the Concession Agreement, ULC BVI may assign its rights, title, interests or obligations therein, provided that the following conditions are met:

- The assignment will not in any way diminish ULC BVI's principal liability under the Concession Agreement; and

- ULC BVI secures from ROP, through the DOTr, its prior approval, which shall not be unreasonably withheld.

In addition, the letter dated September 30, 2016 from ULC BVI also requested that upon submission by SMC MRT 7 of the lenders' recognition that the Financing Agreements for the MRT 7 Project is for its benefit, the DOTr shall cause the amendment of the Performance Undertaking dated July 23, 2014 by changing the addressee and beneficiary thereof from ULC BVI to SMC MRT 7.

On December 12, 2016, the ROP through the DOTr gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC MRT 7.

Following the DOTr's approval, SMC MRT 7 and ULC BVI carried out the Accession Agreement on January 12, 2017.

- *Toll Road Concession Agreements*

  i. SLEX

  SMC SLEX. On February 1, 2006, SMC SLEX executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SMC SLEX by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX, comprising of: Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

  On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e., TR1, TR2 and TR3, and approved the implementation of the initial toll rate starting April 1, 2011.

  In 2012, SMC SLEX received a letter from the Department of Finance informing SMC SLEX of the conveyance by PNCC to the ROP of its shares of stock in SMC SLEX, by way of deed of assignment. Moreover, SMC SLEX also received the Declarations of Trust signed by the individual nominees of PNCC, in favor of the ROP, in which each nominee affirmed their holding of single, qualifying share in SMC SLEX in favor of the ROP.

On July 21, 2015, SMC SLEX entered into a MOA with Ayala Corporation (AC), on the inter-operability of the SLEX and Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road). AC is the concession holder of MCX while MCX Tollway, Inc. is the facility operator of MCX.

The MOA on inter-operability provides the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users. MCX opened and operated as a toll expressway on July 24, 2015.

In 2019, SMC SLEX commenced the construction of TR4 and is ongoing as at December 31, 2023.

SLEXTR5. On June 3, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, SLEXTR5 as the Investor, and MATES as the Operator, wherein the SLEXTR5 was granted the exclusive right, privilege, responsibility, and obligation to design and construct the TR5 Project, and to finance the same, while MATES was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the TR5 Project.

The TR5 Project is a 416.48-kilometer extension of SLEX from Lucena City, Quezon to Matnog, Sorsogon.

The TR5 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of SLEXTR5 and MATES under the STOA. The legal transfer of ownership of the TR5 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the TR5 Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire TR5 Project to SLEXTR5 and/or MATES.

ii. NAIA Expressway

On July 8, 2013, SMC NAIAX entered into a Concession Agreement with the ROP, through the Department of Public Works and Highways (DPWH), wherein SMC NAIAX was granted the right to finance, design, construct, and operate and maintain the NAIA Expressway Project. The NAIA Expressway Project links the three NAIA terminals to the Skyway, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation.

On September 22, 2016, SMC NAIAX started commercial operations of NAIA Expressway upon receipt of the Toll Operations Permit from the TRB. The Toll Operations Permit for Phase II A and B was issued on September 9, 2016 and December 19, 2016, respectively.

At the end of the concession period, SMC NAIAX shall turnover the NAIA Expressway to the DPWH in the condition required for turnover as described in the Minimum Performance Standards Specifications of the Concession Agreement.

iii. Skyway

On June 10, 1994, PNCC, the franchise holder for the construction, operations and maintenance of the Metro Manila Expressway, including any and all extensions, linkages or stretches thereof, such as the proposed Skyway, and PT Citra Lamtoro Gung Persada (Citra), as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering not only the proposed Skyway but also the planned Metro Manila Tollways. The Joint Investment Proposal embodied, among others, that Citra in cooperation with PNCC committed itself to finance, design and construct the Skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995.

- Skyway Stages 1 and 2

  The STOA for SMMS was executed on November 27, 1995 by and among SMC Skyway, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of SMC Skyway as investor. On the other hand, the operations and maintenance of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly-owned subsidiary, the PNCC Skyway Corporation (PSC).

  On July 18, 2007, the STOA was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to SMC Skyway to nominate to the TRB a qualified party to perform the operations and maintenance of the SMMS to replace PSC. SMC Skyway, PNCC and PSC then entered into a MOA for the successful and seamless turnover of the operations and maintenance responsibilities for the SMMS from PSC to SOMCO.

  The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of SMC Skyway and SOMCO under the STOA. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among SMC Skyway, SOMCO and PNCC for the operations and maintenance of the SMMS.

  The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

Under the STOA, SMC Skyway may file an application to adjust the toll rates which shall be of two kinds, namely periodic and provisional adjustments. Periodic adjustments for the Integrated Stage 1 and Stage 2 may be applied for every year. SMC Skyway may file an application for provisional adjustment upon the occurrence of a force majeure event or significant currency devaluation. A currency devaluation shall be deemed significant if it results in a depreciation of the value of the Philippine peso relative to the US dollar by at least five percent. The applicable exchange rate shall be the exchange rate between the currencies in effect as at the date of approval of the prevailing preceding toll rate.

- Skyway Stage 3

  The Stage 3 STOA was executed on July 8, 2013 by and among the ROP as the Grantor, acting by and through the TRB, PNCC, MMSS3 as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein MMSS3 was granted the primary and exclusive privilege, responsibility, and obligation to design and construct the Skyway Stage 3 Project, and to finance the same, while CMMSC was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain the Skyway Stage 3 Project.

  The Skyway Stage 3 Project is an elevated roadway with the entire length of approximately 17.93 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway Stage 1 and 2. This is envisioned to inter-connect the northern and southern areas of Metro Manila to help decongest traffic in Metro Manila and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

  The Skyway Stage 3 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS3 and CMMSC under the Stage 3 STOA. The legal transfer of ownership of the Skyway Stage 3 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

  The franchise period for the Skyway Stage 3 Project is 30 consecutive years commencing from the issuance of the Toll Operation Certificate for the entire Skyway Stage 3 Project to MMSS3 and/or CMMSC.

  MMSS3 and CMMSC shall enter into a revenue sharing agreement to set forth the terms and conditions of their sharing of the toll revenues from the Skyway Stage 3 Project.

  On December 29, 2020, the Skyway Stage 3 Project was partially opened to the public. It was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee. On July 1, 2021, MMSS3 received the Toll Operation Permit and started its full toll operation.

- Skyway Stage 4

  On July 14, 2014, the Stage 4 STOA was executed by and among the ROP as the Grantor, acting through the TRB and PNCC, MMSS4 as the Investor, and Metro O&M Corporation (MOMCO) as the Operator. MMSS4 was granted the primary and exclusive privilege, responsibility, and obligation to finance the design and construction of Skyway Stage 4 Project, while MOMCO was granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the same.

  The Skyway Stage 4 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS4 and MOMCO under the Stage 4 STOA. The legal transfer of ownership shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof. The 30-year concession period shall commence from the date of issuance of the Toll Operation Certificate by the TRB to MMSS4 and/or MOMCO.

  As at December 31, 2023, the Skyway Stage 4 Project is in the inception of its construction stage.

iv. TPLEX

SMCTC entered into a Concession Agreement with the ROP through the DPWH and the TRB to finance, design, construct, operate and maintain and impose and collect tolls from the users of the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 89.21 kilometers and consists of four-lane expressway with nine toll plazas from start to end.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of SMCTC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each segment of the TPLEX Project.

The toll revenue collected from the operation of the TPLEX Project is the property of SMCTC. SMCTC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

The concession period shall be for a term of 35 years starting from the effective date of the Concession Agreement and may be extended.

On October 31, 2013, SMCTC opened the first section of the TPLEX Project from Tarlac to Gerona. The Section 1B from Gerona to Rosales was opened to motorists on December 23, 2013. The 30.31-km stretch from Gerona to Carmen was fully operational on April 16, 2014. The 14.91-km stretch from Carmen (Tomana) to Urdaneta was fully operational starting February 17, 2015.

On July 28, 2016, the Segment 7A (Urdaneta to Binalonan) was opened. Segment 7B (Binalonan to Pozorrubio) was opened to motorists on December 7, 2017, while Segment 8 (Pozorrubio to Rosario), which is the final phase of the TPLEX Project, was completed and became operational on July 15, 2020.

v. STAR

On June 18, 1998, SIDC and the ROP, individually and collectively through the DPWH and the TRB, entered into a Toll Concession Agreement covering the STAR Project. The STAR Project consists of two stages as follows:

Stage	Project Description
Stage I	Operations and maintenance of the 22.16-km toll road from Sto. Tomas, Batangas to Lipa City, Batangas
Stage II (Phases I and II)	Finance, design, construction, operations and maintenance of the 19.74-km toll road from Lipa City, Batangas to Batangas City, Batangas

Under the Toll Concession Agreement, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP's issuance of the Certificate of Substantial Completion. The right of way shall be titled in the ROP's name regardless of the construction.

In December 2006, the Toll Concession Agreement was amended to extend the original concession period from 30 years beginning January 1, 2000 to 36 years and shall be valid until December 31, 2035.

The TRB issued the Toll Operations Certificate for Stage II Phase II on December 13, 2016.

vi. PAREX

On November 29, 2019, the PNCC and SMHC, as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering the PAREX Project. The said proposal embodied, among others, that SMHC in cooperation with PNCC committed itself to finance, design and construct the PAREX Project in three segments. The Joint Investment Proposal was approved by the TRB on March 4, 2020 and the STOA was executed on September 21, 2021 by and among PREC, SOMCO, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the PAREX Project and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of PREC as investor. Whereas, the operations and maintenance of the PAREX Project shall be the primary and exclusive privilege, responsibility and obligation of SOMCO as operator.

The PAREX Project shall consist of three segments:

Segment I	-	Radial Road No. 10 to Skyway Stage 3 to Plaza Azul, approximately 5.740 km
Segment II	-	Skyway Stage 3 to San Juan River Circumferential Road No. 5 (C-5), approximately 7.325 km
Segment III	-	C-5 to Southeast Metro Manila Expressway or (C-6), approximately 6.300 km

The PAREX shall be owned by the ROP, without prejudice to the rights and entitlement of PREC and SOMCO under the STOA. The legal transfer of ownership of the PAREX to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed between PREC and SOMCO for the operations and maintenance of the PAREX.

The 30-year franchise period shall commence from the issuance of the Toll Operation Certificate.

Under the STOA, PREC may file an application to adjust the toll rates which shall be of two kinds, namely periodic and contingency. Periodic adjustments can be applied every two years of the existing toll rate to a new toll rate on the respective toll review date. On the other hand, contingency adjustment can be applied upon the occurrence of a force majeure event and/or additional cost of any required repair or reconstruction works arising out of force majeure to the extent not covered by insurance.

vii. NALEX

On March 21, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, NALEC as the Investor, and SOMCO as the Operator, wherein NALEC was granted the exclusive right, privilege, responsibility, and obligation to design and construct the NALEX Project, and to finance the same, while SOMCO was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the NALEX Project.

The NALEX Project is a mixed at-grade and elevated viaduct expressway, with the entire length of approximately 136.4 kilometers from Balintawak, Quezon City to Tarlac City, that will link the existing Skyway Stage 3 to TPLEX.

The NALEX Project shall be owned by the ROP, without prejudice to the rights and the entitlements of NALEC and SOMCO under the STOA. The legal transfer of ownership of the NALEX Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the NALEX Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire NALEX Project to NALEC and/or SOMCO.

viii. SALEX

On June 20, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, SALEC as the Investor, and SOMCO as the Operator, wherein SALEC was granted the exclusive right, privilege, responsibility, and obligation to design and construct the SALEX Project, and to finance the same, while SOMCO was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the SALEX Project.

The SALEX Project is a mixed at-grade and elevated viaduct expressway, with the entire length of approximately 40.65 kilometers, that will link the existing Skyway Stage 3, PAREX, NAIA Expressway to the MIA.

The SALEX Project shall be owned by the ROP, without prejudice to the rights and the entitlements of SALEC and SOMCO under the STOA. The legal transfer of ownership of the SALEX Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the SALEX Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire SALEX Project to SALEC and/or SOMCO.

ix. PLEX

On October 19, 2023, SMC PLEX Inc. (SMC PLEX) entered into a Tollway Concession Agreement (TCA) with the Provincial Government of Pangasinan (PGP). Under the TCA, the PLEX Project will include the financing, engineering, design, construction, operation and maintenance of 76.8 km toll road. Subject to existing law, the TCA also grants to SMC PLEX the franchise to operate and maintain the PLEX Project up to the end of the concession period, which is for a period of 35 years (as may be renewed or extended upon written agreement of the parties), and to collect the toll fees, rentals and other charges, as may be determined in accordance with the TCA.

The following are the salient features of the TCA:

1. The PLEX Phase 1 involves the financing, engineering, design, construction, operation and maintenance 42.76 km toll road. The PLEX Project covers the construction of a four-lane expressway composing of three Segments and a spur road as follows: (a) Segment 1: Binalonan - Manaoag (6.90 km); (b) Segment 2: Manaoag - Calasiao (11.30 km); (c) Segment 2-A: Calasiao Spur (2.39 km); and (d) Segment 3: Calasiao - Lingayen (22.17 km).

2. PLEX Phase 2 is approximately a 34.04 km toll road, from Lingayen, Pangasinan to Alaminos, Pangasinan. The PLEX Phase 2 covers the construction of a four-lane expressway beginning from the end of PLEX Phase 1.

3. SMC PLEX shall have the right to designate an operator, with prior consent of the PGP, to operate and maintain the PLEX Project. As at December 31, 2023, SMC PLEX has not yet designated an operator.

4. To guarantee the faithful performance by SMC PLEX of the construction of the PLEX Project, PLEX shall post in favor of the Grantor, prior to the Construction Commencement Date, a Construction Performance Security which shall be two percent of the total project cost before financing. This performance security shall be partially released by the PGP from time to time to the extent of the percentage-of-completion of the PLEX Project.

5. As concessionaire, SMC PLEX shall have full responsibility for all aspects of the Operation and Maintenance of the PLEX Project and shall collect, for its own account, the fees generated from the PLEX Project. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the PLEX Project, SMC PLEX shall post in favor of the PGP an OMPS amounting to P56, which must be valid for at least one year, and shall be renewed every year thereafter until the end of Concession Period.

6. SMC PLEX shall finance the cost of the PLEX Project, while maintaining a debt-to-equity ratio of 70:30.

7. SMC PLEX shall enter into an interoperability agreement with the concessionaire/s and operator/s of other existing toll road projects, one year prior to the start of Operation and Maintenance.

8. The PGP shall be entitled to a five percent share in the Toll Revenue and Commercial Development Revenue of PLEX Phase 1 from the start of the concession period and shall terminate at the end of the concession period.

9. Ten years after the date of issuance of the Toll Operations Certificate for the PLEX Phase 1 and every year thereafter until the end of the Concession Period, SMC PLEX shall submit to the PGP its actual historical cash flows from Revenues based on the audited financial statements to test if the Project Internal Rate of Return has exceeded ten percent as of the relevant testing date. If the Project Internal Rate of Return has not exceeded ten percent as of the relevant testing date, the PGP shall not be entitled to any Province Earnings Share. If it exceeded ten percent as of the relevant testing date, the PGP shall be entitled, starting from the calendar year immediately following the calendar year of such testing date, to thirty percent of the Earnings before Taxes of the Concessionaire. The amount of the Province Earnings Share shall be determined every quarter of the relevant calendar year where the PGP is entitled for such share. If it has exceeded twelve percent as of the relevant testing date, the PGP shall be entitled, starting from the calendar year immediately following the calendar year of such testing date, to seventy percent of the Earnings before Taxes of the Concessionaire.

10. At the end of the concession period, SMC PLEX shall transfer the ownership and all its rights, title to, and interest in the PLEX Phase 1 to the PGP, free from any lien and encumbrance and in consideration of the sum of One Peso. On the transfer date, SMC PLEX shall deliver the Warranty Security, amounting to P100, which shall be valid for a period of one year from the turnover of the Facilities.

x. CBEX

On February 7, 2023, SMC CBEX Inc. (SMC CBEX) entered into a TCA with the Provincial Government of Cavite (PGC). Under the TCA, the CBEX Project will include the financing, engineering, design, construction, operation and maintenance of 27.06 km toll road. Subject to existing law, the TCA also grants to SMC CBEX the franchise to operate and maintain the CBEX Project up to the end of the concession period, which is for a period of 35 years (as may be renewed or extended for another 50 years upon written agreement of the parties), and to collect the toll fees, rentals and other charges, as may be determined in accordance with the TCA.

The following are the salient features of the TCA:

1. SMC CBEX shall have the right to designate an operator, with prior consent of the PGC, to operate and maintain the CBEX Project. As at December 31, 2023, SMC CBEX has not yet designated an operator.

2. To guarantee the faithful performance by SMC CBEX of the construction of the CBEX Project, SMC CBEX shall post in favor of the Grantor, prior to the Construction Commencement Date, a Construction Performance Security which shall be two percent of the total project cost before financing. This performance security shall be partially released by the PGC from time to time to the extent of the percentage-of-completion of the CBEX Project.

3. As concessionaire, SMC CBEX shall have full responsibility in all aspect of the operation and maintenance of the CBEX Project and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the CBEX Project, SMC CBEX shall post in favor of the PGC an OMPS amounting to P100, which must be valid for the entire concession period of 35 years.

4. SMC CBEX shall finance the cost of the CBEX Project, while maintaining a debt-to-equity ratio of 70:30.

5. SMC CBEX shall enter into an interoperability agreement with the concessionaire/s and operator/s of other existing toll road projects within three months from issuance of the Toll Operation Permit.

6. SMC CBEX shall remit to the PGC the province earnings share of 70% of the net income of the CBEX Project after SMC CBEX has achieved Return of Investment based on the CBEX Project's free cash flows. The province earnings share shall be remitted quarterly after the date of issuance of Toll Operation Permit and every year thereafter until the end of the concession period.

7. At the end of the concession period, SMC CBEX shall transfer the ownership to the PGC without lien and encumbrance in an operational/serviceable condition as provided for by the TCA. On the transfer date, SMC CBEX shall deliver the Warranty Security, amounting to P100, which shall be valid for a period of one year from the turnover of the Facilities.

xi. NBEX

On July 31, 2023, SMC NBEX Inc. (SMC NBEX) entered into a TCA with the Provincial Government of Batangas (PGB), following the issuance of a NOA on March 22, 2023. Under the TCA, the NBEX Project will include the financing, engineering, design, construction, operation and maintenance of 60.9 km toll road. Subject to existing law, the TCA also grants to SMC NBEX the franchise to operate and maintain the NBEX Project up to the end of the concession period, which is for a period of 35 years (as may be renewed or extended for another 50 years upon written agreement of the parties), and to collect the toll fees, rentals and other charges, as may be determined in accordance with the TCA.

The following are the salient features of the TCA:

1. SMC NBEX shall have the right to designate an operator, with prior consent of the PGB, to operate and maintain the project. As at December 31, 2023, SMC NBEX has not designated an operator.

2. To guarantee the faithful performance by SMC NBEX of the construction of the NBEX Project, SMC NBEX shall post in favor of the Grantor, prior to the Construction Commencement Date, a Construction Performance Security which shall be two percent of the total project cost before financing. This performance security shall be partially released by the PGB from time to time to the extent of the percentage-of-completion of the NBEX Project.

3. As concessionaire, SMC NBEX shall have full responsibility in all aspect of the operation and maintenance of the NBEX Project and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the NBEX Project, SMC NBEX shall post in favor of the PGB an OMPS amounting to P100, which must be valid for the entire concession period of 35 years. As at December 31, 2023, SMC NBEX has yet to pay the OMPS as the NBEX Project has not yet entered the In-Service Date.

4. SMC NBEX shall finance the cost of the NBEX Project, while maintaining a debt-to-equity ratio of 70:30.

5. SMC NBEX shall enter into an interoperability agreement with the concessionaire/s and operator/s of other existing toll road projects within three months from issuance of the Toll Operation Permit.

6. SMC NBEX shall remit to the PGB the province earnings share of 70% of the net income of the NBEX Project after SMC NBEX has achieved Return of Investment based on the NBEX Project's free cash flows. The province earnings share shall be remitted quarterly after the date of issuance of Toll Operation Permit and every year thereafter until the end of the concession period.

7. At the end of the concession period, SMC NBEX shall transfer the ownership to the PGB without lien and encumbrance in an operational/serviceable condition as provided for by the TCA. On the transfer date, SMC NBEX shall deliver the Warranty Security, amounting to P100, which shall be valid for a period of one year from the turnover of the Facilities.

- *Water Concession Agreements*

  On December 7, 2015, MWSS issued a NOA to SMC - K-water Consortium (the Consortium) awarding the Bulacan Bulk Water Supply Project. In accordance with the NOA, the LCWDC was registered by the Consortium as the concessionaire.

  On January 15, 2016, a Concession Agreement was executed between MWSS and LCWDC for a 30-year period, subject to extensions as may be provided for under the Concession Agreement. The Bulacan Bulk Water Supply Project shall comprise of the supply of treated bulk water, planning, financing, development, design, engineering and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the province of Bulacan.

  On January 24, 2019, LCWDC commenced operations upon issuance of the Certificate of Final Acceptance by the MWSS for the completion of all works required under Stage 1 of the Bulacan Bulk Water Supply Project.

  On April 25, 2019, the MWSS issued the Certificate of Final Acceptance for Stage 2 of the Bulacan Bulk Water Supply Project.

  Upon issuance of the Certificate of Final Acceptance by MWSS for completion of all works for Stage 1, LCWDC has officially commenced its operations and started delivery of potable bulk water to the first seven Water Districts of Bulacan. Thereafter, on 24 April 2020, LCWDC has successfully completed Stages 1 & 2 of the Project and delivered bulk water to a total of 12 Water Districts.

  Other salient features of the Concession Agreement are as follows:

  1. LCWDC shall pay annual water rights fee to the Provincial Government of Bulacan amounting to P5 for the first five years of operation, subject to adjustment based on the Concession Agreement starting on the sixth contract year onwards.

  2. LCWDC shall pay an annual Concession Fee and Operation and Maintenance Fee to MWSS amounting to the equivalent of 2.5% of the Annual Gross Revenue of LCWDC and P5, respectively.

  3. MWSS and the Water Service Providers (WSPs) of the Province of Bulacan entered into a Memoranda of Understanding where the parties agreed to cooperate with each other towards the successful implementation of the Bulacan Bulk Water Service Project. Pursuant thereto, MWSS, LCWDC, and the individual WSPs for Stages 1 & 2 has entered into individual MOA where the MWSS, through LCWDC, has committed to supply the potable bulk water and the WSPs have agreed to accept the water and/or pay the Bulk Water Charges at the rate of Eight Pesos and Fifty Centavos plus VAT, subject to certain adjustments as provided under the Concession Agreement and the MOA.

  4. LCWDC utilized the National Housing Authority (NHA) site for the water treatment facility. The NHA site is the 5.5 hectares located at Pleasant Hills, San Jose Del Monte, Bulacan intended as the site for the water treatment facility. LCWDC paid in staggered cash in the aggregate

amount of P165.

5. At the end of the concession period, LCWDC shall transfer the facilities to MWSS in the condition required for turnover as described in the Minimum Performance Standards and Specifications of the Concession Agreement.

- Food and Beverage

  - *Toll Agreements*

    The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

    - The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.

    - Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

    - The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

    Total tolling expenses included as part of "Cost of sales" account in the consolidated statements of income amounted to P5,825, P6,692 and P6,816 in 2023, 2022 and 2021, respectively (Note 26).

- Cement

  - *Mineral Production Sharing Agreement (MPSA)*

    NCC, ECC and its subsidiaries have the following existing MPSAs granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) and the DENR. Details of the MPSA are as follows:

    i. NCC

MPSA No.	Location	Date of Issuance
106-98-1	Labayug, Sison, Pangasinan	March 12, 1998

    The MPSA has an initial term of 25 years from the date of issuance and an approved renewal of another 25 years or until March 12, 2048.

    NCC has the following key commitments under its MPSA:

    - The Philippine Government share shall be the excise tax on mineral products at the time of removal and at the rate provided for in RA No. 7729 amending Section 151 (a) of the Revised National Internal Revenue Code, as well as other taxes, duties and fees levied by existing laws.

      Excise taxes paid to the Philippine Government aggregated to P14 and P11 in 2023 and 2022, respectively.

- Allotment of a minimum of 1.50% of the direct drilling and milling costs necessary to implement the activities for community development.

  Allotment made amounted to P6 as at December 31, 2023 and 2022.

On July 23, 2021, NCC filed its MPSA renewal to the DENR, as part of the covenants of the OLSA. The application was consequently received by the Office of the Regional Director, Mines and Geoscience Bureau Region I on July 26, 2021.

ii. ECC and subsidiaries

MPSA No.	Location	Date of Issuance
245-2007-III	Dona Remedios Trinidad and San Ildefonso, Bulacan	July 25, 2007
181-2002-III	Akle, San Ildefonso, Bulacan	December 9, 2002
161-00-III	Akle, San Ildefonso, Bulacan	September 12, 2000
100-97-VII	Ginatilan, Cebu	December 29, 1997
101-97-VII	Ginatilan and Malabuyoc, Cebu	December 29, 1997
059-96-VII	Lo-oc, Malabuyoc, Cebu	August 6, 2020
060-96-VII	Lo-oc, Malabuyoc, Cebu	August 6, 2020
083-97-IX	Siayan, Sindangan and Jose Dalman, Zamboanga del Norte	November 20, 1997

The MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. On August 6, 2020, the MGB approved the extension of the terms of the MPSAs 059-96-VII and 060-96-VII from Cebu sites for a period of nine years until November 18, 2030.

In August 2022, ECC applied for an extension of the term of MPSAs 100-97-VII and 101-97-VII from Cebu sites. As at March 11, 2024, ECC has not yet received the approval for the extension.

ECC and subsidiaries have the following key commitments under the MPSAs:

- Payment to the Philippine Government of 4% excise tax of the market value of the minerals or mineral products extracted from the area and annual occupation fee based on the rate provided in the existing rules and regulations.

- Allotment of a minimum of 1% of the direct drilling and milling costs necessary to implement the activities for community development.

Pursuant to Administrative Order No. 2010-21: “Revised Implementing Rules and Regulations of RA No. 7942, otherwise known as the Philippine Mining Act of 1995,” the allotment for community development activities was revised to 1.5% of the operating costs.

As at December 31, 2023, ECC and subsidiaries are compliant with the foregoing commitments and obligations.

Lease Commitments

- Group as Lessor

  The Group has entered into operating leases on its investment property portfolio, consisting of certain service stations and other related structures, machinery and equipment, surplus office spaces as well as leased property (Note 15). These non-cancellable leases will expire up to year 2036. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

  The future minimum lease receipts under non-cancellable operating leases are as follows:

	2023	2022
Within one year	**P1,370**	P1,149
One to two years	**657**	701
Two to three years	**402**	396
Three to four years	**361**	316
Four to five years	**342**	305
More than five years	**2,486**	2,656
	P5,618	P5,523

Rent income recognized in the consolidated statements of income amounted to P2,004, P1,766 and P1,496 in 2023, 2022 and 2021, respectively (Note 32). Income from sub-leasing recognized in the consolidated statements of income amounted to P1,608, P1,275 and P796 in 2023, 2022 and 2021, respectively.

35. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Parent Company and majority of its subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2023. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Group's Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of the Parent Company and its subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Parent Company.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Balance at beginning of year	**P22,249**	P29,505	**(P31,873)**	(P30,539)	**(P6)**	(P1,821)	**(P9,630)**	(P2,855)
Benefit asset (obligation) of consolidated subsidiaries	**-**	99	**-**	(172)	**-**	-	**-**	(73)
Recognized in Profit or Loss	**-**				**-**			
Current service costs	**-**	-	**(1,785)**	(1,770)	**-**	-	**(1,785)**	(1,770)
Past service costs	**-**	-	**(2)**	(258)	**-**	-	**(2)**	(258)
Interest expense	**-**	-	**(2,264)**	(1,532)	**-**	-	**(2,264)**	(1,532)
Interest income	**1,632**	1,506	**-**	-	**-**	-	**1,632**	1,506
Interest on the effect of asset ceiling	**-**	-	**-**	-	**-**	(93)	**-**	(93)
	1,632	1,506	**(4,051)**	(3,560)	**-**	(93)	**(2,419)**	(2,147)
Recognized in Other Comprehensive Income								
Remeasurements								
Actuarial gains (losses) arising from:								
Experience adjustments	**-**	-	**(1,612)**	(501)	**-**	-	**(1,612)**	(501)
Changes in financial assumptions	**-**	-	**(1,249)**	(148)	**-**	-	**(1,249)**	(148)
Changes in demographic assumptions	**-**	-	**(710)**	1,028	**-**	-	**(710)**	1,028
Return on plan assets excluding interest income	**1,296**	(10,445)	**-**	-	**-**	-	**1,296**	(10,445)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**4**	1,908	**4**	1,908
	1,296	(10,445)	**(3,571)**	379	**4**	1,908	**(2,271)**	(8,158)
Others								
Contributions	**3,301**	3,507	**-**	-	**-**	-	**3,301**	3,507
Benefits paid	**(2,567)**	(1,984)	**2,802**	2,246	**-**	-	**235**	262
Transfers from other plans	**19**	16	**(19)**	(21)	**-**	-	**-**	(5)
Transfers to other plans	**(19)**	(16)	**19**	21	**-**	-	**-**	5
Other adjustments	**(3)**	61	**73**	(227)	**-**	-	**70**	(166)
	731	1,584	**2,875**	2,019	**-**	-	**3,606**	3,603
Balance at end of year	**P25,908**	P22,249	**(P36,620)**	(P31,873)	**(P2)**	(P6)	**(P10,714)**	(P9,630)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized as part of "Personnel expenses" in the consolidated statements of income by the Parent Company amounted to P89, P87, and P108 in 2023, 2022 and 2021, respectively (Note 29).

Retirement costs recognized as part of "Personnel expenses" in the consolidated statements of income by the subsidiaries amounted to P1,695, P1,941 and P3,335 in 2023, 2022 and 2021, respectively (Note 29). Certain subsidiaries made amendments to their respective Retirement Plans in terms of the percentage of final pay based on the adjusted credited years of service. As a result, the Group recognized past service costs amounting to P2, P258 and P1,708 in 2023, 2022 and 2021, respectively.

The net interest income (expense) on the defined benefit retirement asset (liability) recognized as part of "Interest expense and other financing charges" and "Interest income" accounts in the consolidated statement of income by the Parent Company amounted to (P75), P191 and P91 in 2023, 2022 and 2021, respectively (Notes 30 and 31).

The net interest expense on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" and "Interest income" accounts in the consolidated statements of income by the subsidiaries amounted to P560, P310 and P227 in 2023, 2022 and 2021, respectively (Notes 30 and 31).

As at December 31, 2023, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P39 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P101 and P10,652, respectively (Notes 20 and 22).

As at December 31, 2022, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P31 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P122 and P9,539, respectively (Notes 20 and 22).

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2023 and 2022.

The Group's plan assets consist of the following:

	In Percentages	
	2023	2022
Investments in marketable securities and shares of stock	**79.53**	76.41
Investments in pooled funds:		
Fixed income portfolio	**4.11**	6.42
Stock trading portfolio	**0.74**	1.06
Investments in real estate	**2.74**	3.02
Others	**12.88**	13.09

Investments in Marketable Securities

As at December 31, 2023, the plan assets include:

- 43,044,317 common shares and 9,151,060 Subseries "2-F", 9,782,770 Subseries "2-I", 3,900,620 Subseries "2-J", 4,008,450 Subseries "2-K", 2,680,200 Subseries "2-L", 7,441,600 Subseries "2-N" and 3,873,600 Subseries "2-O" Preferred Shares of the Parent Company with fair market value per share of P102.10, P72.50, P70.50, P67.95, P68.00, P78.00, 77.00 and P78.00, respectively;

- 821,600,597 common shares and 12,960 Series 3A, 474,160 Series 3B, 136,500 Series 4B and 736,500 Series 4C Preferred Shares of Petron with fair market value per share of P3.55, P970.00, P980.00, P1,000.00 and P973.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 19,154,430 common shares of GSMI with fair market value per share of P168.70;

- 24,179,970 common shares of SMFB with fair market value per share of P51.00;

- 300 common shares of SMPI with fair market value per share of P134.12;

- 5,997,311 common shares of Top Frontier with fair market value per share of P101.90; and

- 435,246,060 common shares of BankCom with fair market value per share of P7.27.

As at December 31, 2022, the plan assets include:

- 48,939,687 common shares and 8,923,000 Subseries "2-F", 9,782,770 Subseries "2-I", 3,884,220 Subseries "2-J" and 4,008,450 Subseries "2-K" Preferred Shares of the Parent Company with fair market value per share of P92.95, P75.00, P75.00, P72.85 and P71.00, respectively;

- 753,454,797 common shares and 12,960 Series 3A and 474,160 Series 3B Preferred Shares of Petron with fair market value per share of P2.40, P1,015.00 and P1,030.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 19,154,430 common shares of GSMI with fair market value per share of P105.00;

- 16,887,260 common shares of SMFB with fair market value per share of P38.70;

- 300 common shares of SMPI with fair market value per share of P134.12;

- 5,997,311 common shares of Top Frontier with fair market value per share of P95.00; and

- 435,246,060 common shares of BankCom with fair market value per share of P7.89.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized a gain (loss) on the investment in marketable securities of Top Frontier, Parent Company and its subsidiaries amounting to P2,180, (P9,544) and P21 in 2023, 2022 and 2021, respectively.

Dividend income from the investment in shares of stock of the Parent Company and its subsidiaries amounted to P618, P395 and P369 in 2023, 2022 and 2021, respectively.

Investments in Shares of Stock

BPI

The Group's plan assets also include San Miguel Brewery Inc. Retirement Plan's investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method since cost approximates fair value, amounting to P859 as at December 31, 2023 and 2022.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 86% and 84% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2023 and 2022, respectively.

Approximately 64% and 61% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2023 and 2022, respectively.

Investments in Real Estate

The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P989 as at December 31, 2023 and 2022.

Others

Others include the Retirement Plans' investments in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P2,447 to the Retirement Plans in 2024.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2023	2022
Discount rate	**3.00 - 7.00**	4.60 - 7.62
Salary increase rate	**3.00 - 8.00**	2.00 - 8.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 1.5 to 20.10 years and 3.6 to 19 years as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below:

	Defined Benefit Retirement Obligation			
	2023		2022	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,862)**	**P2,081**	(P1,646)	P1,859
Salary increase rate	**2,324**	**(2,129)**	1,920	(1,698)

The outstanding balances of the Group's receivable from the retirement plans are as follows:

a. The Parent Company has advances to and receivables from SMCRP amounting to P6,522 and P6,713 as at December 31, 2023 and 2022, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). Portion of the advances are subject to interest per annum of 5.75% in 2023 and 2022. Interest income earned from the advances amounted to P188 in 2023 and 2022 (Notes 31 and 33).

b. Petron has advances to Petron Corporation Employee Retirement Plan (PCERP) amounting to P937 and P894 as at December 31, 2023 and 2022, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). The advances are subject to interest per annum of 5% in 2023 and 2022. Interest income earned from the advances amounted to P45 and P58 in 2023 and 2022, respectively (Notes 31 and 33).

   In 2022, portion of Petron's advances to PCERP were converted into contribution to the retirement plan (Note 33).

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as at December 31, 2023 and 2022 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the Retirement Plans in 2023, 2022 and 2021.

36. Dividends and Distributions

Dividends

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

2023

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

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common				
	March 10, 2022	April 1, 2022	April 29, 2022	P0.35
	June 14, 2022	July 1, 2022	July 27, 2022	0.35
	September 22, 2022	October 7, 2022	October 28, 2022	0.35
	December 7, 2022	January 6, 2023	January 27, 2023	0.35
Preferred				
SMC2F	February 10, 2022	March 21, 2022	April 1, 2022	1.27635
	May 5, 2022	June 21, 2022	July 4, 2022	1.27635
	August 4, 2022	September 21, 2022	October 4, 2022	1.27635
	November 14, 2022	December 21, 2022	January 3, 2023	1.27635
SMC2H	February 10, 2022	March 21, 2022	April 1, 2022	1.1854125
	May 5, 2022	June 21, 2022	July 4, 2022	1.1854125
	August 4, 2022	September 21, 2022	October 4, 2022	1.1854125
	November 14, 2022	December 21, 2022	January 3, 2023	1.1854125
SMC2I	February 10, 2022	March 21, 2022	April 1, 2022	1.18790625
	May 5, 2022	June 21, 2022	July 4, 2022	1.18790625
	August 4, 2022	September 21, 2022	October 4, 2022	1.18790625
	November 14, 2022	December 21, 2022	January 3, 2023	1.18790625
SMC2J	February 10, 2022	March 21, 2022	April 1, 2022	0.890625
	May 5, 2022	June 21, 2022	July 4, 2022	0.890625
	August 4, 2022	September 21, 2022	October 4, 2022	0.890625
	November 14, 2022	December 21, 2022	January 3, 2023	0.890625
SMC2K	February 10, 2022	March 21, 2021	April 1, 2022	0.84375
	May 5, 2022	June 21, 2022	July 4, 2022	0.84375
	August 4, 2022	September 21, 2022	October 4, 2022	0.84375
	November 14, 2022	December 21, 2022	January 3, 2023	0.84375

On January 18, 2024, the BOD of the Parent Company declared cash dividends to all preferred shareholders of record as at March 21, 2024 on the following shares to be paid on April 4, 2024, as follows:

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

On March 11, 2024, the BOD of the Parent Company declared cash dividends at P0.35 per share to all common shareholders of record as at March 27, 2024 to be paid on April 26, 2024.

Distributions

The Parent Company paid P2,007 to the holders of SPCS in 2023, and P1,957 and P200 to the holders of SPCS and RPS, respectively, in 2022, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

37. Basic and Diluted Earnings Per Common Share

Basic and diluted EPS is computed as follows:

	Note	**2023**	2022	2021
Net income (loss) attributable to equity holders of the Parent Company		**P198**	(P12,968)	P13,925
Dividends on preferred shares	*24, 36*	**(4,185)**	(4,293)	(6,002)
Distributions to capital securities	*24, 36*	**(2,007)**	(2,157)	(2,004)
Net income (loss) attributable to common shareholders of the Parent Company (a)		**(P5,994)**	(P19,418)	P5,919
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)		**2,384**	2,384	2,384
Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)		**(P2.51)**	(P8.15)	P2.48

As at December 31, 2023, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

38. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2023	2022	2021
Trade and other receivables - net	**(P24,104)**	(P66,502)	(P34,503)
Inventories	**27,789**	(43,902)	(36,751)
Prepaid expenses and other current assets	**(13,928)**	(19,926)	(13,006)
Accounts payable and accrued expenses	**(2,026)**	16,744	37,519
Income and other taxes payable and others	**6,883**	19,817	3,133
	(P5,386)	(P93,769)	(P43,608)

b. Acquisition of subsidiaries, net of cash and cash equivalents acquired.

	Note	2022
Cash and cash equivalents		P12,957
Trade and other receivables - net		2,155
Inventories		2,299
Prepaid expenses and other current assets	*10*	4,724
Investments and advances - net		165
Property, plant and equipment - net		36,969
Right-of-use assets - net		26
Other intangible assets - net		1,346
Deferred tax assets		103
Other noncurrent assets - net		1,108
Accounts payable and accrued expenses		(9,505)
Income and other taxes payable		(205)
Long-term debt - net of debt issue costs		(4,040)
Deferred tax liabilities		(13)
Other noncurrent liabilities		(170)
Lease liabilities		(36)
Non-controlling interests		(23)
Net assets		47,860
Cash and cash equivalents		(12,957)
Goodwill in subsidiaries		54,273
Other intangible assets - net		6,960
Investments in equity and debt instruments		4,077
Investments and advances - net		(2,987)
Gain on consolidation		(22)
Net cash flows		P97,204

c. Changes in liabilities arising from financing activities

	Loans Payable	Long-term Debt	Lease Liabilities	Dividends and Distributions Payable
Balance as at January 1, 2023	**P267,704**	**P1,088,196**	**P75,475**	**P4,037**
Changes from Financing Cash Flows				
Proceeds from borrowings	**1,145,761**	**292,879**	**-**	**-**
Payments of borrowings	**(1,197,861)**	**(190,822)**	**-**	**-**
Payments of lease liabilities	**-**	**-**	**(20,995)**	**-**
Dividends and distributions paid	**-**	**-**	**-**	**(44,145)**
Total Changes from Financing Cash Flows	**(52,100)**	**102,057**	**(20,995)**	**(44,145)**
The Effect of Changes in Foreign Exchange Rates	**(1,007)**	**(3,328)**	**(234)**	**-**
Other Changes	**284**	**3,659**	**2,326**	**44,713**
Balance as at December 31, 2023	**P214,881**	**P1,190,584**	**P56,572**	**P4,605**

	Loans Payable	Long-term Debt	Lease Liabilities	Dividends and Distributions Payable
Balance as at January 1, 2022	P190,779	P813,965	P94,992	P4,296
Changes from Financing Cash Flows				
Proceeds from borrowings	1,148,669	353,451	-	-
Payments of borrowings	(1,074,087)	(115,948)	-	-
Payments of lease liabilities	-	-	(26,031)	-
Dividends and distributions paid	-	-	-	(42,123)
Total Changes from Financing Cash Flows	74,582	237,503	(26,031)	(42,123)
The Effect of Changes in Foreign Exchange Rates	2,343	29,588	3,369	1
Acquisition of Subsidiaries and Other Changes	-	7,140	3,145	41,863
Balance as at December 31, 2022	P267,704	P1,088,196	P75,475	P4,037

39. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

The outstanding derivative instruments of the Group such as options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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

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

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

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

Interest Rate Risk

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

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

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

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

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

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

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

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

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

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

December 31, 2023	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine Peso-denominated	**P98,099**	**P73,303**	**P75,000**	**P118,771**	**P87,199**	**P142,861**	**P595,233**
Interest rate	**3.2837% - 9.635%**	**3.2837% - 9.635%**	**3.2837% - 9.635%**	**3.3832% - 9.635%**	**3.5483% - 9.635%**	**3.5483% - 9.635%**	
Foreign currency-denominated (expressed in Philippine peso)	**1,330**	**1,391**	**1,454**	**1,520**	**9,895**	**9,967**	**25,557**
Interest rate	**8.331%**	**8.331%**	**8.331%**	**8.331%**	**6.55% - 8.331%**	**8.331%**	
Floating Rate							
Philippine Peso-denominated	**2,286**	**21,819**	**1,938**	**1,938**	**2,398**	**23,561**	**53,940**
Interest rate	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	
Foreign currency-denominated (expressed in Philippine peso)	**136,617**	**23,802**	**88,505**	**73,884**	**120,336**	**85,960**	**529,104**
Interest rate	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	
	P238,332	**P120,315**	**P166,897**	**P196,113**	**P219,828**	**P262,349**	**P1,203,834**

December 31, 2022	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P58,936	P98,015	P71,237	P71,549	P109,409	P174,118	P583,264
Interest rate	3.2837% - 9.635%	3.2837% - 9.635%	3.2837% - 9.635%	3.2837% - 9.635%	3.3832% - 9.635%	3.5483% - 9.635%	
Foreign currency-denominated (expressed in Philippine peso)	7,491	1,339	1,401	1,464	1,531	11,637	24,863
Interest rate	4.7776% - 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine Peso-denominated	2,002	1,122	16,335	536	536	8,446	28,977
Interest rate	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	102,322	140,670	15,361	81,348	70,492	52,406	462,599
Interest rate	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	
	P170,751	P241,146	P104,334	P154,897	P181,968	P246,607	P1,099,703

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P5,830, P4,916 and P3,080 in 2023, 2022 and 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

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

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

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

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

- changes in the timing of the hedged transactions.

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

	December 31, 2023		December 31, 2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,720**	**P95,227**	US$3,024	P168,753
Trade and other receivables	**1,322**	**73,163**	1,163	64,833
Prepaid expenses and other current assets	**21**	**1,165**	99	5,525
Noncurrent receivables	**33**	**1,857**	24	1,379
	3,096	**171,412**	4,310	240,490
Liabilities				
Loans payable	**243**	**13,458**	890	49,613
Accounts payable and accrued expenses	**2,497**	**138,309**	2,702	150,725
Long-term debt (including current maturities)	**10,018**	**554,661**	8,743	487,462
Lease liabilities (including current portion)	**434**	**24,066**	616	34,363
Other noncurrent liabilities	**25**	**1,447**	118	6,516
	13,217	**731,941**	13,069	728,679
Net foreign currency-denominated monetary liabilities	**US$10,121**	**P560,529**	US$8,759	P488,189

The Group reported net gain (loss) on foreign exchange amounting to P2,485, (P21,518) and (P4,846) in 2023, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 32). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2023	**55.370**
December 31, 2022	55.755
December 31, 2021	50.999

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
December 31, 2023	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,238)**	**(P1,425)**	**P1,238**	**P1,425**
Trade and other receivables	**(429)**	**(1,076)**	**429**	**1,076**
Prepaid expenses and other current assets	**(10)**	**(19)**	**10**	**19**
Noncurrent receivables	**(31)**	**(25)**	**31**	**25**
	(1,708)	**(2,545)**	**1,708**	**2,545**
Loans payable	**-**	**242**	**-**	**(242)**
Accounts payable and accrued expenses	**1,338**	**2,054**	**(1,338)**	**(2,045)**
Long-term debt (including current maturities)	**9,977**	**7,775**	**(9,977)**	**(7,775)**
Lease liabilities (including current portion)	**341**	**349**	**(341)**	**(349)**
Other noncurrent liabilities	**16**	**21**	**(16)**	**(21)**
	11,672	**10,441**	**(11,672)**	**(10,441)**
	P9,964	**P7,896**	**(P9,964)**	**(P7,896)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2022	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,586)	(P2,389)	P2,586	P2,389
Trade and other receivables	(284)	(914)	284	914
Prepaid expenses and other current assets	(93)	(76)	93	76
Noncurrent receivables	(22)	(19)	22	19
	(2,985)	(3,398)	2,985	3,398
Loans payable	600	739	(600)	(739)
Accounts payable and accrued expenses	1,462	2,378	(1,462)	(2,378)
Long-term debt (including current maturities)	8,695	6,917	(8,695)	(6,917)
Lease liabilities (including current portion)	533	483	(533)	(483)
Other noncurrent liabilities	108	95	(108)	(95)
	11,398	10,612	(11,398)	(10,612)
	P8,413	P7,214	(P8,413)	(P7,214)

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

Commodity Price Risk

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

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

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

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

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

Liquidity Risk

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

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

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

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

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P261,358**	**P261,358**	**P261,358**	**P -**	**P -**	**P -**
Trade and other receivables - net	**263,119**	**263,119**	**263,119**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**2,364**	**2,364**	**2,063**	**-**	**301**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**1,401**	**1,401**	**1,012**	**-**	**-**	**389**
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**7,424**	**7,738**	**54**	**54**	**1,970**	**5,660**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,158**	**16,822**	**1,333**	**846**	**2,636**	**12,007**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**48,319**	**49,751**	**843**	**13,587**	**14,383**	**20,938**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**18,519**	**18,519**	**14,076**	**3,111**	**-**	**1,332**
Financial Liabilities						
Loans payable	**214,881**	**217,073**	**217,073**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	**220,205**	**220,205**	**220,205**	**-**	**-**	**-**
Dividends and distributions payable	**4,605**	**4,605**	**4,605**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**1,177**	**1,177**	**908**	**-**	**269**	**-**
Long-term debt (including current maturities)	**1,190,584**	**1,521,481**	**312,675**	**181,041**	**699,563**	**328,202**
Lease liabilities (including current portion)	**56,572**	**69,146**	**20,878**	**6,467**	**22,334**	**19,467**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**11,023**	**11,023**	**-**	**5,577**	**3,671**	**1,775**

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P318,214	P318,214	P318,214	P -	P -	P -
Trade and other receivables - net	238,782	238,782	238,782	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	3,624	3,624	2,486	843	295	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	1,349	1,349	1,349	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	7,319	7,617	54	54	930	6,579
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,134	16,917	1,414	846	2,642	12,015
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	39,700	39,825	923	10,435	18,404	10,063
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	19,050	19,050	17,411	358	-	1,281
Financial Liabilities						
Loans payable	267,704	269,289	269,289	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	222,038	222,038	222,038	-	-	-
Dividends and distributions payable	4,037	4,037	4,037	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	2,832	2,832	2,832	-	-	-
Long-term debt (including current maturities)	1,088,196	1,343,871	231,452	291,910	531,319	289,190
Lease liabilities (including current portion)	75,475	92,498	24,624	21,709	24,585	21,580
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	11,334	11,411	-	2,596	7,659	1,156

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investment in Debt Instruments
The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer’s nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets was determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2023**	2022
Cash and cash equivalents (excluding cash on hand)	*4, 7*	**P256,366**	P315,823
Trade and other receivables - net	*8*	**263,119**	238,782
Derivative assets	*10, 18*	**2,364**	3,624
Investments in debt instruments at FVPL	*10, 12*	**1,012**	997
Investments in debt instruments at FVOCI	*10, 12*	**667**	740
Investments in debt instruments at amortized cost	*4, 10, 12*	**12,158**	12,134
Noncurrent receivables and deposits - net	*4, 18*	**48,319**	39,700
Restricted cash	*4, 10, 18*	**18,519**	19,050
		P602,524	P630,850

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

	2023					
	Financial Assets at Amortized Cost					
	12-Month ECL	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P256,366**	**P -**	**P -**	**P -**	**P -**	**P256,366**
Trade and other receivables	**-**	**263,119**	**13,120**	**-**	**-**	**276,239**
Derivative assets	**-**	**-**	**-**	**1,270**	**1,094**	**2,364**
Investments in debt instruments at FVPL	**-**	**-**	**-**	**1,012**	**-**	**1,012**
Investments in debt instruments at FVOCI	**-**	**-**	**-**	**-**	**667**	**667**
Investments in debt instruments at amortized cost	**12,158**	**-**	**-**	**-**	**-**	**12,158**
Noncurrent receivables and deposits	**-**	**48,319**	**567**	**-**	**-**	**48,886**
Restricted cash	**18,519**	**-**	**-**	**-**	**-**	**18,519**

	2022					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P315,823	P -	P -	P -	P -	P315,823
Trade and other receivables	-	238,782	12,913	-	-	251,695
Derivative assets	-	-	-	1,592	2,032	3,624
Investments in debt instruments at FVPL	-	-	-	997	-	997
Investments in debt instruments at FVOCI	-	-	-	-	740	740
Investments in debt instruments at amortized cost	12,134	-	-	-	-	12,134
Noncurrent receivables and deposits	-	39,700	582	-	-	40,282
Restricted cash	19,050	-	-	-	-	19,050

The aging of receivables is as follows:

December 31, 2023	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P127,332**	**P42,108**	**P8,709**	**P178,149**
Past due:				
1 - 30 days	**17,482**	**8,071**	**66**	**25,619**
31 - 60 days	**5,049**	**282**	**14**	**5,345**
61 - 90 days	**3,322**	**1,331**	**14**	**4,667**
Over 90 days	**35,262**	**24,939**	**2,258**	**62,459**
	P188,447	**P76,731**	**P11,061**	**P276,239**

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P118,097	P39,480	P8,509	P166,086
Past due:				
1 - 30 days	16,555	776	83	17,414
31 - 60 days	7,207	926	133	8,266
61 - 90 days	6,086	4,015	5	10,106
Over 90 days	24,428	24,475	920	49,823
	P172,373	P69,672	P9,650	P251,695

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

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

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

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

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

Financial and Other Risks Relating to Livestock

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

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

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

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

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group, except for BankCom which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

40. Financial Assets and Financial Liabilities

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

	December 31, 2023		December 31, 2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P261,358**	**P261,358**	P318,214	P318,214
Trade and other receivables - net	**263,119**	**263,119**	238,782	238,782
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**2,364**	**2,364**	3,624	3,624
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**1,401**	**1,401**	1,349	1,349
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**7,424**	**7,424**	7,319	7,319
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,158**	**12,158**	12,134	12,134
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**48,319**	**48,319**	39,700	39,700
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**18,519**	**18,519**	19,050	19,050
Financial Liabilities				
Loans payable	**214,881**	**214,881**	267,704	267,704
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	**220,205**	**220,205**	222,038	222,038
Dividends and distributions payable	**4,605**	**4,605**	4,037	4,037
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**1,177**	**1,177**	2,832	2,832
Long-term debt (including current maturities)	**1,190,584**	**1,211,878**	1,088,196	1,091,731
Lease liabilities (including current portion)	**56,572**	**56,572**	75,475	75,475
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**11,023**	**11,023**	11,334	11,334

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

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

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

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

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

Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.1% to 6.0% and 3.6% to 7.0% as at December 31, 2023 and 2022, respectively. The discount rates used for foreign currency-denominated loans range from 3.9% to 5.3% and 3.1% to 5.4% as at December 31, 2023 and 2022, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

	Maturity			
December 31, 2023	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk:				
Call spread swaps:				
Notional amount	**US$190**	**US$ -**	**US$80**	**US$270**
Average strike rate	**P48.00 to P53.70**	**-**	**P51.35 to P59.00**	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	**US$30**	**US$ -**	**US$ -**	**US$30**
Average strike rate	**P50.635**	**-**	**-**	
Fixed interest rate	**3.60% to 4.01%**	**-**	**-**	
Interest rate risk:				
Interest rate collar:				
Notional amount	**US$ -**	**US$ -**	**US$525**	**US$525**
Interest rate	**-**	**-**	**0.39% to 6.35%**	

	Maturity			
December 31, 2022	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign currency risk:				
Call spread swaps:				
Notional amount	US$60	US$190	US$40	US$290
Average strike rate	P52.95 to P56.15	P48.00 to 53.70	P51.35 to 55.40	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US$240	US$40	US$ -	US$280
Average strike rate	P47.00 to P56.50	P47.00 to P56.50	-	
Fixed interest rate	4.19% to 5.80%	3.60% to 5.75%	-	
Interest rate risk:				
Interest rate collar:				
Notional amount	US$30	US$15	US$225	US$270
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.50% to 3.00%	

The following are the amounts relating to hedged items:

December 31, 2023	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US dollar-denominated borrowings	**P4**	**P -**	**(P290)**
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	**(142)**	**(23)**	**20**
Interest rate risk:			
US dollar-denominated borrowings	**59**	**(148)**	**(258)**

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

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

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

December 31, 2023	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign currency risk:									
Call spread swaps	**US$270**	**P832**	**P -**	Prepaid expenses and other current assets, and Other noncurrent assets - net	**(P4)**	**P10**	**P4**	**P197**	Interest expense and other financing charges, and Other income - net
Foreign currency and interest rate risks:									
Cross currency swap	**30**	**137**	**-**	Prepaid expenses and other current assets	**142**	**105**	**(291)**	**(9)**	Interest expense and other financing charges, and Other income - net
Interest rate risk:									
Interest rate collar	**525**	**125**	**(269)**	Other noncurrent assets - net, and Other noncurrent liabilities	**(59)**	**(202)**	**(77)**	**(21)**	Interest expense and other financing charges

December 31, 2022	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign currency risk:									
Call spread swaps	US$290	P887	P -	Prepaid expenses and other current assets, and Other noncurrent assets - net	P552	(P397)	(P553)	P209	Interest expense and other financing charges, and Other income - net
Foreign currency and interest rate risks:									
Cross currency swap	280	931	-	Prepaid expenses and other current assets, and Other noncurrent assets - net	2,059	(886)	(1,048)	51	Interest expense and other financing charges, and Other income - net
Interest rate risk:									
Interest rate collar	270	214	-	Prepaid expenses and other current assets, and Other noncurrent assets - net	339	(102)	(5)	(17)	Interest expense and other financing charges

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the 2023 and 2022 consolidated statements of income.

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

	2023		2022	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**P339**	**(P595)**	(P805)	P272
Changes in fair value:				
Foreign currency risk	**(4)**	**10**	552	(397)
Foreign currency and interest rate risks	**142**	**105**	2,236	(886)
Interest rate risk	**(59)**	**(202)**	343	(102)
Amount reclassified to profit or loss	**(364)**	**167**	(1,606)	243
Tax effect	**71**	**(13)**	(381)	275
Ending balance	**P125**	**(P528)**	P339	(P595)

Derivative Instruments Not Designated as Hedges

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

Freestanding Derivatives

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

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US$90 and US$365 as at December 31, 2023 and 2022, respectively. Under the agreement, the Group receives floating interest rate based on LIBOR/SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P47 and P45 as at December 31, 2023 and 2022, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$978 and US$959 as at December 31, 2023 and 2022, respectively, and with various maturities in 2023 and 2024. The net negative fair value of these currency forwards amounted to P385 and P47 as at December 31, 2023 and 2022, respectively.

Currency Options

The Group has outstanding currency options with aggregate notional amount of US$200 and US$1,665 as at December 31, 2023 and 2022, respectively, and with various maturities in 2023 and 2024. The net negative fair value of these currency options amounted to P18 and P1,801 as at December 31, 2023 and 2022, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil and coal requirements, with various maturities in 2023 and 2024. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant price index.

The outstanding notional quantity of fuel oil were 51.1 million barrels and 31.4 million barrels as at December 31, 2023 and 2022, respectively. The net positive fair value of these swaps amounted to P738 and P506 as at December 31, 2023 and 2022, respectively.

The outstanding notional quantity of coal was 117,000 metric tons as at December 31, 2022. The positive fair value of these swaps amounted to P178 as at December 31, 2022. As at December 31, 2023, the Group has no outstanding commodity swaps on the purchase of coal.

In 2023, the Group recognized realized marked-to-market loss on commodity hedges amounting to P1,290, presented as part of "Inventories" under "Cost of sales" in the consolidated statements of income. In 2022 and 2021, realized marked-to-market loss on commodity hedges amounting to P26,521 and P9,712, respectively, were reclassified from "Other income (charges) - net" to "Inventories" under "Cost of sales" in the consolidated statements of income, as this provides a more relevant presentation of the impact of commodity hedges on cost of sales (Note 26).

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

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$145 and US$141 as at December 31, 2023 and 2022, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P20 and P121 as at December 31, 2023 and 2022, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to (P1,379), P2,920 and P285 in 2023, 2022 and 2021, respectively (Note 32).

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

	2023	2022
Balance at beginning of year	**P792**	(P463)
Net change in fair value of derivatives:		
Designated as accounting hedge	**43**	1,746
Not designated as accounting hedge	**(1,379)**	2,920
	(544)	4,203
Less fair value of settled instruments	**(1,731)**	3,411
Balance at end of year	**P1,187**	P792

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

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

	December 31, 2023			December 31, 2022		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P2,364**	**P2,364**	P -	P3,624	P3,624
Financial assets at FVPL	**1,012**	**389**	**1,401**	997	352	1,349
Financial assets at FVOCI	**1,407**	**6,017**	**7,424**	843	6,476	7,319
Financial Liabilities						
Derivative liabilities	**-**	**1,177**	**1,177**	-	2,832	2,832

The Group has no financial instruments valued based on Level 3 as at December 31, 2023 and 2022. In 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

41. Events After the Reporting Date

Parent Company

Payment of P7,294 Series B Fixed Rate Peso-denominated Bonds

On March 1, 2024, the Parent Company paid the P7,294 Series B fixed rate Peso-denominated bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by the Parent Company in 2017.

SMHC

Rehabilitation, Operation and Maintenance of NAIA by SMC SAP & Company Consortium (Consortium)

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

On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA is expected to be turned-over by the Manila International Airport Authority to the concession company, six months after the execution of the Concession Agreement.

San Miguel Global Power

Joint Investment in an Integrated LNG Facility by San Miguel Global Power and Chromite Gas Holdings, Inc. (CGHI)

On March 1, 2024, the BOD of San Miguel Global Power approved the following transactions:

1) Subscription by CGHI, a joint venture company owned by Meralco PowerGen

Corporation and Therma NatGas Power Inc., of approximately 67% equity interest in the wholly-owned subsidiaries of San Miguel Global Power, namely: SPPC, EERI and IPIEC; and

2) Purchase by San Miguel Global Power of approximately 33% of the total outstanding capital stock of Linseed Field Power Corporation (LFC) from Eurodite Universal Power Incorporated.

The assets covered by the transaction consists of the: (a) 1,275 MW Ilijan Combined Cycle Gas Power Plant owned by SPPC which is currently operational, (b) 1,320 MW BCCPP owned by EERI which is under construction, (c) 390,829 square meters land where the BCCPP of EERI is situated, and (d) import and regasification LNG terminal owned by LFC which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

The transaction is subject to customary closing conditions and regulatory approvals, including the review and approval of the PCC.

42. Registration with the Board of Investments (BOI) and Others

a. San Miguel Global Power

- In 2013, MPI and LPI were granted incentives by the BOI on a pioneer status for six years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987 (Executive Order (EO) No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted LPI's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or one month from the date of such commissioning or testing, whichever comes earlier as certified by NGCP. Subsequently, on December 21, 2016, BOI granted a similar request of MPI to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. MPI’s request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of LPI commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations. The ITH incentives of MPI expired on September 26, 2023.

- On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW Circulating Fluidized Bed Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to LPI's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for three years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI’s BOI registrations. LETI’s ITH for Phase II expired on May 25, 2023.

In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to LPI. On July 13, 2018, BOI granted the request of LPI to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

- On October 12, 2012, MPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPCL is entitled to ITH for three years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPCL's request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

  On December 21, 2015, MPCL received the BOI approval for the application as new operator of 10 MW BESS Project on a pioneer status. The BESS Facility provides 10 MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPCL is entitled to incentives that include, among others, an ITH for six years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPCL's BOI registration. The ITH period for the 10 MW BESS of MPCL commenced on December 1, 2018. On October 1, 2020, MPCL likewise received the BOI approval on the additional 20 MW BESS Phase 2 Project of MPCL.

  On February 23, 2021, MPCL received the BOI approval for the applications as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a four-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

- On August 24, 2016, SMGP Kabankalan received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMGP Kabankalan, a registered entity, is entitled to incentives that include, among others, an ITH for six years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SMGP Kabankalan filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SMGP Kabankalan Storage for the movement of start of commercial operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SMGP Kabankalan's BOI registration.

- On November 29, 2019, the BOI has approved the application of SMGP BESS as new operator of BESS Component of Integrated Renewable Power Facility (R-Hub) covering various sites across the Philippines. The BOI has also approved SMGP BESS' subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

- On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850 MW BCCPP Phase 1, and 850 MW BCCPP Phase 2 located in Barangay Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a four-year ITH reckoned from April 2023 and October 2026, for Phase 1 and Phase 2, respectively, or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

  On December 19, 2023, the BOI approved EERI's request to move the start of commercial operations from April 2023 to August 2024 for Phase 1. The BOI further granted EERI's request to amend the registered capacity from 850 MW to 1,320 MW for Phase 1 and 850 MW to 440 MW for Phase 2.

- On November 29, 2022, the BOI has approved the application of San Miguel Global Power Light and Power Corp. (SGLPC) as a Renewable Energy Developer of Solar Energy Resources located at Lucanin Industrial Estate, Mariveles, Bataan. SGLPC was granted with certain incentives including a seven-year ITH reckoned from the start of commercial operation in October 2023, among others. SGLPC requested BOI to move the start of commercial operation due to events that are beyond its control.

Registration with the Authority of the Freeport Area of Bataan (AFAB)

On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for four years for original project effective on the committed date or actual date of start of commercial operations, whichever is earlier. On December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB which now remains valid and in effect as long as MPGC remains in good standing or until revoked or cancelled.

License Granted by the ERC

On August 4, 2008, August 22, 2011 and August 24, 2016, MPCL, SMELC and LPI, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another five years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete the transfer of its remaining contestable customer to LPI.

On December 13, 2023, the ERC granted the renewal of the RES License of MPCL and LPI for another five years valid from September 30, 2023 until September 29, 2028.

b. SMFB

SMFI

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of EO No. 226 and the RA No. 9728, also known as "The Freeport Area of Bataan Act of 2009", pursuant to RA No. 11534 or the CREATE Act, the projects are entitled, among others, to fiscal incentives described as follows:

- *New Producer of Hogs.* SMFI's (formerly Monterey Foods Corporation [MFC]) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Certificate of Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

  SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. SMFI's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

  Notwithstanding the expiration of ITH benefit in 2016, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

  On February 11, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2008-192. On July 21, 2021, by virtue of Resolution No. 27-02, series of 2021, the Management Committee of the BOI noted the action taken by the Executive Director in approving the request for cancellation and removal of said registration from the BOI's Book of Registry.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. The four-year ITH period of the project which commenced on July 1, 2018 had expired last June 30, 2022.

  Notwithstanding the expiration of ITH benefit in 2022, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain

conditions, but in no case should the aggregate ITH period exceed eight years.

On May 24, 2019, the BOI approved SMFI's request to move the Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The four-year ITH period of the project which commenced on April 1, 2019 had expired last March 31, 2023.

Notwithstanding the expiration of ITH benefit in 2023, the SMFI is still required to continue the submission of annual reports to the BOI until 2028, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

  On May 24, 2019, the BOI approved SMFI's request to move the Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019. The four-year ITH period of the project which commenced on December 1, 2019 had expired last November 30, 2023.

  Notwithstanding the expiration of ITH benefit in 2023, the SMFI is still required to continue the submission of annual reports to the BOI until 2028, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017 under Certificate of Registration No. 2017-057, valid for a period of one year, renewable annually subject to qualifications as determined by AFAB.

  Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020
December 29, 2020	2021-081	2021
May 30, 2022	2022-111	2022

Under the terms of SMFI's AFAB registration, the Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project which commenced on May 1, 2018 had expired last April 2022.

Notwithstanding the expiration of ITH benefit in 2022, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

- *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered with the BOI on a non-pioneer status on December 13, 2017 under Certificate of Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

  On March 19, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2017-335. On May 19, 2021, by virtue of Resolution No. 19-07, series of 2021, the Management Committee of the BOI noted the cancellation of said registration undertaken by the Executive Director and the deletion of the registration from the BOI's Book of Registry.

- *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Phividec, Tagoloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered with the BOI on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. ITH period of the project commenced on June 1, 2020 and will expire on May 2024.

- *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Barangay Soyung, Echague, Isabela feedmill project (Echague Feedmill Project) was registered with the BOI on a non-pioneer status on June 5, 2023 under Certificate of Registration No. 2023-100 pursuant to RA No. 11534 (CREATE Act). The Echague Feedmill Project is entitled to ITH for six years from June 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. ITH period of the project commenced on June 5, 2023 and will expire on June 4, 2029.

With the current provisions of RA No. 11534 or the CREATE Act, registered investment projects prior to CREATE granted with ITH are entitled to finish their ITH entitlement as scheduled, and are given an option to reapply for new tax incentives for the same activity as provided under Section 294 (B) of the same Act.

SMMI

SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Products (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in EO No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI granted SMMI's request for amendment of ITH Base Figure from peso sales value of P9,582 to sales volume of 388,447 metric tons, which shall be effective only from taxable year 2020 onwards.

The three-year ITH period of the project which commenced on December 1, 2019 had expired last June 30, 2022.

Notwithstanding the expiration of ITH benefit in 2022, SMMI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in EO No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

Notwithstanding the expiration of ITH benefit in 2020, PF-Hormel is still required to submit the annual reports to the BOI until 2025, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

c. Petron

Petron Bataan Refinery

In December 2021, the Petron Bataan Refinery (PBR) renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, PBR, under Sec. 311 of Republic Act No. 11534 or the CREATE Act is granted duty-free importation of merchandise including capital equipment, raw materials, spare parts, and accessories subject to compliance with the conditions specified under the CREATE Act. Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, PBR's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon the withdrawal of finished products sourced from the crude oil importation.

d. Packaging

SMYPC

On December 7, 2018, the BOI issued the certificate of registration to SMYPC's Plastic Caps Plant in Laguna as an expanding producer of injection plastic caps on a non-pioneer status under EO No. 226. The registration entitles SMYPC to certain tax and other incentives including but not limited to a three-year ITH starting June 1, 2019 when it started its commercial operations and will expire on May 31, 2022. On May 13, 2022, the BOI approved SMYPC's request for the deferment of its ITH availment for the year 2021. SMYPC is therefore entitled for the remaining ITH entitlement period from January 2022 to May 31, 2023.

On June 19, 2019, the BOI issued the certificate of registration to SMYPC's Plastics Plant in Cebu as a new producer of plastic products such as but not limited to crates and poultry flooring on a non-pioneer status. The registration entitles SMYPC to a four-year ITH starting July 1, 2019 when it started its commercial operations and will expire on June 30, 2023.

In addition to the ITH, SMYPC is entitled to the following benefits:

i. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of EO No. 85 and its Implementing Rules and Regulations for a period of three years from the effectivity of the EO or on July 25, 2019 and until July 24, 2022.

ii. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Custom Bonded Manufacturing Warehouse (CBMW) exporting at least 70% of production.

iii. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

iv. Additional deduction for labor expense for a period of five years from registration an amount equivalent to 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from the date of registration but not simultaneously with ITH.

v. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

vi. Employment of foreign nationals.

vii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

viii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from the date of registration.

ix. Access to CBMW subject to the Customs rules and regulations.

The BOI issued a certificate of registration for SMYPC's Glass Plant in Cavite for its Glass Expansion Project under EO No. 226 was transferred to SMYPC. The registration entitles SMYPC to certain tax and other incentives including but not limited to ITH incentive starting March 1, 2019 and will expire on February 28, 2022. On May 13, 2022, the BOI approved SMYPC's request for the deferment of its ITH availment for the year 2021. SMYPC is therefore entitled for the remaining ITH entitlement period from January 2022 to February 28, 2023.

SYFMC

On December 3, 2019, the BOI issued the certificate of registration to SYFMC's project as a new producer of molds for glass on a pioneer status under EO No. 226. The registration entitles SYFMC to certain tax and other incentives.

The ITH incentive is for a period of six years starting May 1, 2020 when it started its commercial operations. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue granted from the registered project.

e. Cement

ECC

On July 31, 2017, the BOI approved the application of ECC as an expanding producer of cement (Line 3) in Bulacan on a non-pioneer status. ECC's registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

i. ITH for income directly attributable to Line 3 for three years from May 2018 or actual start of commercial operations, whichever is earlier.

ii. Importation of capital equipment, spare parts and accessories at zero duty.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate.

iv. Importation of consigned equipment for a period of ten years from date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of ten years from start of commercial operation.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration.

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

In April 2022, the ITH incentive for Line 3 expired.

On September 14, 2022, the BOI approved the application of ECC as an expanding producer of cement in under Tier 1, “All Qualified Manufacturing Activities including Agro-Processing” of the 2022 Strategic Investment Priority Plan (SIPP). ECC’s registration with the BOI entitled to provide for the following fiscal and nonfiscal incentives:

- ITH for income directly attributable to Finishing Mill 5 for two years from December 2022 or actual start of commercial operations, whichever is earlier.

- After ITH, enhanced deductions for five years.

- Duty exemption on importation of capital equipment, raw materials, spare parts, or accessories for 11 years from date of registration, unless otherwise extended in the SIPP.

- Employment of foreign nationals.

- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

In 2023 and 2022, ECC availed benefits from ITH amounting to P327 and P263, respectively.

NCC

Lines A and B Cement Plant and Grinding Facility registration entitles NCC to the following benefits:

i. ITH for four years from January 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

viii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

NCC requested for the amendment of project timetable, movement of start of commercial operation and ITH Reckoning date and amendment of Line B from fully integrated cement manufacturing line to cement grinding facility.

On January 18, 2024, the BOI has approved NCC's request for the amendment of project timetable, including the movement of start of commercial operation and ITH reckoning date and the amendment of Line B from fully integrated cement manufacturing line to cement griding facility only.

Solid North Mineral Corp. (SNMC)
On March 23, 2018, the BOI approved the application of SNMC as a new producer of good, fine and coarse limestone on a non-pioneer status. SNMC's registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

i. Four-year ITH incentive, starting April 1, 2019, for activities directly attributable in producing good, fine and coarse limestone.

ii. Importation of capital equipment, spare parts and accessories at zero duty.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate.

iv. importation of consigned equipment for a period of ten years from date of registration, subject to posting of re-export bond.

v. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vi. Additional deduction from taxable income of expenses incurred in the development of necessary and major infrastructure facilities.

On October 5, 2020, the BOI granted the deferment of SNMC’s ITH availment for taxable year 2020 due to the adverse effects of the COVID-19 pandemic. SNMC is entitled to its remaining ITH entitlement equivalent to three years and three months or from January 1, 2021 to March 31, 2024.

In 2023 and 2022, ITH incentives availed by SNMC amounted to P64 and P94, respectively.

South Western Cement Corporation (SWCC)
On August 23, 2017, SWCC was registered with the BOI as a new producer of cement on a non-pioneer status but with pioneer incentives (the project being located in a less-developed area) under the heading "All Qualified Manufacturing Activities including Agro-Processing" of the 2017 Investment Priorities Plan under EO No. 226. SWCC's registration with BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH for six years from May 2020 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its implementing rules and regulations. Only equipment directly needed and exclusively used in its operation shall be entitled to capital equipment incentives.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from date of registration but not simultaneously with ITH.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and suppliers and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals may be allowed in supervisory, technical or advisory positions for five years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not subject to the foregoing limitations.

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

ix. Additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure and facilities.

On August 26, 2020, the BOI approved the request of SWCC for the movement of start of commercial operation and ITH reckoning date of its registered activity from May 2020 to December 2023 due to ongoing processing of permits in the Cebu site.

On September 6, 2022, the BOI approved the request of SWCC for the movement of start of commercial operation from December 2023 to January 2027 and partially granted the request for the movement of ITH reckoning date of December 2023 to December 2025 noting that its operation has been affected by the COVID-19 pandemic for two years. Accordingly, no tax benefits from ITH incentives have been availed of in 2023 and 2022.

Ionic Cementworks Industries Inc. (ICII)

- *New Producer of Cement (Barangay Ilayang Palsabangon, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status on April 17, 2018 under Certificate of Registration No. 2018-086. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

  i. ITH

    - ITH for four years from May 2021 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

    - Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

  ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No.22 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

- *New Producer of Cement (Malicboy Cement Plant Project, Barangay Kanlurang Malicboy, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status under Certificate of Registration No. 2021-095 on May 21, 2021. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

  i. ITH

     - ITH for four years from January 2026 or actual start of commercial operations of Line 1, whichever is earlier, but in no case earlier than the date of registration.

     - Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

  ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 85 and its Implementing Rules and Regulation.

  iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

  iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

  v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

  vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

  vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

ICII has not started commercial operations as at December 31, 2023. Thus, ICII has not availed yet of any tax incentives.

Armstrong Fly-Ash and Logistics Company, Inc. (AFALCI)
On December 1, 2017, the BOI approved the application of AFALCI as a new producer of Hi Carbon Fly-ash (Ecotherm) and Low Carbon Fly-ash (ProAsh) on a non-pioneer status. AFALCI's registration with the BOI entitled to provide for the following fiscal and nonfiscal incentives:

i. ITH for income directly attributable to the revenue generated from the registered project Ecotherm and ProAsh for four years from May 2018 or actual start of commercial operations, whichever is earlier.

ii. Importation of capital equipment, spare parts and accessories at zero duty.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate.

iv. Importation of consigned equipment for a period of ten years from date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of ten years from start of commercial operation.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration.

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On May 1, 2018, AFALCI started its commercial operations.

On September 17, 2020, the BOI granted the deferment of AFALCI's ITH availment for taxable year 2020 up to April 2023 due to the adverse effects of the COVID-19 pandemic.

AFALCI has availed ITH incentive amounting to P10 and P6 in 2023 and 2022, respectively.

Southern Concrete Industries Inc. (SCII)
SCII is registered with the BOI as a new producer of cement on a non-pioneer status under Certificate of Registration No. 2022-044 on April 08, 2022. In accordance with the provisions of EO No. 226, also known as the Omnibus Investments Code of 1987, SCII is eligible to the grant of several incentives.

SCII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH

   a) ITH for two years from July 2022 for income directly attributable to the eligible revenue generated from the registered project.

b) Enhanced deductions for five years, after ITH, as follows:

- Additional depreciation allowance of the assets acquired for the entity's production of goods and services (qualified capital expenditure) – additional 10% for buildings; and additional 25% for machineries and equipment;

- Additional 50% deduction on the labor expense incurred in the taxable year;

- Additional 50% deduction on power expense incurred in the taxable year;

- Deduction for reinvestment allowance to manufacturing industry;

- Enhanced NOLCO; and

- Other types of enhanced deductions that shall be determined relevant and applicable to the registered project under SIPP.

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ii. Importation of capital equipment, raw materials, spare parts and accessories at zero duty.

iii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

iv. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On November 26, 2022, SCII requested the BOI to defer the start of its ITH availment period from July 1, 2022 to January 1, 2023 due to the delay in its commencement of commercial operations brought about by COVID-19 pandemic and the corresponding implementation of lockdowns and mobility restrictions.

On June 14, 2023, SCII request for the deferment of its ITH availment was approved and confirmed pursuant to Section 2, Rule 23 of the Implementing Rule and Regulations of Republic Act No. 11534 or the CREATE Act and Fiscal Incentives Review Board Resolution No. 24-21, Series of 2021 authorizing BOI to implement temporary measure for exceptional circumstances such as the COVID-19 Pandemic.

f. SMCSLC

<u>SMCSLC</u>
SMCSLC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers, where SMCSLC is entitled to the following incentives:

i. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

ii. *Additional Deduction for Labor Expense.* For the first five years from registration, SMCSLC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

iii. *Importation of Capital Equipment, Spare Parts and Accessories*. For the *operation* of motor tankers, SMCSLC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

SLHBTC

In 2014, SLHBTC's registration with the BOI as an oil terminal for storage and bulk marketing of petroleum products in its Main Office located at Tondo Manila was granted with registration number 2013-068. In 2015, SLHBTC registered its own fuel storage facilities at Limay, Bataan under Registration No. 2015-027. In 2016, its newly built oil terminal located at Tagoloan, Cagayan de Oro was also registered with the BOI under Registration No. 2016-145. With the registration, SLHBTC is entitled to the following incentives under the RA No. 8479 from date of registration or date of actual start of commercial operations, whichever is earlier, and upon fulfillment of the terms enumerated below:

i. *ITH*

SLHBTC is entitled to ITH for five years without extension until August 31, 2021.

Only income directly attributable to the revenue generated from the registered project [Storage and Bulk Marketing of 172,000,000 liters (Tagoloan) or 35,000,000 liters (Limay) of petroleum products covered by Import Entry Declaration or sourced locally from new industry participants] pertaining to the capacity of the registered storage terminal shall be qualified for the ITH.

ii. *Additional Deduction from Taxable Income.* SLHBTC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH.

iii. *Minimum Duty of 3% and VAT on Imported Capital Equipment.* Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to the following conditions:

- they are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices;

- the equipment is reasonably needed and will be exclusively used in the registered activity; and

- prior BOI approval is obtained for the importation as endorsed by the DOE.

iv. *Tax Credit on Domestic Capital Equipment.* This shall be granted on locally fabricated capital equipment equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

v. *Importation of Consigned Equipment.* SLHBTC is entitled for importation of consigned equipment for a period of five years from the date of registration subject to posting of the appropriate bond, provided that such consigned equipment shall be for the exclusive use of the registered activity.

vi. *Exemption from Taxes and Duties on Imported Spare Parts for Consigned Equipment with Bonded Manufacturing Warehouse.* SLHBTC is entitled to this exemption upon compliance with the following requirements:

- at least 70% of production is imported;
- such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; and
- all such spare and supplies shall be used only on bonded manufacturing warehouse on the registered enterprise under such requirements as the Bureau of Customs may impose.

vii. *Exemption from Real Property Tax on Production Equipment or Machinery.* Equipment and machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity. BOI Certification to the appropriate Local Government Unit will be issued stating therein the fact of the applicant's registration with the BOI.

viii. *Exemption from the Contractor's Tax.* BOI certification to the BIR will be issued stating therein the fact of the applicant's registration with the BOI.

ix. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from date of registration. The President, General Manager and Treasurer of foreign-owned registered enterprise or their equivalent shall not be subject to the foregoing limitations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operation and/or date of registration.

No ITH incentive was availed in 2023 and 2022 because entitlements were already expired.

Molave Tanker Corporation (MTC)

MTC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers where MTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Apitong, 2,993GT).* The project was registered on January 11, 2017, where MTC is entitled to ITH for four years until January 10, 2021. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Guijo - 2,993 GT).* The project was registered on May 24, 2017, where MTC is entitled to ITH for four years until May 23, 2021. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, MTC is entitled to importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, MTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional Deduction for Labor Expense*. For the first five years from registration, MTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

No ITH incentive was availed in 2023 and 2022 because entitlements were already expired.

Balyena Tanker Corporation (BTC)

BTC is registered with the BOI under the Omnibus Investments Code of 1987, as amended, for the operation of domestic cargo vessels and motor tankers where BTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (LPG Carrier/Tanker Vessel - BTC Balyena, 3,404 GT).* The project was registered on December 14, 2016, where BTC is entitled to ITH for four years until December 13, 2020.

- *New Domestic Shipping Operator (One Cargo Vessel - BTC Mt. Samat, 1,685 GT)*. The project was registered on July 30, 2018, where BTC is entitled to ITH for four years until July 29, 2022.

- *New Domestic Shipping Operator (Cargo Vessel BTC - Harina, 872 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years until November 8, 2022.

- *New Domestic Shipping Operator (Deck Cargo Vessel - BTC Mount Makiling, 1,685 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years until November 8, 2022. On December 14, 2023, BOI approved BTC's request for deferment of ITH incentive availment period until November 8, 2023 noting that its operation has been affected by COVID-19 pandemic and it has not fully enjoyed the incentives granted.

- *New Domestic Shipping Operator (Cargo Vessel - BTC Soya, 2,426 GT).* The project was registered on July 19, 2019, where BTC is entitled to ITH for four years until July 18, 2023.

- *New Domestic Shipping Operator* (*Cargo Vessel - BTC Cassava, 2,426 GT*). The project was registered on July 19, 2019, where BTC is entitled to ITH for four years until July 18, 2023.

The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, BTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, BTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, BTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

vii. *Exemption from wharfage dues and any export tax, duty, impost and fees for a period of ten years from date of registration.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

ITH incentives availed in 2023 and 2022 amounted to P0.4 and P1, respectively.

Narra Tanker Corporation (NTC)
NTC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers where NTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - NTC Agila, 1-2,112 GT).* The project was registered on May 24, 2017, where NTC is entitled to ITH for four years from May 2017, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Haribon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from May 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Falcon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from May 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Heron, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Flamingo, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, NTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, NTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, NTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

ITH incentives availed in 2023 and 2022 amounted to P28 and P47, respectively.

43. Other Matters

a. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- Excess Excise Tax Payments

  Filed by the Parent Company

  In 2004, the Parent Company was assessed excise taxes by the BIR on "San Mig Light" which at that time was one of its products. These assessments were contested by the Parent Company but nonetheless made the corresponding payments. Consequently, the Parent Company filed three claims for refund for overpayments of excise taxes with the BIR.

  The first and second claims for refund were then elevated to the Court of Tax Appeals (CTA) and went all the way to the Supreme Court which was resolved in favor of the Parent Company. On September 8, 2020, the BIR issued TCC Nos. 121-20-00012 and 121-20-00013 amounting to P782 and P926, respectively in favor of SMC (Note 32). P773 out of P782 TCC and P274 out of P926 were partially applied to the Parent Company's tax obligations as at December 31, 2023.

  The third claim for refund was consolidated with a claim for refund which was filed by SMB, a company to which, effective October 1, 2007, the Parent Company had spun off its domestic beer business. The claim was also favorably resolved in favor of the Parent Company and SMB. On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to P105 in favor of SMC (Note 32), which was applied in full to the Parent Company's tax obligations as at December 31, 2021.

  Filed by SMB

  SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review. Four of these claims (i.e., CTA Case Nos. 7973, 8209, 8400, 8591 and 8748) were decided by the Supreme Court in favor of SMB and tax credit certificates amounting to P1,430, P1,569 and P769 were received in 2019, 2020 and 2023, respectively. One claim (CTA Case No. 10241) was withdrawn with the issuance of a tax credit certificate in the amount of P162 in 2021. The remaining eight claims for refund are still pending before the courts, as follows:

  (a) Claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

  (b) Claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(c) Claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(d) Claim for refund of overpayments for the period from January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(e) Claim for refund of overpayments for the period from January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);

(f) Claim for refund of overpayments for the period from January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019); and

(g) Claim for refund for overpayments for the period of January 23, 2020 to February 9, 2020 - First Division docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022).

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the RTC rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA *En Banc* by way of a Petition for Review. On September 19, 2018, the CTA *En Banc* reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA *En Banc* in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records were remanded to the CTA Third Division and the case is now submitted for the CTA Third Division's decision.

CTA Third Division partially granted SMB's Petition on September 14, 2023. The BIR is ordered to refund or issue a TCC in the reduced amount of P83, representing overpayment of excise taxes on the "San Mig Light' removals for the period from January 1, 2013 to December 31, 2013. The BIR filed a Motion for Reconsideration with CTA Third Division which was denied.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division in April 2019. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 21, 2022, the CTA *En Banc* rendered a Decision denying the separate Petitions for Review. On March 21, 2022, SMB elevated the Decision of the CTA *En Banc* by way of a Petition for Review to the Supreme Court, where it was docketed as G.R. No. 258812. The BIR also elevated the CTA *En Banc's* Decision to the Supreme Court which was docketed as G.R. No. 261197. In GR No. 258812, the Supreme Court issued a Resolution requiring the BIR to comment on SMB's Petition. The Office of the Solicitor General (OSG) filed a Manifestation and Motion praying that it be excused from filing a comment since the CTA decision is in order. In GR No. 261197, the OSG filed a Manifestation and Motion informing the Supreme Court that it decided not to file the Petition since the CTA decision is in order.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc.* On February 4, 2021, the CTA *En Banc* affirmed the decision of the CTA Second Division. Both parties filed motions for partial reconsideration of the CTA *En Banc's* Decision. In its October 22, 2021 Resolution, the CTA *En Banc* denied the parties' motion for reconsideration. SMB and the BIR filed separate Petitions for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784 and 259263, respectively. These were consolidated by the Supreme Court, after which the BIR filed its comment to SMB's Petition as directed by the court.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA *En Banc*. On February 10, 2022, the CTA *En Banc* rendered a Decision denying the Petitions for Review. The BIR moved for reconsideration while SMB filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 258813. Upon denial by the CTA *En Banc* of the BIR's motion for reconsideration, the BIR also filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 261196. In G.R. No. 258813, the Supreme Court issued a Resolution dated October 2, 2023 ordering the BIR to refund the amount of P3. In G.R. No. 261196, the Supreme Court issued a Resolution dated April 19, 2023 denying the petition for failure to sufficiently show that the CTA committed any reversible error.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration which was denied by the CTA Third Division. The BIR filed a Petition for Review with CTA *En Banc* docketed as CTA *En Banc* No. 2625. SMB filed its Comment dated July 25, 2022. On August 2, 2023, the CTA *En Banc* promulgated its Decision in CTA EB No. 2625 affirming the decision of the CTA Third Division in favor of SMB. The BIR moved for reconsideration but the same was denied by the CTA *En Banc* on January 8, 2024. The BIR then filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 271254.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA Second Division. In its Resolution dated July 19, 2022, the case was submitted for decision. On July 5, 2023, the CTA Second Division promulgated its Decision which ordered the CIR to refund or to issue a TCC in favor of SMB in the amount of P147 representing erroneously, excessively, and/or illegally collected excise taxes due on the removals of its subject beer products for the period covering January 1, 2018 to December 31, 2018.

On July 25, 2023, the CIR filed a Motion for Reconsideration on the aforesaid Decision, to which SMB filed an Opposition. In a Resolution dated October 9, 2023, the Court denied the Motion for Reconsideration of the CIR.

On December 14, 2023, the CIR appealed the Decision and Resolution of the CTA Second Division to the CTA *En Banc* by way of a Petition for Review, which was docketed as CTA EB No. 2834.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022 and is pending with the CTA First Division. The case is a consolidation of two claims, to wit:

i. P8 under RA No. 10351 - the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on Revenue Memorandum Circular (RMC) No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the National Internal Revenue Code (NIRC), as amended by RA No. 10351 beginning January 1, 2020.

ii. P1,061 under RA No. 11467 - the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

The case is now submitted for decision.

Administrative Case

SMB filed an administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8 (Note 32), which was fully utilized against SMB's tax obligations in 2022.

Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

(a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA *En Banc* the Decision dated July 28, 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA EB No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA *En Banc* elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division, and the same was docketed as CTA EB No. 2544.

On March 28, 2022, the Court *En Banc* ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review. On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review. On May 30, 2022, the Court *En Banc* promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On June 13, 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court *En Banc* promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On January 18, 2023, the CTA *En Banc* granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544 and admitted GSMI's Comment as part of the records of the case.

These Petitions for Review are now submitted for decision.

(b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA *En Banc* denied the Petition for Review filed by GSMI. The Decision dated February 6, 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA *En Banc* to the Supreme Court by way of a Petition for Review, which was docketed as Supreme Court G.R. No. 25839.

This case is still pending resolution before the Supreme Court as at December 31, 2023.

- Deficiency Tax Liabilities

  IBI

  On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax (DST) and miscellaneous tax deficiencies with administrative penalties. IBI filed a Protest. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657.

  On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, DST and compromise penalty are cancelled and set aside. However, the assessment for deficiency expanded withholding tax is affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

  On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review. On July 21, 2022, the CTA *En Banc* denied the BIR's Petition for Review. Thereafter, the BIR filed for a motion for reconsideration which was also denied by the CTA *En Banc*.

  The BIR filed a Petition for Review on Certiorari dated January 9, 2023 with the Supreme Court docketed as G.R. No. 264402.

  SMFI

  (a) SMFI (as the surviving corporation in a merger involving MFC) vs. CIR CTA Case 9046

      In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a Final Decision on Disputed Assessment (FDDA) was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and DST assessments against SMFI.

      SMFI filed a Request for Reconsideration which the CIR denied prompting SMFI to file a Petition for Review with the CTA, docketed as CTA Case No. 9046.

      The CTA First Division granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

The BIR filed a Motion for Reconsideration with the CTA First Division, which was denied.

The BIR then filed a Petition for Review before the CTA *En Banc*, which was also denied.

While the Petition was pending, the BIR issued a Warrant of Distraint and/or Levy (WDL) against SMFI (as the surviving corporation). SMFI requested BIR for the lifting and cancellation of the WDL and filed an Urgent Omnibus Motion with the CTA to suspend collection of taxes and declare the WDL null and void.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a Judicial Compromise Agreement (JCA), which the Supreme Court approved on June 28, 2021. The Supreme Court further ruled that the case should be considered closed and terminated.

(b) SMFI vs. CIR CTA Case No. 9241

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI's position that the use of the NOLCO and input tax credit from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

SMFI filed a Petition for Review before the CTA, docketed as CTA Case No. 9241.

The CTA Third Division rendered its decision granting SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR. The BIR then filed a Motion for Reconsideration which was denied.

Despite the finality of the Decision, the BIR issued a WDL against SMFI. SMFI requested BIR for the lifting and cancellation of the WDL.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a JCA, which was approved by the CTA Third Division.

The CTA Third Division also declared the WDL null and void and ordered it to be cancelled and withdrawn.

(c) SMFI vs. Office of the City Treasurer, City of Davao

SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

Following the dismissal of the appeals filed by SMFI with the Davao RTC, the following Petitions for review were filed with the CTA:

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018
- CTA Case AC No. 249, filed on February 26, 2021

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post-mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

In CTA Case AC No. 209, the CTA First Division dismissed SMFI's Petition on May 29, 2020 and denied the Motion for Reconsideration on February 22, 2021. A Petition for Review was filed on May 12, 2021 with the CTA *En Banc* and docketed as CTA Case EB No. 2474. On January 31, 2023, the CTA *En Banc* denied SMFI's Petition. SMFI filed for a Motion for Reconsideration which was likewise denied on August 4, 2023. Following the denial, SMFI elevated and filed for Petition for Review with the Supreme Court on December 27, 2023, which is pending resolution as at March 11, 2024.

Moreover, the CTA First Division also dismissed on July 3, 2020 the Petition docketed as CTA Case AC No. 210, and on July 28, 2021, SMFI's Motion for Reconsideration was denied. On October 8, 2021, SMFI filed a Petition for Review with the CTA *En Banc* docketed as CTA Case EB No. 2535, which was likewise denied on May 18, 2023. Thus, a Motion for Reconsideration was filed on September 15, 2023 with the same being denied on March 4, 2024.

Last, the CTA Special Third Division on October 12, 2022, dismissed the Petition for Review docketed as CTA Case AC No. 249 on the grounds of lack of jurisdiction on permit fees as it is not a tax, therefore outside the CTA's jurisdiction. In December 2022, SMFI filed a Motion for Reconsideration but was denied on November 9, 2023.

- Oil Spill Incident in Guimaras

  On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTr and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

  Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2023. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the Court of Appeals issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering Petron to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, Petron filed a motion for reconsideration of said Resolution which remains pending as at March 11, 2024. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far. As at December 31, 2023 and 2022, the Group has not set up any provision related to this case because while the case is still pending Petron believes the resolution will be in its favor.

- Lease Agreements with PNOC

  On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

  The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and Petron executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, Petron, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

  The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to

PNOC, a government-owned-and-controlled corporation.
On December 11, 2017, the trial court granted Petron's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting Petron from possession of the subject properties until the case is decided.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. Petron also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted Petron's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to Petron's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to Petron of all such properties, and (iii) the payment by Petron to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. Petron also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to Petron all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Petron's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Petron's lease thereby depriving Petron a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the decision dismissed Petron's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of Petron and PNOC. In consideration of the possible delay in the final resolution of the case if Petron were to proceed with the filing of a petition for review with the Supreme Court on the issue of rental payments it seeks to recover and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the Court of Appeals, Petron has decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022. On November 30, 2023, Petron received a copy of the Supreme Court's resolution dated July 25, 2023, denying PNOC's petition for review on certiorari, on the ground that PNOC failed to sufficiently show that

the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. On December 6, 2023, Petron received a copy of PNOC's motion for reconsideration of the Supreme Court's resolution, coupled with motion to refer the case to the Supreme Court *En Banc* citing, among others, the involvement of prime vital government assets. As at December 31, 2023, Petron had yet to receive from the Supreme Court any notice on its action on PNOC's motions for reconsideration and referral of the case to the Supreme Court *En Banc*.

- Generation Payments to PSALM

  SPPC and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

  SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments calculated based on its interpretation and the amount which has already been paid by SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

  On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the performance bond posted by SPPC pursuant to the Ilijan IPPA Agreement.

  On September 8, 2015, SPPC filed a Complaint with the RTC of Mandaluyong City requesting the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld and asked that a 72-hour Temporary Restraining Order (TRO) be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended for until September 28, 2015.

  On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending. PSALM sought for reconsideration of the said order but was later on denied by the RTC. PSALM filed with the Court of Appeals a Petition for Review on Certiorari assailing the RTC's order of denial. The Court of Appeals ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

  PSALM filed a Motion for Reconsideration of the 2017 CA Decision but it was denied by the Court of Appeals in its resolution dated July 12, 2018 (the

"2018 CA Resolution").
On September 19, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the Supreme Court praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the Supreme Court in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution"). PSALM filed a Motion for Reconsideration thereof and was denied by the Supreme Court in a resolution dated August 5, 2019 which became final and executory on the same date.

Prior to the Court of Appeals Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself from the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018.

On July 26, 2019, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction with the Court of Appeals, seeking the reversal of the orders of the RTC dated September 24, 2018 and April 29, 2019 (CA-G.R. SP No. 161706). In compliance with the Court of Appeals' directive, PSALM filed an Amended Petition on April 29, 2019 (the "PSALM 2019 CA Petition").

On April 7, 2022, the Court of Appeals promulgated a Decision dismissing the PSALM 2019 CA Petition (the "April 7, 2022 CA Decision"). PSALM filed a Motion for Reconsideration dated April 29, 2022. SPPC filed a Motion for Leave to File Opposition to the Motion for Reconsideration with an Opposition to the said Motion for Reconsideration on July 15, 2022.

In a Resolution dated October 4, 2022, the Court of Appeals denied PSALM's motion for reconsideration of the April 7, 2022 CA Decision (the "October 4, 2022 CA Resolution").

On December 1, 2022, PSALM filed a Petition for Review on Certiorari with the Supreme Court, appealing the April 7, 2022 CA Decision denying its petition for certiorari and October 4, 2022 CA Resolution denying its motion for reconsideration. The Petition for Review has been docketed as G. R. No. 263773. SPPC has not yet received a directive to file a Comment on the petition.

In a Resolution dated November 8, 2023, which SPPC received on March 6, 2024, the Supreme Court denied PSALM's Petition for Review of the Court of Appeals' Decision dated April 7, 2022 and Resolution dated October 4, 2022 in CA-G.R. SP No. 161706. The Supreme Court deemed it was not necessary to delve into PSALM's arguments that the trial court committed grave abuse of discretion in directing PSALM to respond to SPPC's modes of discovery because the Court of Appeals found that the trial court acted in accordance with law, the facts, and evidence, and that PSALM had complied with the directive. The Supreme Court also found that it was the regular courts that have jurisdiction and not the ERC.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its opposition to this motion in March 2020.

On May 26, 2020, SPPC filed a Supplemental Opposition to PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM also filed several other pleadings: (i) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (ii) Motion for Reconsideration of the RTC Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (iii) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. SPPC filed a Motion for Leave to File Consolidated Rejoinder with Consolidated Rejoinder dated September 14, 2020 to PSALM's Reply to Opposition to the Motion to Dissolve.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam (the "November 27, 2020 RTC Order"). On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. On January 29, 2021 PSALM filed a Motion for Reconsideration of the November 27, 2020 RTC Order.

In an Order dated March 23, 2021 (the "March 23, 2021 RTC Order"), the RTC denied PSALM's Motion for Reconsideration of the November 27, 2020 RTC Order. In the same Order, the RTC also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

On May 21, 2021, SPPC filed a Motion for Reconsideration of the March 23, 2021 RTC Order. PSALM filed an Opposition to the Motion for Reconsideration and SPPC filed a Motion for Leave to File a Reply to the Opposition with an incorporated Reply.

In June 2021, PSALM also filed a Petition for Certiorari under Rule 65 of the rules of Court to annul the November 27, 2020 RTC Order and the March 23, 2021 RTC Order with the Court of Appeals, which was denied by the Court of Appeals in its Decision dated May 30, 2022 (the "May 30, 2022 CA Decision").

On October 3, 2022, the Court of Appeals promulgated a Resolution denying PSALM's Motion for Reconsideration of the May 30, 2022 Decision (the "October 3, 2022 CA Resolution").

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the Supreme Court, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the Supreme Court denied the petition for failure to show any reversible error in the May 30, 2022 Court of Appeals Decision and October 3, 2022 Court of Appeals Resolution as to warrant the exercise of the Supreme Court of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. SPPC has not yet received a directive to file a Comment.

The mediation scheduled on April 19, 2021 did not push through, in view of the restrictions imposed by the enhanced community quarantine and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled the portion of the March 23, 2021 RTC Order, where it set the case for mediation, given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case on June 18, 2021, which was however cancelled.

On September 13, 2021, the RTC denied SPPC's Motion for Partial Reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021. Pre-trial proceeded on November 19, 2021 and the parties filed the Joint Stipulation of Facts on April 6, 2022.

SPPC filed a Motion to Amend Pre-trial Order and Minutes of the Pre-trial issued by the RTC on April 7, 2022, which was later granted by the RTC on May 20, 2022 The RTC accordingly issued an Amended Pre-trial Order.

SPPC presented its first witness on July 29, 2022 and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC presented its second witness for the cross-examination of SPPC's second witness. No additional trial dates have been scheduled because the presiding judge will retire in June 2024.

Related to the foregoing, in a Resolution dated December 7, 2021, the RTC denied PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction on the grounds that: (a) the arguments in the Motion had been previously denied with finality by the RTC, Court of Appeals, and Supreme Court and the propriety of the issuance of the writ of preliminary injunction in favor of SPPC "should be considered a settled matter, so long as the facts and circumstances upon which the writ was issued still continue to exist"; (b) "PSALM cannot substantiate its contentions that the continuance of the preliminary injunction would cause it damage or that SPPC can be fully compensated for such damages as it may suffer"; and (c) the counter-bond offered by PSALM would be inadequate to answer for the damages that SPPC might sustain as a result of the lifting of the preliminary injunction.

In an Order dated February 17, 2022, the RTC denied PSALM's Motion for Reconsideration of the Resolution of December 7, 2021 for failing to raise any new or substantial ground.

PSALM filed a Petition for Certiorari dated May 13, 2022, assailing the RTC's Resolution of December 7, 2021 and Order of February 17, 2022 for allegedly having been rendered with grave abuse of discretion. On October 14, 2022, SPPC filed its Comment on the petition. In a Resolution dated February 23, 2023, the Court of Appeals noted that PSALM did not file a Reply to SPPC's Comment thus deemed the petition as submitted for decision.

Although the proceedings before the RTC remain pending, the Ilijan Power Plant was turned over by PSALM to SPPC pursuant IPPA Agreement and the Deed of Sale executed between PSALM and SPPC on June 3, 2022.

- Intellectual Property Rights

  i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

     When the Court of Appeals affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the Petition) with the Supreme Court. The Supreme Court denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the Supreme Court *En Banc*. The Supreme Court denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the Supreme Court *En Banc*.

     Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of "*League of Cities vs. Commission of Elections*" (G.R. Nos. 176951, 177499 and 178056) to invite the Supreme Court *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the Supreme Court *En Banc* issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the Supreme Court Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R Nos. 216104, 210224 and 219632) with the *En Banc* case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of Tanduay Distillers, Inc. (TDI) and GSMI before the IPOPHL.

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPOPHL Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPOPHL Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPOPHL Director General's Decision dated December 27, 2019.

On March 10, 2023, GSMI received a copy of the Notice of Judgment dated March 7, 2023 and consolidated Decision promulgated by the Supreme Court *En Banc* on August 9, 2022. In gist, the Supreme Court held that: (1) "GINEBRA" is not a generic mark; (2) Based on the totality of evidence, GSMI presented overwhelming proof, through empirical survey evidence, more than a century of advertisement, and documentary and testimonial evidence, that public perception views "GINEBRA" not as a generic English term for gin; rather, "GINEBRA," through its long usage in the Philippines, now refers to the gin products of GSMI to the public; (3) "GINEBRA" may be considered a descriptive mark which may be subject to trademark protection under the doctrine of secondary meaning. Based on the evidence, "GINEBRA" had already become distinctive of the products of GSMI under the primary

significance test; (4) Applying the dominancy test, the simple use of the "GINEBRA" in "GINEBRA KAPITAN" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product, in particular "GINEBRA SAN MIGUEL" and/or "GINEBRA S. MIGUEL." TDI committed trademark infringement against GSMI; and (5) TDI's intent to pass off should be presumed in the instant case. If there was no intent to palm off TDI's products as those of GSMI, it is uncanny that aside from the use of the same word "GINEBRA", the general appearance of the two competing products are also strikingly similar. Therefore, TDI should be held liable for unfair competition.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022.

On August 29, 2023, the Supreme Court *En Banc* issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in these consolidated cases.

ii. G.R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against TDI filed with the RTC, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the Court of Appeals, due to technicalities, two cases were lodged in the Court of Appeals: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the Court of Appeals reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the Court of Appeals ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The Court of Appeals likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the Court of Appeals also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term, there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the Court of Appeals, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The Court of Appeals added that "the mere use of the word 'GINEBRA' in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product", and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the Supreme Court, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the Supreme Court on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPOPHL Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPOPHL Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPOPHL Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court *En Banc* promulgated a Decision in the four consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the Court of Appeals reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The Court of Appeals ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the Supreme Court, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPOPHL Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPOPHL Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPOPHL Director General's Decision dated December 27, 2019.

- Imported Industrial Fuel Oil

SLHBTC has an on-going case with the CTA against the Commissioner of Customs (the Commissioner). On January 16, 2016, a Warrant of Seizure and Detention was issued against the 44,000 metric tons of fuel imported by SLHBTC with approximate value of P751. The Commissioner alleged that SLHBTC discharged fuel directly from the vessel carrying SLHBTC's imported fuel to another vessel via loop loading without paying duties and taxes and therefore, violating the Customs Modernization Tariff Act and other customs regulations. On January 20, 2017, the District Collector of Customs issued a decision forfeiting the fuel in favor of the government.

Subsequently on March 23, 2017, SLHBTC filed with the CTA a petition seeking the lifting and termination of the Warrant of Seizure and Detention and the reversal of the decision issued by the District Collector of Customs.

On April 19, 2017, SLHBTC filed with the CTA a Motion for Special Order to release the 44,000 metric tons of fuel, which was granted on January 28, 2018 subject to the posting of a surety bond amounting to P123 or one and one-half times of the assessed amount of P82 representing VAT. SLHBTC posted the surety bond and the 44,000 metric tons of fuel were released.

On December 1, 2021, the customs officer representing the District Collector of Customs was cross-examined by the SLHBTC legal counsel. He admitted that he did not examine the imported documents prior to recommending the issuance of a Writ of Seizure and Detention.

On February 24, 2022, the CTA decided to lift and terminate the Warrant of Seizure and Detention issued by the Commissioner and reversed the decision issued by the District Collector of Customs in January 2017 to forfeit the fuel in favor of the government. Moreover, the order granted by the CTA in January 2018 to release the 44,000 metric tons of fuel is now permanent and the surety bond of P123 shall be released and discharged to SLHBTC upon finality of judgment.

On October 5, 2022, the Commissioner filed a Petition for Review with the CTA *En Banc*. After technical issues were clarified, SLHBTC filed its comment on January 30, 2023. There has been no action from the CTA since then. As at March 11, 2024, the Commissioner has not appealed the decision of the CTA.

SLHBTC and its legal counsel assessed that it has a meritorious case and the final outcome will not have a material adverse effect on the SLHBTC's business financial condition and results of operations.

- Criminal Cases

  SPPC

  On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of RA No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, before the DOJ, against certain officers of PSALM, in connection with the termination of SPPC's Ilijan's IPPA Agreement, which was made by PSALM with manifest partially and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount US$60 (P3,345). On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action where it is still pending as at March 11, 2024.

  On a related matter, on November 14, 2018, SPPC filed with the Office of the Ombudsman-Field Investigation Office, an administrative complaint against an executive officer of PSALM and several unidentified persons for violation of the Ombudsman Act and the Revised Administrative Code, in the performance of their functions as public officers.

In a Resolution dated March 10, 2021, which was approved by the Ombudsman on February 15, 2022, the Graft Investigation and Prosecution Officer ("GIPO") dismissed the criminal complaint against the Respondents. In a Decision of the same date, approved by the Ombudsman also on February 15, 2022, the GIPO also dismissed the administrative complaint against the Respondents.

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint. In an Order dated May 25, 2022, the Office of the Ombudsman denied SPPC's Motion for Reconsideration. SPPC has decided not to question the dismissal of the criminal complaint.

SPI

On October 21, 2015, SPI filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of TPEC and TSC, relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SPI.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file an Information against the respondents for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019 (the "July 29, 2016 DOJ Resolution"). The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said DOJ's Resolution of July 29, 2016 DOJ Resolution, through the filing of a Petition for Review with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SPI filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution dated October 25, 2017.

While the said Motion for Partial Reconsideration is pending, SPI and the Respondents filed before the DOJ a Joint Motion to Dismiss dated June 6, 2022 praying for the dismissal of the criminal complaint filed by SPI.

In a Resolution promulgated on May 5, 2023, the DOJ affirmed its Resolution dated October 25, 2017. The DOJ held that considering SPI's desistance, SPI's Motion for Partial Reconsideration of the DOJ's Resolution of October 25, 2017 was considered dismissed and/or withdrawn.

- Civil Case

On June 17, 2016, SPI filed with the RTC Pasig a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SPI's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant ("Sale of the Excess Capacity"). With the filing of the complaint, SPI also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

PSALM filed an Answer dated August 17, 2016 stating that it has no right to, and is not the owner of, the proceeds of the sale on the WESM of electricity generated from the capacity in excess of 1,000 MW of the Sual Plant and that "the consignation should belong to TPEC as it is rightfully entitled to the 200 MW and to the payments which SPI made consequent therewith."

On October 3, 2016, SPI filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender (the "Omnibus Motion"). Together with this Omnibus Motion, SPI consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

On July 5, 2017, SPI consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SPI also filed a Motion to Admit Second Supplemental Complaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignation filed by SPI on the ground that the court has no jurisdiction over the subject matter of the complaint and finding that the ERC has the technical competence to determine the proper interpretation of "contracted capacity", the fairness of the settlement formula and the legality of the memorandum of agreement.

On July 4, 2018, SPI filed its Motion for Reconsideration to the May 22, 2018 order which dismissed the consignation case. The Motion for Reconsideration was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the Motion for Reconsideration and SPI filed its Reply to PSALM's Comment on August 13, 2018.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case.

On December 13, 2019, the case was re-raffled to Branch 268. On February 7, 2020, a clarificatory hearing was held and Branch 268 noted the pending incidents, which are: (a) SPI's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SPI's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

In an Order dated September 30, 2021, the RTC Branch 268: (a) granted SPI's Motion for Reconsideration of the Order of May 22, 2018, which dismissed the case for lack of jurisdiction; (b) granted SPI's Omnibus Motion to Admit Supplemental Complaint and Allow Future Consignations without Tender; and (c) reinstated the Complaint (the "September 30, 2021 Order").

RTC Branch 268 scheduled the pre-trial on December 13, 2021 but the pre-trial was postponed because PSALM filed an Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). SPI has already filed an Opposition to the Omnibus Motion.

In an Order dated May 30, 2022, RTC Branch 268 denied PSALM's Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). In the same Order, RTC Pasig Branch 268 set the pre-trial on August 1, 2022. SPI and PSALM filed a Joint Motion to Re-Set Pre-trial Conference on the ground that the parties are negotiating for an amicable settlement. RTC Pasig Branch 268 granted the Joint Motion and scheduled the resumption on September 1, 2022, in the event that the parties do not reach an amicable settlement.

The parties filed a Second Joint Motion to Reset Pre-trial Conference as they were still negotiating an amicable settlement.

On October 5, 2022, SPPC and PSALM filed an Omnibus Motion to Dismiss and Release Deposited Monies, whereby PSALM, consistent with its representation and acknowledgment in its Answer that the consigned amounts rightfully belong to TPEC, agreed to the release of the said amounts to TPEC and SPI, relying on PSALM's representation and acknowledgment, did not object to the release of the consigned amounts to TPEC.

On October 10, 2022, the RTC issued an Order granting the Omnibus Motion and authorized TPEC's named representative in the Omnibus Motion to withdraw the consigned amounts.

Further related thereto, on December 1, 2016, SPI received a copy of a Complaint filed by TPEC and TSC with the ERC against SPI and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SPI filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case.

On June 6, 2022, SPI, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint. SPI received the Order from the ERC on June 22, 2022, asking the parties to submit a copy of the settlement agreement within five days from receipt of such order. TPEC, TEAM and SPI filed with the ERC a Compliance and Submission attaching the settlement agreement on June 28, 2022.

The total amount consigned with the RTC Pasig amounting to P491 was released to TPEC on December 20, 2022.

- TRO Issued to Meralco

  On December 5, 2013, Meralco wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of P7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of the remaining P3,000, representing a portion of the generation costs for the November 2013 supply month which was not passed on to customers in December 2013, subject to the inclusion of the appropriate carrying charge. In response thereto, the ERC, in its letter dated December 9, 2013, granted Meralco the authority to implement a staggered collection of its generation cost for the power supplied in November 2013. The ERC, however, did not approve Meralco's request to recover the carrying costs and directed it to file a formal application for this instead.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("Counter-Petition") which prayed, among others, for the inclusion of SPI, SPPC, SRHI, MPCL and several generators as respondents to the case. On January 10, 2014, the Supreme Court issued an order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SPI, SPPC, SRHI and MPCL as respondents in the Petition.

On February 18, 2014, the Supreme Court extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a resolution dated April 22, 2014, the Supreme Court extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014.

In the Petition filed by special interest groups, the Supreme Court was made aware of the order of the ERC dated March 3, 2014 (the "March 3, 2014 ERC Order") (as defined and discussed under "ERC Order Voiding WESM Prices"), in which the ERC declared void the WESM prices during the November and December 2013 supply months and imposed regulated prices in their stead. The March 3, 2014 ERC Order likewise directed PEMC to: (a) calculate these "regulated prices" based on a formula identified by the ERC as representative of 2013 market prices under normalized conditions and (b) to collect the same from the WESM participants involved.

A decision was promulgated by the Supreme Court *En Banc* on August 3, 2021 (the "SC Decision") affirming the December 9, 2013 ERC Order which approved the staggered imposition by Meralco of its generation rate for November 2013 from its consumers and declared as null and void the March 3, 2014 ERC Order. SPI, SPPC, and SRHI however received a copy of the SC Decision through their counsels only on July 5, 2022, while MPCL received the same on July 6, 2022.

On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the Supreme Court Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

These motions were denied with finality by the Supreme Court *En Banc*, in its resolution dated October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. On January 4, 2023, the external counsel of SPPC, SPI and SRHI received a copy of the Entry of Judgement from the Supreme Court *En Banc* dated October 11, 2022, while the external counsel of MPCL received a copy of the same on January 5, 2023.

With this, the relevant subsidiaries namely, SPPC, MPCL and SPI intend to discuss with Meralco the implementation of the Supreme Court Decision. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,276 included under "Trade and other receivables - net" account in the consolidated statements of financial position as at December 31, 2023 and 2022.

- ERC Order Voiding WESM Prices

  Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

  On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "March 3, 2014 ERC Order").

  Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, together with the March 3, 2014 Order, the "2014 ERC Orders"). Based on these orders, SPI and SRHI recognized a reduction in the sale of power while MPCL, SMELC and SPPC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

  SPI, SPPC, SRHI and MPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the Supreme Court to stop the implementation of the March 3, 2014 ERC Order. The ERC denied the motions for reconsideration filed by the generators.

  On June 26, 2014, SPI, SPPC and SRHI, while on December 12, 2014, MPCL appealed the said ERC denial before the Court of Appeals through their respective Petitions for Review.

  After consolidating the cases, the Court of Appeals, in its decision dated November 7, 2017 (the "November 7, 2017 Decision"), granted the Petition for Review filed by SPI, SPPC, SRHI, and MPCL, declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

  Motions for Reconsideration of the November 7, 2017 Decision and several other motions were filed by various intervenors, which were denied by the Court of Appeals through its Omnibus Resolution dated March 29, 2019. The intervenors filed Petitions for Review on Certiorari before the Supreme Court, which were also denied by the Supreme Court through its resolutions dated September 11, 2019 and October 1, 2019. Entries of judgment have been issued by the Supreme Court certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SPI, SPPC, SRHI and MPCL, among others, have become final and executory.

  The ERC and Meralco also filed separate Petitions for Review appealing the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019 of the Court of Appeals, which nullified and set aside the 2014 ERC Orders, declaring the WESM prices for November and December 2013 void.

In a Resolution dated November 4, 2020, the Supreme Court directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the petition filed by Meralco to the third division of the Supreme Court handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

The Supreme Court has not yet promulgated a decision. However, on August 3, 2021, a decision was rendered by the Supreme Court *En Banc* on a separate case (as discussed under "*TRO Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void, which are the subject of the aforementioned Petition. Considering that this decision of the Supreme Court *En Banc* ("Separate SC Decision") covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SPI, SPPC, SRHI, SMELC and MPCL will have to be settled with the IEMOP, the current operator of the WESM.

The said Separate Supreme Court Decision attained finality on October 11, 2022. Despite this, the Supreme Court 3rd Division has not yet rendered any decision on the instant case including whether or not the Separate Supreme Court Decision can be adopted or will be adopted in the instant case. If the Supreme Court 3rd Division will confirm the nullity of the 2014 ERC orders, a claim for refund may be pursued by the relevant subsidiaries with IEMOP in the net aggregate amount of up to P2,322.

b. EPIRA

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which San Miguel Global Power was selected winning bidder of the IPPA Agreements (Note 34).

The EPIRA requires generation and DU companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed at the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2023 and 2022.

c. Claim for Price Adjustment on the Meralco PSAs

On October 22, 2019, SPI and SPPC each filed before the ERC a Joint Application with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the "Application"). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco ("SPPC PSA") while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco ("SPI PSA") both for a period of ten years (collectively, the "PSAs"). The PSAs were awarded by Meralco to each of SPPC and SPI after they emerged as the winning bidders in the competitive selection process conducted by Meralco in September 2019.

On March 16, 2020, the ERC released Orders both dated December 10, 2019, granting provisional authority to implement the SPPC PSA and SPI PSA.

On May 11, 2022, SPPC and SPI each filed a Joint Motion for Price Adjustment with Meralco (the "Joint Motion") seeking approval from the ERC to temporarily increase the contract price under the SPPC PSA and SPI PSA for a period of six months, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of six months.

On September 29, 2022, the ERC denied the foregoing Joint Motions filed by each of SPPC and SPI with Meralco requesting for the proposed price adjustments (the "September 29, 2022 ERC Orders").

SPPC CA Petition
On November 10, 2022, SPPC filed with the Court of Appeals a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPPC (the "SPPC CA Petition").

In a Resolution dated November 23, 2022, the 14th Division of the Court of Appeals granted SPPC's application for a 60-day TRO, conditioned upon the posting of a bond in the amount of P50 (the "TRO Bond"). SPPC's prayer for the issuance of a writ of preliminary injunction was held in abeyance pending receipt of Respondents' comments.

On November 24, 2022, SPPC filed an Urgent Motion to Allow Consolidation of the Rule 65 Petition filed by SPI which is docketed as CA-G.R. SP No. 170637 with the SPPC CA Petition before the 13th Division of the Court of Appeals as the SPPC CA Petition was transferred to this division of the Court of Appeals. This Urgent Motion was granted by the 13th Division subject to the approval of the Court of Appeals Division handling the SPI CA Petition.

On November 25, 2022, SPPC posted the bond in the amount of P50 (the "TRO Bond"). This was approved in a Resolution dated December 2, 2022, which resulted in the issuance of the TRO on the same date.

On December 7, 2022, SPPC received a copy of the Entry of Appearance with Motion to Lift and/or Dissolve the TRO filed by the ERC through the Office of the Solicitor General. Meralco also filed a Motion to Lift TRO. SPPC filed its Oppositions to said Motions to Lift and/or Dissolve the TRO.

Following the hearing on the application for preliminary injunction held on January 11, 2023, the 13th Division of the Court of Appeals issued on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditioned upon the posting by SPPC of a bond in the amount of P100 (the "Preliminary Injunction Bond"). The Court of Appeals likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within five days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the CA's Resolution dated January 25, 2023.

On February 1, 2023, SPPC received copies of the ERC's Comment Ad Cautelam and NASECORE'S Manifestation. On February 6, 2023, SPPC received a copy of MERALCO's Comment. On February 13, 2023, SPPC filed a Motion for Leave to File Consolidated Reply.

In a Resolution dated February 23, 2023, the Court of Appeals approved the Preliminary Injunction Bond posted by SPPC on January 31, 2023, directed the issuance of a Writ of Preliminary Injunction, and released the TRO Bond.

On February 23, 2023, the writ of preliminary injunction was issued by the Court of Appeals for the SPPC CA Petition.

In a Resolution dated April 3, 2023, the Court of Appeals denied the motions for reconsideration of the Court of Appeals' Resolution dated January 25, 2023 (on the issuance of the writ of preliminary injunction in favor of SPPC) filed by the ERC and Meralco.

In its June 9, 2023 Resolution, the Court of Appeals granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the Court of Appeals declared that the case (consolidated with the SPI Petition) is deemed submitted for decision.

On June 29, 2023, SPPC received a copy of the Petition for Certiorari under Rule 65 of the Rules of Court filed by the ERC with the Supreme Court. The ERC's Petition seeks to annul and set aside the Court of Appeals' Resolutions dated January 25, 2023 and April 3, 2023.

On July 10, 2023, SPPC received the Court of Appeals' Joint Decision dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The Court of Appeals: (i) annulled and set aside the September 29, 2022 ERC Orders for having been issued with grave abuse of discretion; (ii) granted the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case Nos. 2019-081 and 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023, and for SPI, from June 2022 to the date of the finality of the Joint Decision); and (iii) made permanent the writ of preliminary injunction issued in favor of SPPC.

On July 31, 2023, SPPC, through its external counsel, received a copy of the ERC's Consolidated Motion for Reconsideration of the Court of Appeals' Joint Decision dated June 27, 2023.

As directed by the Court of Appeals in its Resolution dated August 24, 2023, SPPC filed its Comment/Opposition on the ERC's Consolidated Motion for Reconsideration on October 2, 2023.

On August 2, 2023, SPPC received a copy of Respondents-Intervenors' Motion for Reconsideration of the Court of Appeals' Joint Decision. As directed by the Court of Appeals in its Resolution dated August 10, 2023, SPPC filed its Comment/ Opposition on Respondents-Intervenors' Motion for Reconsideration on September 14, 2023.

On August 7, 2023, SPPC received a copy of Meralco's Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court. Meralco asked for a period of 30 days, or until August 28, 2023, to file its Petition.

On September 12, 2023, SPPC received a copy of Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court.

SPI CA Petition
On November 10, 2022, SPI also filed with the Court of Appeals a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPI (the "SPI CA Petition"). This was raffled to the 17th Division of the Court of Appeals which was subsequently transferred to its 16th Division.

On November 24, 2022, SPI filed an Urgent Motion for Consolidation of the instant Petition with the SPPC CA Petition pending before the 13th Division of the Court of Appeals.

On December 27, 2022, SPI received a copy of the Court of Appeals 16th Division's Resolution dated November 28, 2022 which directed the private respondents to file their comment on the petition and show cause why SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction should not be granted, within 10 days from notice. Action on SPI's prayer for injunctive relief was held in abeyance pending receipt of the required pleadings.

The ERC has filed an Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases.

MERALCO has filed its Opposition to SPI's application for the issuance of a TRO and/or writ of preliminary injunction. On January 10, 2023, SPI filed its Reply to MERALCO's Opposition.

On January 26, 2023, SPI received the Resolution dated January 13, 2023 of the 16th Division of the Court of Appeals which (i) denied the SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction, and (ii) granted the consolidation of SPI Court of Appeals Petition with the SPPC Court of Appeals Petition. The SPI Court of Appeals Petition was thus consolidated with the SPPC Court of Appeals Petition before the 13th Division. The ERC filed a motion for partial reconsideration of the grant of consolidation of SPI's Petition with SPPC Court of Appeals Petition.

On February 10, 2023, SPI filed a Motion for Partial Reconsideration of the January 13, 2023 Resolution and prayed for the issuance of a writ of preliminary injunction.

On February 14, 2023, SPI received copies of the ERC's Comment Ad Cautelam on the Petition and Meralco's Comment.

On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply.

SPI's Motion for Partial Reconsideration (on the issuance of a writ of preliminary injunction) and the SPI Court of Appeals Petition remain pending resolution with the Court of Appeals 13th Division.

In a Resolution dated April 3, 2023, the Court of Appeals upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Reconsideration filed by the ERC.

d. Commitments

The outstanding purchase commitments of the Group amounted to P248,484 and P266,580 as at December 31, 2023 and 2022, respectively.

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

e. Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries, associates and joint ventures to Philippine peso were closing rates of P55.370 and P55.755 in 2023 and 2022, respectively, for consolidated statements of financial position accounts; and average rates of P55.632, P54.502 and P49.285 in 2023, 2022 and 2021, respectively, for income and expense accounts.

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

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	0	0	0	2	7	7		

COMPANY NAME

SAN MIGUEL CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

No. 40 San Miguel Avenue
Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8632-3000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
35,207	Second Tuesday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Bella O. Navarra	N/A	8632-3000	N/A

CONTACT PERSON's ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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

Agreed-Upon Procedures Report on the Use of Proceeds from the Issuance of Series 2-L, 2-N and 2-O Preferred Shares (the "Offering")

The Board of Directors and Stockholders
SAN MIGUEL CORPORATION
No. 40 San Miguel Avenue
Mandaluyong City

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting San Miguel Corporation (the "Company") in complying with the requirement of the Philippine Stock Exchange (PSE) to submit an external auditor's report on the accuracy of the information being represented by the Company relating to the use of proceeds from the Offering as of and for the period ended December 31, 2023.

Responsibilities of the Engaging Party and the Responsible Party

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements.* An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

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

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

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements in the Code of Ethics for Professional Accountants in the Philippines.

Our firm applies Philippine Standard on Quality Control (PSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company, on the use of proceeds from the Offering.

The results of agreed-upon procedures performed are summarized as follows:

1. We have obtained and checked the mathematical accuracy of the Company's Report for the period ended December 31, 2023. No exceptions were noted.

2. We have compared the list of all the disbursement in the Progress Report with the schedule of planned use of proceeds from the Offering as indicated in the Final Offer Supplement dated November 8, 2023 (the "Offer Supplement") and agreed amounts to the related supporting documents such as proof of bank transfer, billing invoices or statements, and official receipts. No exceptions were noted.

   As presented by the Company and based on the above procedures, the table below lists the details and amounts of disbursements of the proceeds of the Offering for the period ended December 31, 2023:

Purpose	Disbursements		Difference (In Millions)
	Allocations per Offer Supplement (In Millions)	Amounts Per Progress Report (In Millions)	
Underwriting and selling fees, filing fees, taxes, legal and professional fees and other expenses	P379	P379	P -
Repayment of Philippine Peso-dominated short-term loans	16,530	16,530	-
Total	**P16,909**	**P16,909**	**P -**

The table below shows the amount of disbursement per Progress Report and the actual disbursements showing the balance of proceeds as at and for the period ended December 31, 2023:

Purpose	Amount of Disbursement Per Progress Report (In Millions)	Actual Disbursements (In Millions)	Difference (In Millions)
Underwriting and selling fees, filing fees, taxes, legal and professional fees and other expenses	P281	P281	P -
Repayment of Philippine Peso-dominated short-term loans	16,530	16,530	-
Total	**P16,811**	**P16,811**	**P -**

3. The net proceeds from the Offering amounting to P49,621 million were to be adjusted as and when fees of the Offering are disbursed.

4. We have obtained written management representation and confirmed that there were no reallocations made on the Company's planned use of proceeds from the Offering or any changes in the work program as disclosed in the Offer Supplement.

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



DARWIN P. VIROCEL
Partner

April 15, 2024
Makati City, Metro Manila

San Miguel Corporation
Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares
December 31, 2023
(Amounts in Millions)

i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement [a]

Gross proceeds			**P**	50,000
Estimated fees, commissions and expenses relating to the issue:				
Underwriting fees	**P**	275		
PSE filing fee (inclusive of VAT)		56		
Taxes		25		
Philippine SEC filing and legal research fee		13		
Estimated legal and other professional fees		6		
Estimated other expenses		4		379
Net proceeds			**P**	49,621

ii) Actual Gross and Net Proceeds [b]

Gross proceeds			**P**	34,000
Underwriting fees	**P**	211		
PSE filing fee (inclusive of VAT)		56		
Philippine SEC filing and legal research fee		13		
Other expenses		1		281
Net proceeds/balance of the proceeds			**P**	33,719

iii) Each Expenditure Item Where the Proceeds were Used

Repayment of Philippine Peso-denominated short-term loans	**P**	16,530

iv) Balance of the Proceeds as of End of Reporting Period **P** 17,189

a *The Gross and Net Proceeds as Disclosed in Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.*

b *The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.*

ANNEX "C"

SUPPLEMENTARY SCHEDULES

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

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation (the Company) as at and for the year ended December 31, 2023, on which we have rendered our report dated April 15, 2024.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

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

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

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.



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

April 15, 2024
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

For the reporting period ended December 31, 2023

(In Millions)

SAN MIGUEL CORPORATION

No. 40 San Miguel Avenue, Mandaluyong City

Unappropriated retained earnings available for dividend declaration, January 1, 2023		P61,598
Less: Items that are directly debited to unappropriated retained earnings		
Dividends and distributions declared during the reporting period	(P9,396)	
Issuance costs of capital securities redeemed	(40)	(9,436)
Unappropriated retained earnings as adjusted, January 1, 2023		52,162
Net loss for the current period		(16,961)
Less: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gains, except those attributable to cash and cash equivalents	(1,565)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (straight-line recognition of rent income)	(15)	(1,580)
Adjusted net loss		(18,541)
Add: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories		1,782
Unappropriated retained earnings available for dividend declaration, December 31, 2023		P35,403

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2023, on which we have rendered our report dated April 15, 2024.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the Map of the Conglomerate is the responsibility of the Group's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
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This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

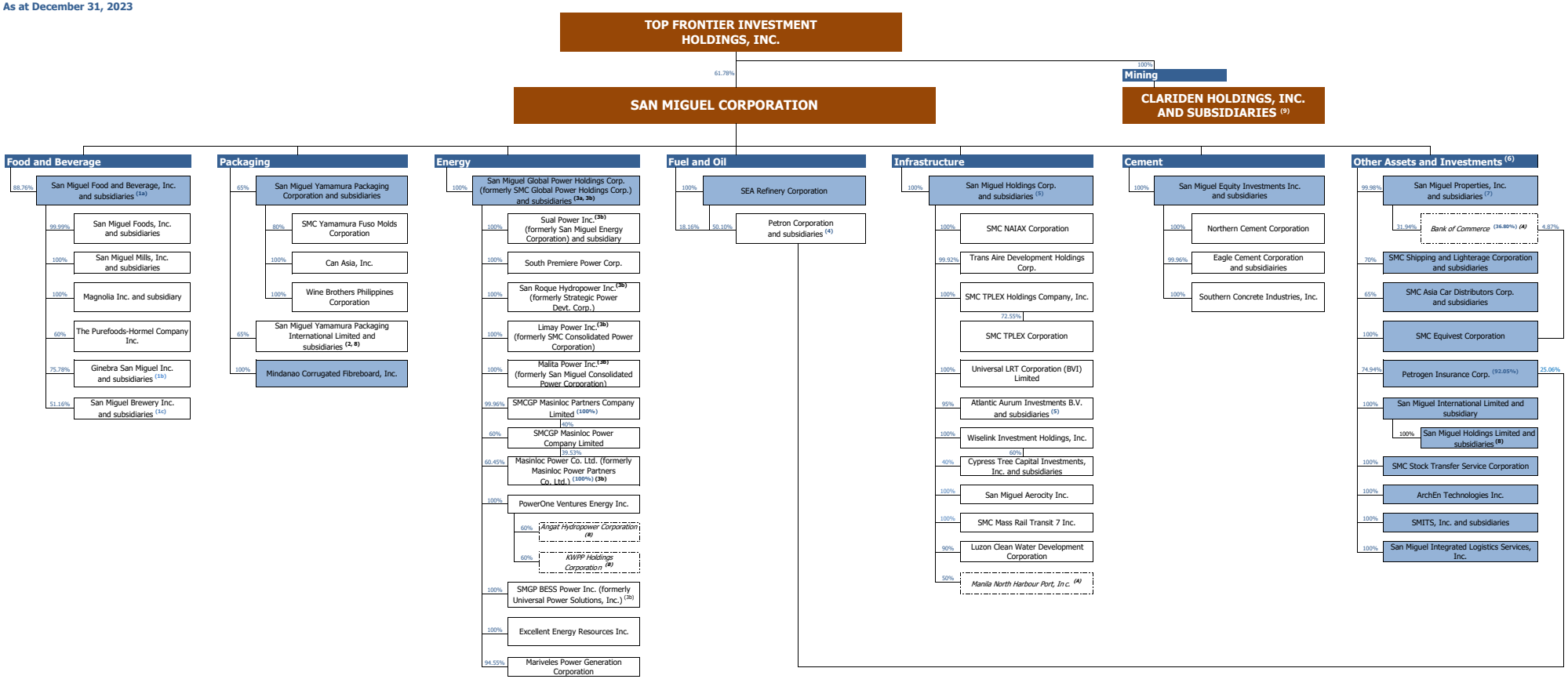
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April 15, 2024
Makati City, Metro Manila

SAN MIGUEL CORPORATION
GROUP STRUCTURE *
As at December 31, 2023



* The group structure includes the Parent Company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries, associates and joint ventures.

Note:
(A) Associate
(B) Joint Venture

I. Subsidiaries

1. San Miguel Food and Beverage, Inc. subsidiaries also include: (a) San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.; (b) Ginebra San Miguel Inc. subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited, Global Beverages Holdings Limited and Siam Holdings Limited; and (c) San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc., Brewery Properties Inc. and subsidiary and San Miguel Brewing International Limited and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co., Ltd., San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at December 31, 2023.

2. San Miguel Yamamura Packaging International Limited subsidiaries include San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd.

3. (a) San Miguel Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc., SMC Power Generation Corp., Albay Power and Energy Corp., Lumiere Energy Technologies, Inc., Central Luzon Premiere Power Corp., Oceantech Power Generation Corporation and subsidiary, SMGP Kabankalan Power Co. Ltd. and Prime Electric Generation Corporation and subsidiary.

   (b) The Securities and Exchange Commission approved the change in corporate names of the following entities on the respective dates:

San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.)	*March 22, 2023*
Sual Power Inc. (formerly San Miguel Energy Corporation)	*March 9, 2023*
San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.)	*March 31, 2023*
Limay Power Inc. (formerly SMC Consolidated Power Corporation)	*February 7, 2023*
Malita Power Inc. (formerly San Miguel Consolidated Power Corporation	*March 9, 2023*
Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.)	*November 13, 2023*
SMGP BESS Power Inc. (formerly Universal Power Solutions, Inc.)	*November 3, 2023*
SMGP Kabankalan Power Co. Ltd. (formerly SMCGP Philippines Energy Storage Co. Ltd.)	*September 21, 2023*

4. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings, Inc. and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.

5. San Miguel Holdings Corp. subsidiaries also include ULCOM Company, Inc., Alloy Manila Toll Expressways, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation, Pasig River Expressway Corporation, Intelligent E-Processes Technologies Corp., SMC Northern Access Link Expressway Corp., SMC Southern Access Link Expressway Corp., South Luzon Toll Road-5 Expressway Inc. and TPLEX Operations & Maintenance Corp.

   Atlantic Aurum Investments B.V. subsidiaries include SMC Tollways Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation, and SMC Skyway Corporation and subsidiary, Skyway O&M Corporation, SMC SLEX Holdings Company Inc. and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc.

6. Other Assets and Investments also include Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries, Silvertides Holdings Corporation and subsidiary, Deity Holdings Corporation, Fonterra Verde Holdings Inc., One Verdana Holdings Inc. and Worldsummit Holdings Corporation.

7. San Miguel Properties, Inc. subsidiaries include SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.

8. San Miguel Holdings Limited subsidiaries include San Miguel Insurance Company, Ltd. and San Miguel Yamamura Packaging International Limited.

II. Co-Subsidiary

9. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group).

R.G. Manabat & Co.
The KPMG Center, 6/F
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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2023, on which we have rendered our report dated April 15, 2024.

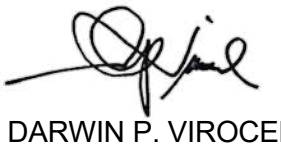
Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the Supplementary Schedules of Annex 68-J is the responsibility of the Group's management.

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



DARWIN P. VIROCEL
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SAN MIGUEL CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

A	-	FINANCIAL ASSETS	
B	-	AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	-	AMOUNTS RECEIVABLE/PAYABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	-	LONG-TERM DEBT	
E	-	INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE*
F	-	GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
G	-	CAPITAL STOCK	

* Balance of account is less than 5% of total assets of the Group

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023
(Amounts in Millions, except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2023	Income (Loss) Received and Accrued
Cash and cash equivalents	-	₱ 261,358	Not applicable	₱ 11,397
Trade and other receivables - net	-	263,119	Not applicable	433
Derivative assets	-	2,364	Not applicable	(1,379) *
Financial assets at FVPL	-	1,401	Not applicable	51
Financial assets at FVOCI**	-	7,424	₱ 7,424	127
Financial assets at amortized cost**	-	12,158	12,158	894
Noncurrent receivables and deposits - net	-	48,319	Not applicable	235
Restricted cash	-	18,519	Not applicable	837
		₱ 614,662	₱ 19,582	₱ 12,595

* *This represents net marked-to-market gains/losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.*

** *The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS.*

SAN MIGUEL CORPORATION AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023
(Amounts in Millions, Except No. of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes		Value Based on Market Quotation at December 31, 2023 (a)
San Miguel Corporation			
Alabang Country Club	7	**P**	92
Alta Vista Golf and Country Club	2		1
Apo Golf & Country Club	3		-
Baguio Country Club	1		6
Bancom Group Inc	999,546		-
Calatagan Golf Club	1		-
Camp John Hay	2		1
Canlubang Golf Club	3		11
Capitol Hills Golf & Country Club	1		-
Casino Espanol de Manila	2		-
Cebu Country Club	1		15
Celebrity Sports Plaza	3		1
Club Filipino	8		3
Continental Potash	7,909		-
Evercrest	2		-
Export & Industry Bank	940,560,000		-
Green Valley Club - Baguio	1		-
Greenfield Tennis Club	3		-
Iloilo Golf Club	1		-
Inter island Broadcasting Corp	4,458,928		-
Landgolf Inc	2		-
Makati Executive Center	1		-
Makati Sports Club	11		13
Manila Bankers Life	250,000		1
Manila Electric Company	100,331		1
Manila Golf & Country Club	3		311
Manila Polo Club	2		90
Manila Southwoods Golf & Country Club	1		4
Medical Doctors Inc.	83,379		203
Merchant Investment	41,660		-
Metropolitan Club	2		1
Metropolitan Theater	198		-
Mimosa Golf & Country Club	3		2
Monserrat Trading	1,000		-
Motor Services	52,500		-
Naga Telephone Co.	220		-
Negros Occidental Golf club	6		-
Norcem Philippines	80,000		-
Orchard Golf & Country Club	5		4
Pacific Club Corporate	1		-
Pantranco South Express	340,992		-
People's Press	1,500		-
Phil. Columbian Club	3		-
Phil. Dealing Sytem Holding Corp.	250,000		25
Phil. International Fair	500		-
Phil. Long Distance Tel. Co	230,594		2
Phil. Overseas Resources	10,000		-
Puerto Azul Golf Club	3		1
Quezon City Sports Club	1		1
Sta Elena Properties	7		5
Sta Elena Golf Club	1		14
Sta Lucia Realty Golf Club	2		1

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes		Value Based on Market Quotation at December 31, 2023 (a)
Subic Bay Yacht Club	1	P	-
Tagaytay Highland Golf and Country Club	2		4
Tagaytay Midlands Country Club	1		2
The Country Club - Canlubang	2		8
Top Frontier Holdings, Inc. - Common	2,561,031		246
Universal Leisure Club	1		-
Valle Verde Golf Club	53		16
Valley Golf Club Inc.	2		10
Victorias Country Club	1		-
SMC Equivest Corporation			
Bank of Commerce - Preferred	416,666,670		5,500
Petrogen Insurance Corporation			
Government Security	-		658
Corporate Bonds under IMA with BOC	700		668
San Miguel Properties, Inc.			
Apo Golf & Country Club	1		1
Mimosa Golf & Country Club	4		2
Sta. Elena Golf & Country Club	1		5
Metro Club	1		-
Meralco	91,011		1
Riviera Golf Course and Country Club	1		30
Tagaytay Midlands Country Club	1		1
San Miguel Paper Packaging Corp.			
Phil Long Distance Tel.	5,200		-
Evercrest Golf & Country Club	1		-
Orchard Golf & Country Club	1		1
Apo Golf & Country Club	1		-
San Miguel Yamamura Packaging Corporation			
Canlubang Golf & Country Club	1		3
Manila Southwoods Golf and Country Club	1		12
Orchard Golf & Country Club	1		12
Puerto Azul Golf Club	1		-
Riviera Golf Course and Country Club	1		2
Mindanao Corrugated Fibreboard, Inc.			
Apo Golf Country Club	1		-
Food and Beverage Group			
Club Filipino	2		1
Makati Sports Club, Inc.	2		2
Philippine Long Distance Tel. Co.	5,753		1
Valle Verde Country Club	1		1
Capitol Hills Golf and Country Club, Inc.	1		
Alabang Country Club	1		12
Manila Southwoods Golf & Country Club	1		4
Sta Elena Golf Club	1		22
Manila Electric Co.	14,895		-
Tagaytay Highland Golf and Country Club	1		2
Royal Tagaytay Country Club	1		-
Orchard Golf and Country Club	1		3
HSBC Holdings	20,400		9
Pacific Club Kowloon	1		8
The American Club Hong Kong	1		10
Hong Kong Football Club	1		7
Discovery Bay Golf Club	1		8
Corporate Bonds under IMA with BOC	11,500		11,500
San Miguel Holdings Corp.			
Architectural Center Club Inc	1		-
Philippine Expressway Support Service Inc	1		-
Phil Am Properties	1		1
Retail Treasury Bonds	-		888
SM Prime Holdings	-		75
BOC Trust	49		49

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes		Value Based on Market Quotation at December 31, 2023 (a)
Petron Corporation			
Alabang Country Club A	1	**P**	12
Alta Vista Golf B	1		1
Apo Golf and Country Club	1		-
Bacolod Golf	1		-
Canlubang Golf & Co. Club	1		4
Capitol Hills Club	3		-
Casino Espanol de Cebu	1		1
Celebrity Sports	1		-
Club Filipino Inc de Cebu	1		-
Eagle Ridge Golf & Co. Club -C	2		1
Iloilo Golf and Country Club	2		-
Leyte Golf	1		-
Makati Sports Club B	1		1
Mla. Golf and Country Club (Corporate)	2		240
Manila Polo Club	4		100
Mla. Southwoods Golf & Co. Club A	3		8
Mimosa Golf & Country Club (Corporate)	1		-
Orchard Golf & Country Club C	2		8
Pueblo de Oro Golf	1		-
Quezon City Sports Club B	1		-
Riviera Golf Club C	1		1
Tagaytay Highlands	2		4
The Palm Country Club - A	2		3
Tower Club	1		-
Valle Verde Country Club (individual)	1		1
Valley Golf Club	1		2
Victorias Golf	1		-
Meralco	237,008		2
Total Financial Assets		**P**	**20,983**

See Notes 4, 10, 12, 33, 39 and 40 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Corporation	₱ 124,039	₱ 24,908	₱ (67,202)	₱ -	₱ 81,745	₱ 73,417	₱ 8,328	₱ 81,745
San Miguel Global Power Holdings Corp.* and Subsidiaries	17,815	10,954	(15,004)	-	13,765	8,618	5,147	13,765
San Miguel International Limited and Subsidiaries	10,438	1,686	(2,109)	-	10,015	10,015	-	10,015
San Miguel Integrated Logistics Services, Inc.	5,534	6,765	(5,792)	-	6,507	6,514	-	6,514
SMC Shipping and Lighterage Corporation and Subsidiaries	4,877	22,715	(22,864)	-	4,728	4,705	23	4,728
Petron Corporation and Subsidiaries	6,137	17,665	(20,139)	-	3,663	3,663	-	3,663
San Miguel Yamamura Packaging Corp. and Subsidiaries	3,708	18,276	(18,324)	-	3,660	3,367	293	3,660
San Miguel Holdings Corp. and Subsidiaries	1,981	9,593	(9,422)	-	2,152	2,079	73	2,152
San Miguel Food and Beverage, Inc. and Subsidiaries	1,573	1,776	(1,419)	-	1,930	1,844	86	1,930
San Miguel Equity Investments Inc. and Subsidiaries	348	1,387	(110)	-	1,625	1,017	608	1,625
Archen Technologies, Inc.	994	2,600	(2,358)	-	1,236	1,236	-	1,236
Petrogen Insurance Corporation	1,479	4,473	(4,770)	-	1,182	1,182	-	1,182
Others	3,923	12,162	(11,771)	-	4,314	4,100	207	4,307
	₱ 182,846	**₱ 134,960**	**₱ (181,284)**	**₱ -**	**₱ 136,522**	**₱ 121,757**	**₱ 14,765**	**₱ 136,522**

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

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Sea Refinery Corporation	₱ 31,382	₱ -	₱ -	₱ -	₱ 31,382	₱ 31,382	₱ -	₱ 31,382
San Miguel Holdings Corp. and Subsidiaries	50,020	16,398	(35,449)	-	30,969	29,920	1,049	30,969
San Miguel Food and Beverage, Inc. and Subsidiaries	18,717	50,297	(49,480)	-	19,534	16,104	3,430	19,534
San Miguel Corporation	7,871	24,486	(24,508)	-	7,849	7,849	-	7,849
San Miguel Properties, Inc. and Subsidiaries	8,948	3,221	(4,369)	-	7,800	1,896	5,904	7,800
Challenger Aero Air Corporation	6,884	1,687	(1,481)	-	7,090	7,090	-	7,090
San Miguel Global Power Holdings Corp.* and Subsidiaries	4,212	7,267	(5,084)	-	6,395	6,290	105	6,395
Petron Corporation and Subsidiaries	5,012	8,365	(8,333)	-	5,044	5,044	-	5,044
San Miguel Integrated Logistics Services, Inc.	2,843	342	(125)	-	3,060	817	2,243	3,060
San Miguel Equity Investments, Inc. and Subsidiaries	33,010	794	(31,450)	-	2,354	2,354	-	2,354
SMC Shipping and Lighterage Corporation and Subsidiaries	2,115	22,685	(22,713)	-	2,087	2,087	-	2,087
Fortunate Land Inc. and a Subsidiary	2,010	-	-	-	2,010	-	2,010	2,010
San Miguel Yamamura Packaging Corp. and Subsidiaries	1,794	8,033	(8,117)	-	1,710	1,710	-	1,710
Petrogen Insurance Corporation	2,138	3,932	(4,475)	-	1,595	1,595	-	1,595
San Miguel International Limited and Subsidiaries	1,409	187	(264)	-	1,332	1,096	236	1,332
Others	4,481	5,003	(3,173)	-	6,311	3,657	2,654	6,311
	₱ 182,846	**₱ 152,697**	**₱ (199,021)**	**₱ -**	**₱ 136,522**	**₱ 118,891**	**₱ 17,631**	**₱ 136,522**

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

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture		Amount Shown as Current		Amount Shown as Noncurrent		Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
Parent Company										
Peso denominated Bonds:										
	PHP	60,000	PHP -	PHP	59,299	PHP	59,299	7.4458%, 7.8467% and 8.4890%	Bullet	March 2028, December 2029 and December 2032
	PHP	60,000	17,271		12,816		30,087	5.2840%, 5.55%, 6.625%, 5.7613% and 7.125%	Bullet	March 2024, October 2024, March 2025, March 2027 and March 2028
	PHP	30,000	-		29,762		29,762	3.3832%	Bullet	July 2027
	PHP	30,000	-		29,699		29,699	5.2704% and 5.8434%	Bullet	March 2027 and March 2029
Peso denominated Term Notes:										
	PHP	16,000	160		15,071		15,231	6.9375%	Amortized	June 2026
	PHP	5,200	51		5,097		5,148	7.1968%	Amortized	June 2029
Foreign currency - denominated Term Notes:										
	US$	2,000	110,301		-		110,301	SOFR + margin	Bullet	September 2024
	US$	871			81,332		81,332	SOFR + margin	Amortized	June 2035
	US$	1,330	-		71,892		71,892	SOFR + margin	Bullet	March 2028
	US$	900	-		49,074		49,074	SOFR + margin	Bullet	October 2026
	US$	700	-		38,099		38,099	SOFR + margin	Bullet	March 2027
	US$	300	-		16,244		16,244	SOFR + margin	Bullet	September 2028
	US$	300	-		16,166		16,166	SOFR + margin	Bullet	November 2028
	US$	200	-		10,837		10,837	SOFR + margin	Bullet	June 2028
	US$	150	-		8,247		8,247	6.55%	Bullet	July 2028
	US$	100	-		5,488		5,488	SOFR + margin	Bullet	December 2026
	US$	100	-		5,487		5,487	SOFR + margin	Bullet	May 2027
			PHP 127,783	PHP	454,610	PHP	582,393			
Subsidiaries										
Peso denominated Bonds:										
San Miguel Global Power Holdings Corp (formerly SMC Global Power Holdings Corp.)*										
	PHP	40,000	PHP -	PHP	39,560	PHP	39,560	5.9077%, 7.1051% and 8.0288%	Bullet	July 2025 July 2028 and July 2032
	PHP	30,000	9,223		6,888		16,111	7.1783% and 7.6000%	Bullet	April 2024 and April 2026
	PHP	35,000	6,466		3,590		10,056	6.25% and 6.625%	Bullet	December 2024 and December 2027
	PHP	15,000	-		4,740		4,740	5.1792%	Bullet	July 2026
Petron Corporation										
	PHP	20,000	13,174		-		13,174	7.8183%	Bullet	April 2024
			-		6,774		6,774	8.0551%	Bullet	October 2025
			13,174		6,774		19,948			
	PHP	18,000	-		8,945		8,945	3.4408%	Bullet	October 2025
			-		8,924		8,924	4.3368%	Bullet	October 2027
			-		17,869		17,869			
San Miguel Food and Beverage										
	PHP	15,000	-		7,973		7,973	5.0500%	Bullet	March 2025
			-		6,954		6,954	5.2500%	Bullet	March 2027
			-		14,927		14,927			
SM Brewery Inc.										
	PHP	15,000	2,537		-		2,537	6.00%	Bullet	April 2024
SMC SLEX Inc.										
		7,300	-		2,494		2,494	6.4872%	Bullet	May 2025

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
Peso denominated Term Notes:							
Petron Corporation							
	PHP 5,000	PHP 492	PHP 4,483	PHP 4,975	7.1663%	Amortized	May 2027
	PHP 5,000	1,241	3,115	4,356	7.4206%	Amortized	June 2027
	PHP 5,000	1,241	3,114	4,355	7.5496%	Amortized	June 2027
	PHP 2,375	-	2,366	2,366	6.4920%	Bullet	September 2025
	PHP 5,000	1,247	626	1,873	4.5900%	Amortized	April 2025
	PHP 15,000	1,606	-	1,606	5.5276%	Amortized	July 2024
	PHP 625	-	622	622	6.8672%	Bullet	September 2025
SMC Tollways Corp							
	PHP 41,200	4,035	28,774	32,809	5.556%, 5.825% and 5.997%	Amortized	December 2029
Limay Power Inc. (formerly SMC Consolidated Power Corporation) **							
	44,000	3,082	29,415	32,497	6.2836%, 6.5362% and 7.3889%	Amortized	June 2029
San Miguel Equity Investments Inc.							
	PHP 30,000	1,166	28,625	29,791	7.1913%	Amortized	May 2033
SMGP BESS Power Inc. (formerly Universal Power Solutions, Inc.) ***							
	PHP 40,000	654	26,884	27,538	8.2104%	Amortized	October 2033
SMC Skyway Stage 3 Corporation							
	PHP 31,000	5,101	17,731	22,832	8.7118%	Amortized	August 2027
SMC SLEX Holdings Company Inc.							
	PHP 20,000	-	19,877	19,877	BVAL + margin	Amortized	January 2025
Malita Power Inc. (formerly San Miguel Consolidated Power Corportion) ****							
	PHP 21,300	1,233	13,410	14,643	6.5077% and 7.7521%	Amortized	August 2030
SMC Mass Rail Transit 7 Inc.							
	PHP 100,000	-	14,086	14,086	BVAL + margin	Bullet	June 2038
Northern Cement Corporation							
	PHP 12,500	993	11,246	12,239	4.8356%	Amortized	June 2031
San Miguel Global Power Holdings Corp (formerly SMC Global Power Holdings Corp.) *							
	PHP 15,000	14,091	-	14,091	6.9265%	Amortized	April 2024
	PHP 10,000	-	7,439	7,439	7.968% and 8.541%	Bullet	June 2028
	PHP 5,000	35	4,819	4,854	5.00%	Bullet	May 2025
San Miguel Foods, Inc.							
	PHP 10,000	148	9,656	9,804	3.5483%	Amortized	December 2029
	PHP 8,000	119	7,723	7,842	BVAL + margin or BSP TDF + margin whichever is higher	Amortized	December 2029

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
SM Brewery Inc.							
	PHP 4,000	PHP -	PHP 3,985	PHP 3,985	3.80%	Bullet	March 2026
	PHP 2,500	34	2,399	2,433	3.875%	Amortized	March 2026
	PHP 2,000	-	1,993	1,993	3.95%	Bullet	March 2026
	PHP 1,500	-	1,496	1,496	3.95%	Bullet	March 2026
	PHP 2,000	-	1,990	1,990	4.15%	Amortized	March 2028
	12,000	34	11,863	11,897			
	PHP 4,000	-	3,987	3,987	4.6332%	Bullet	April 2025
	PHP 3,000	-	2,985	2,985	5.7513%	Bullet	April 2027
	7,000	-	6,972	6,972			
	PHP 10,000	9,983	-	9,983	4.63%	Bullet	December 2024
	PHP 10,000	-	9,937	9,937	6.8412% and 6.5323%	Bullet	December 2027
SMC TPLEX Corp							
	PHP 12,000	1,183	8,172	9,355	5.6276%	Amortized	September 2029
Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.) *****							
	PHP 8,155	1,138	6,049	7,187	BVAL + margin	Amortized	January 2030
The Purefoods-Hormel Company, Inc.							
	PHP 7,000	-	6,970	6,970	3.8460%	Bullet	September 2026
SMC NAIAX Corporation							
	PHP 5,656	406	3,446	3,852	BVAL + credit spread or BSP OLF + margin whichever is higher	Amortized	June 2030
Luzon Clean Water Development Corporation							
	PHP 5,400	332	3,010	3,342	8.17110%, 8.449%, 9.028% and 9.635%	Amortized	March 2030
San Miguel Yamamura Packaging Corp							
	PHP 5,000	732	1,500	2,232	5.1657%	Amortized	January 2025
	PHP 2,000	586	-	586	BVAL + margin	Amortized	December 2024

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
SMC Shipping and Lighterage Corporation							
	PHP 2,000	PHP -	PHP 1,992	PHP 1,992	4.200%	Bullet	July 2026
San Miguel Mills, Inc.							
	PHP 2,000	49	1,891	1,940	3.2837%	Amortized	December 2026
Foreign currency - denominated Term Notes:							
Petron Corporation							
	US$ 669	4,971	31,274	36,245	SOFR + Margin	Amortized	November 2027
	YEN 15000	1,670	842	2,512	TONA + margin	Amortized	March 2025
	US$ 225	-	12,172	12,172	SOFR + Margin	Amortized	July 2028
San Miguel Global Power Holdings Corp (formerly SMC Global Power Holdings Corp.) *							
	US$ 300	-	16,421	16,421	SOFR + Margin	Bullet	March 2026
	US$ 300	-	16,249	16,249	SOFR + Margin	Bullet	August 2027
	US$ 200	10,993	-	10,993	SOFR + Margin	Bullet	September 2024
	US$ 100	-	5,484	5,484	SOFR + Margin	Bullet	May 2025
	US$ 100	5,487	-	5,487	SOFR + Margin	Bullet	September 2024
	US$ 50	-	2,719	2,719	SOFR + Margin	Bullet	April 2025
Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.) *****							
	US$ 770	1,296	15,783	17,079	8.331%	Amortized	December 2030
	US$ 255	427	5,194	5,621	SOFR + margin	Amortized	December 2030
San Miguel Yamamura Australasia Pty. Ltd							
	AUD 80	1,791	-	1,791	BBSY + margin	Amortized	July 2024
	AUD 10	19	340	359	BBSY + margin	Amortized	November 2027
	AUD 5	34	43	77	BBSY + margin	Amortized	February 2026
		PHP 109,015	PHP 499,176	PHP 608,191			
Total Long-term Debt		PHP **236,798**	PHP **953,786**	PHP **1,190,584**			

See Notes 5, 21, 30, 33, 38, 39 and 40 of the Consolidated Financial Statements.

* The change in the corporate name was approved by the SEC on March 22, 2023.
** The change in the corporate name was approved by the SEC on February 7, 2023.
*** The change in the corporate name was approved by the SEC on November 3, 2023.
**** The change in the corporate name was approved by the SEC on March 9, 2023.
***** The change in the corporate name was approved by the SEC on November 13, 2023.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
December 31, 2023

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	NUMBER OF SHARES HELD BY: AFFILIATES	SUBSIDIARY	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES								
COMMON STOCK	3,790,000,000	3,288,649,125	904,752,537	2,383,896,588	134,641,564	46,395	-	4,144,100
SERIES "1" PREFERRED SHARES	300,000,000	279,406,667	279,406,667	-	-	-	-	-
SERIES "2" PREFERRED SHARES	1,910,000,000	1,758,099,686	288,194,494	1,469,905,192	-	-	1,333,500	610,300
	6,000,000,000	5,326,155,478	1,472,353,698	3,853,801,780	134,641,564	46,395	1,333,500	4,754,400

* See Notes 24, 36 and 37 of the Consolidated Financial Statements.

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

REPORT OF INDEPENDENT AUDITORS
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies.

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

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

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.



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

April 15, 2024
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2023 and 2022 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2023 and 2022 for operating efficiency ratios.

	December 31	
	2023	2022
Liquidity:		
Current Ratio	**1.12**	1.22
Quick Ratio	**0.70**	0.77
Solvency:		
Debt to Equity Ratio	**2.70**	2.74
Asset to Equity Ratio	**3.70**	3.74
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**0.07%**	(4.24%)
Interest Rate Coverage Ratio	**1.80**	1.66
Return on Assets	**1.84%**	1.20%
Operating Efficiency:		
Volume Growth	**6%**	20%
Revenue Growth	**(4%)**	60%
Operating Margin	**10%**	9%

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

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

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

SAN MIGUEL CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2023
(In Millions)

				Past Due			
	Total	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade	P 188,447	P 127,332	P 17,482	P 5,049	P 3,322	P 35,262
Non-trade	76,731	42,108	8,071	282	1,331	24,939
Others	11,061	8,709	66	14	14	2,258
Total	276,239	**P 178,149**	**P 25,619**	**P 5,345**	**P 4,667**	**P 62,459**
Less allowance for impairment losses	13,120					
Net	**P 263,119**					

ANNEX "D"

SAN MIGUEL CORPORATION

2023

PRINCIPAL PROPERTIES

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
FOOD AND BEVERAGE BUSINESS							
1	**SAN MIGUEL BREWERY, INC.**						
	A. DOMESTIC						
	Head Office						
	Office Space	40 San Miguel Ave., Mandaluyong City	Owned	Good			
	Production Facilities						
	Polo Brewery	Marulas, Valenzuela City, Metro Manila	Owned	Good			
	San Fernando Brewery	Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Sta. Rosa Brewery	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	Bacolod Brewery	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Mandaue Brewery	National Highway, Brgy.Tipolo, Mandaue City	Owned	Good			
	Davao Brewery	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Cagayan de Oro Brewery	Sta. Ana, Tagoloan, Misamis Oriental	Building & Facilities-Owned; Land-Rented	Good	1,230,428.97	March 25, 2028	The lease may be renewed for a period of 25 years upon such terms and conditions mutually agreed upon by the parties
	Sales/Area Offices and Warehouses						
	San Fernando Region Office	SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Carmen Sales Office	Carmen East, Rosales, Pangasinan	Owned	Good			
	Dagupan Sales Office	Caranglaan Dist., Dagupan City, Pangasinan	Owned	Good			
	Baguio Sales Office	Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet	Owned	Good			
	Carlatan Sales Office	Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union	Owned	Good			
	Cauayan Sales Office	Brgy. San. Fermin, Cauayan, Isabela	Owned	Good			
	Santiago Sales Office	National Road, Brgy. Mabini, Santiago City, Isabela	Owned	Good			
	Region Office (Angeles Sales Office)	San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga	Owned	Good			
	Region Office	Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte	Owned	Good			
	Central North Luzon Area	Brgy. Tablac, Candon City, Ilocos Sur	Owned	Good			
	Central North Luzon Area	Maharlika Highway, Brgy. Sta Maria, Lallo, Cagayan	Owned	Good			
	Guiguinto Sales Office	Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good			
	San Isidro Sales Office	Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija	Owned	Good			
	Caloocan Sales Office	A. Cruz cor S. Asistio St., Brgy. 95, East Grace Park, Caloocan City	Owned	Good			
	Tondo Sales Office	Honorio Lopez Blvd., Guidote St., Tondo, Manila	Owned	Good			
	Cubao Sales Office	Brgy. Mangga, Cubao , Quezon City	Owned	Good			
	Portion of Tondo Sales Office	portion of Tondo S.O. - Buendia cor. Guidote St., Tondo Manila	Owned	Good			
	Novaliches Sales Office	Novaliches S.O. - Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City, Metro Manila	Owned	Good			
	Pureza Sales Office	489 Pureza St. corner Lardizabal St., Barangay 425, 489 Pureza, Sta. Mesa, Manila	Owned	Good			
	Sta. Ana Sales Office	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Owned	Good			
	Taytay Sales Office	Manila East Rd., Brgy. Dolores, Taytay, Rizal	Owned	Good			
	Sucat Sales Office	Dr. A. Santos Ave., Bgy. San Dionisio, Parañaque City	Owned	Good			
	Parañaque Sales Office	No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila	Owned	Good			
	Canlubang Sales Office	Silangan Exit, Canlubang, Calamba City, Laguna	Owned	Good			

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Lucena Sales Office	Maharlika Highway, Brgy. Isabang, Lucena City, Quezon	Owned	Good			
Gumaca Sales Office	Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon	Owned	Good			
Naga Sales Office	Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur	Owned	Good			
Puerto Princesa Sales Office	Brgy. Mandaragat, Puerto Princesa City, Palawan	Owned	Good			
San Jose Sales Office	Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro	Owned	Good			
Batangas Sales Office	National Rd., Brgy. Balagtas, Batangas City, Batangas	Owned	Good			
South Luzon Area	Ayala Highway, Brgy. Balintawak, Lipa City, Batangas	Owned	Good			
Bacolod Region Office (Bacolod Sales Office)	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
Iloilo Sales Office	Muelle Loney St., Brgy. Legaspi, Iloilo City	Owned	Good			
Himamaylan Sales Office	National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental	Owned	Good			
Negros	Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental	Owned	Good			
Numancia Sales Office	Brgy., Camansi Norte, Numancia, Aklan	Owned	Good			
Roxas Sales Office	Brgy. Libas, Roxas City, Capiz	Owned	Good			
IGBR Region Office	Meliza St. Brgy. Zamora, Iloilo City	Owned	Good			
CV North & South Region Offices	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
Region Office	Brgy. Darong Sta. Cruz, Davao del Sur	Owned	Good			
Davao Sales Office	National Highway, Bgy. Ulas, Talomo, Davao City	Owned	Good			
Region Office	National Highway, Brgy. Magugpo, Tagum City	Owned	Good			
Mindanao	Sergio Osmeña, Brgy. Poblacion, Koronadal City	Owned	Good			
Region Office	National Highway, Brgy. Lagao, Gen. Santos City	Owned	Good			
Opol Sales Office	National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental	Owned	Good			
Zamboanga Sales Office	R.T. Lim Blvd., Baliwasan, Zamboanga City	Owned	Good			
Mindanao	Brgy. Bongtod, Tandag City, Surigao del Sur	Owned	Good			
Mindanao	J.P. Rizal Ave., Poblacion, Digos City	Owned	Good			
Butuan Sales Office	R. Calo St., Fort Poyohan, Butuan City	Owned	Good			
Cabanatuan Sales Office	Cabanatuan S.O. - No. 140 Duran Compound, Maharlika Highway, Brgy. Bitas, Cabanatuan City	Land & Building-Rented	Good	82,104.58	January 31, 2025	Renewable upon mutual agreement of both parties.
Region Office	Region Office - #578 P. Burgos St. Cabanatuan City, Nueva Ecija	Land & Building-Rented	Good	42,835.20	May 31, 2024	Renewable upon mutual agreement of both parties
Warehouse	Barangay Sta. Rita, Guiguinto, Bulacan	Warehouse Parking space - rented	Good	381,389.04	May 31, 2024	Renewable upon mutual agreement of both parties
Valenzuela Sales Office	Valenzuela S.O. - Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	397,567.06	April 30, 2024	Renewable upon mutual agreement of both parties
Warehouse (Balintawak Sales Office)	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Land, Warehouse and Open Space-Rented	Good	780,995.00	September 30, 2025	Renewable upon mutual agreement of both parties
Warehouse	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Warehouse-Rented	Good	252,510.00	November 30, 2025	Renewable upon mutual agreement of both parties
Warehouse	685 Tandang Sora Ave., Quezon City	Warehouse-Rented	Good	163,035.71	May 31, 2024	The Contract is subject to renewal or extension under such terms and conditions as may be mutually agreed upon between the parties in writing.
Pasig Sales Office	Pasig S.O. - Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse-Rented	Good	1,464,433.70	December 31, 2024	Renewable upon mutual agreement of both parties
Masbate Sales Office	Bgy. Pinamarbuhan, Mobo, Masbate	Land, Warehouse and Open Space-Rented	Good	204,899.63	March 31, 2026	Renewable upon mutual agreement of both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Legazpi Sales Office	Legazpi S.O. - Tahao Street, Bgy. Gogon, Legaspi City, Bicol	Warehouse, Office & Open Space-Rented	Good	314,067.60	December 31, 2023	Renewable upon mutual agreement of both parties
Dasmariñas Sales Office	Dasmarinas S.O. - Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Warehouse-Rented	Good	501,187.50	January 31, 2024	Renewable upon mutual agreement of both parties
Imus Sales Office	Warehouse No. 5, 7 and 8, The Warehouse Malagasang II-C, City of Imus, Cavite	Warehouse-Rented	Good	793,990.20	April 30, 2026	Renewable upon mutual agreement of both parties
Bulan Sales Office	Bulan S.O. -Sitio Pawa, Brgy. Lajong, Bulan, Sorsogon	Warehouse-Rented	Good	125,812.50	October 31, 2025	Renewable upon mutual agreement of both parties
Pila Sales Office	Pila S.O. - Brgy. Bulilan Norte, National Highway, Pila, Laguna	Warehouse-Rented	Good	267,857.14	September 30, 2024	Renewable upon mutual agreement of both parties
Dumaguete Region Office	Dumaguete Region Office - Brgy. Pulang Tubig, Dumaguete City	Land & Land Improvement-Rented	Good	77,510.16	December 31, 2024	Renewable at the option of the lessee
Dumaguete Sales Office	West Rovira Road, Pulantubig, Dumaguete City	Warehouse-Rented	Good	120,393.00	December 31, 2023	Renewable upon mutual agreement of both parties
Iloilo Sales Office	Brgy. Pagduque, Dumanas, Iloilo	Warehouse-Rented	Good	377,348.71	June 15, 2024	Renewable upon mutual agreement of both parties
Catbalogan Sales Office	Samar Region Office - San Bartolome St., Catbalogan, Samar	Warehouse & Open Space-Rented	Good	96,600.00	November 30, 2031	Renewable upon mutual agreement of both parties
Catbalogan Sales Office	Samar Region Office - San Bartolome St., Catbalogan, Samar	Warehouse, Office Space & Open Space-Rented	Good	196,350.00	November 30, 2031	Renewable upon mutual agreement of both parties
Tagbilaran Sales Office	Tagbilaran S.O. - Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol	Warehouse-Rented	Good	160,714.29	October 31, 2024	Renewable upon mutual agreement of both parties
Tacloban Sales Office/Region Office	Fatima Village, Tacloban City, Leyte	Portion of Land-Rented/Portion of Land-Owned	Good	280,447.36	May 31, 2024	Renewable upon mutual agreement of both parties
Butuan Sales Office	Montilla Boulevard, Villa Kananga, Butuan City	Warehouse Facilities and Office-Rented	Good	468,750.00	September 30, 2026	Renewable upon mutual agreement of both parties
Region Office	Brgy. Aguada, Ozamiz City	Building-Rented	Good	127,145.53	August 31, 2032	Renewable upon mutual agreement of both parties
Liloy Sales Office	Liloy S.O. - Baybay, Liloy, Zamboanga del Norte	Warehouse-Rented	Good	75,892.86	September 30, 2024	Renewable upon mutual agreement of both parties
Dipolog Sales Office	Dipolog S.O. - Sta. Filomena, Dipolog City	Warehouse-Rented	Good	50,892.86	September 30, 2025	Renewable upon mutual agreement of both parties
Terminal						
Bataan Malt Terminal (land, building, machineries & equipment, furnitures & fixtures)	Mariveles, Bataan	Building & Facilities-Owned; Land-Rented	Good	661,029.65	April 30, 2025	Renewable upon mutual agreement of both parties
Investment Properties	Brgy. Estefania, Bacolod City (9 lots)	Owned	Good			
	No. 31 Rosario St., Brgy. Granada, Bacolod City	Owned	Good			
	Brgy. Penabatan, Pulilan, Bulacan	Owned	Good			
	L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna	Owned	Good			
	Jaro, Iloilo (2 lots)	Owned	Good			
	Barrio of Tinajeros, Malabon City (2 lots)	Owned	Good			
	Bo. of San Jose and Poblacion Cabanatuan City (3 lots)	Owned	Good			
	Barrio of Mallorca,San Leonardo.Nueva Ecija (2 lots)	Owned	Good			
	Poblacion,San Leonardo,Nueva Ecija	Owned	Good			
	Lot 5009 Imus Estate,Imus Cavite	Owned	Good			
	Imus Friar,Imus, Prov. of Cavite (2 lots)	Owned	Good			
	Lot 5159 Poblacion, Imus Prov. Of Cavite	Owned	Good			
	Barrio of San Rafael & San Roque (2 lots)	Owned	Good			
	Bo. Of Pob. 2nd Municipality of Tarlac (2 lots)	Owned	Good			
	71-B-3-B-4 Barrio Suizo Municipality of Tarlac	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
		Bgy. Paringao, Municipality of Bauang, La Union	Owned	Good			
		Bo. Mabilao, San Fabian, Pangasinan (5 lots)	Owned	Good			
		Brgy. Gabut Norte, Badoc, Ilocos Norte	Owned	Good			
		Pozorrubio, Pangasinan	Owned	Good			
	B. INTERNATIONAL						
	Breweries						
	San Miguel Beer (Thailand) Ltd.	89 Moo2, Tiwanon Rd., Baan Mai, Muang , Pathumtani 12000, Thailand	Owned	Good			
	PT Delta Djakarta Tbk	Jalan Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi Timur 17510, Indonesia	Building Owned. Land under Land Use Rights	Good			
	San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good			
	San Miguel (Baoding) Brewery Co. Ltd.	Shengli street, Tianwei West Road, Baoding City, Hebei Province, China	Owned	Good			
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa	Owned	Good			
	San Miguel Brewery Hong Kong Limited	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Building-Owned; Land-Rented	Good	HKD 220,800.00	2047	No renewal options
	Sales/Area Offices and Warehouses						
	San Miguel (China) Investment Co. Ltd.	1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China	Owned	Good			
	San Miguel Brewery Hong Kong Limited	9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land-Rented	Good	HKD 40,600.00	2047	No renewal options
	San Miguel Brewery Hong Kong Limited	San Miguel Industrial Building, No. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hongkong	Land-Rented	Good	HKD 19,374.00	2047	No renewal options
	San Miguel (Guangdong) Brewery Co.,Ltd						
	San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Land-Rented	Good	Entire rent paid at the start of lease term	May 01, 2053	Renewal 1 month before expiration date.
	Guangzhou Admin Office	Room 1801, No.19 South East Road, Yuexiu District, Guangzhou, China	Office Space-Rented	Good	RMB 11,571.00	June 25, 2024	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Shenzhen Sales Office	Room 319, 3rd Floor, Liangji Zhihui Building, No. 184 Qingquan Road, Longhua Street, Longhua District, Shenzhen, China	Office Space-Rented	Good	RMB 5,180.00	October 31, 2025	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Dormitory	Room 2201, Block 3, Zone 1, No. 26 Kerun Road, Chancheng District, Foshan City, Guangdong Province, China	Rented	Good	RMB 5,400.00	November 30, 2024	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	San Remo Taiwan (SRT)						
	San Miguel Company Ltd. Taiwan Branch-Taipei	3F-3, No.167, Fusing N. Rd., Taipei, Taiwan (ROC)	Office Space-Rented	Good	NT$143,800.00	April 15, 2025	At the end of contract , lease and rent will be discussed by both parties .
	San Miguel Company Ltd. Taiwan Branch-Kaohsiung	No.305-6, Renlin Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$76,000.00	April 30, 2025	At the end of contract , lease and rent will be considered by landlord.
	San Miguel Company Ltd. Taiwan Branch-Taichung	No.159, Shuwang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$39,000.00	December 31, 2023	At the end of contract , lease and rent will be considered by landlord.
	San Miguel Company Ltd. Taiwan Branch-North Region Warehouse	No. 34-88, Dahu Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$216,460.00	March 31, 2024	Extend agreement 1 year automatically if no expression of intent from both parties
	San Miguel China Investment Company Limited	Rooms 1213 and 1218, 12F, No. 1 Building, No. 12 Nongzhanguan South Road, Chaoyang District, Beijing China 100026	Office Space-Rented	Good	RMB 13,654.00	September 30, 2024	Renewable upon mutual agreement of both parties
	San Miguel Baoding Brewery Company Limited						
	San Miguel Baoding Brewery Company Limited	Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China	Land-Rented	Good	Entire rent paid at the start of lease term	June 01, 2046	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	San Miguel Baoding Brewery Company Limited	1-1-2601, Zhengyulvgu, Chaoyang North Street, Baoding City , Hebei Province, China	Office Space-Rented	Good	RMB 3,406.17	March 06, 2024	Renewable upon mutual agreement of both parties
	San Miguel Marketing Thailand Limited						
	North sales office	North Office 403/5 Lumpoon Road, Wadked , Amphor Muang , Lumpoon	Office Space-Rented	Good	THB 16,000.00	December 31, 2023	Renewable upon mutual agreement of both parties
	South sales office (Phuket)	14/4 Moo 4 , Tambon Wichit Amphor Muang, Phuket	Office Space-Rented	Good	THB 23,157.90	December 31, 2023	Renewable upon mutual agreement of both parties
	South sales office (Samui)	44/38 Moo 1 Tambon Maenam,Amphur Koh Samui Suratthani	Office Space-Rented	Good	THB 21,052.63	December 31, 2023	Renewable upon mutual agreement of both parties
	Northeast sales office	44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean	Office Space-Rented	Good	THB 11,578.95	December 31, 2023	Renewable upon mutual agreement of both parties
	Pattaya sales office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office Space-Rented	Good	THB 25,263.16	December 31, 2023	Renewable upon mutual agreement of both parties
	San Miguel Brewery Vietnam Limited						
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa	Land-Rented	Good	VND 44,185,733	November 12, 2024	Renewable upon mutual agreement of both parties
	Ho Chi Minh Sales Office	180 Nguyen Van Troi Street , Ward 8, Phu Nhuan District, Ho Chi Minh City	Office Space-Rented	Good	USD 8,774.70	March 31, 2025	Renewable upon mutual agreement of both parties
	Da Nang Sales Office	180 2/9 Street, Da Nang City, Vietnam	Office Space-Rented	Good	VND 28,000,000	October 05, 2026	Renewable upon mutual agreement of both parties
	Nha Trang Sales Office	60 D Tran Nhat Duat Phuoc Hoa Nha Trang	Office Space-Rented	Good	VND 26,000,000	March 31, 2026	Renewable upon mutual agreement of both parties
	Vung Tau Sales Office	80 Huyen Trang Cong Chua Ward 8, Vung Tau	Rented	Good	VND 7,700,000	June 30, 2025	Renewable upon mutual agreement of both parties
	Ho Chi Minh Warehouse	A75 Bach Dang Ward 2 Tan Binh District, TP.HCM, Vietnam	Rented	Fair	USD 1,280.00 + VND 4,000,000	May 09, 2025	Renewable upon mutual agreement of both parties
	Da Nang Warehouse	3rd Floor, 184 Tran Phu, Phuoc Ninh Ward, Hai Chau District, Danang	Rented	Fair	VND 8,500,000.00	April 24, 2025	Renewable upon mutual agreement of both parties
	Apartment	Apartment Room No. 403, 1/18 Nguyen Van Mai, Ward 4, Tan Binh District, HCMC	Rented	Good	VND 15,500,000	August 18, 2024	Renewable upon mutual agreement of both parties
	Apartment	305C/12 Nguyen Van Troi, Ward 01, Tan Binh District, TP.HCM, Vietnam	Rented	Good	USD 720	April 30, 2024	Renewable upon mutual agreement of both parties
	Apartment	Room 3846-Muong Thanh	Rented	Good	VND 7,000,000	April 12, 2024	Renewable upon mutual agreement of both parties
2	**GINEBRA SAN MIGUEL, INC.**						
	A. HEAD OFFICE						
	GSMI Office Space	3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Owned	Good			
	GSMI Office Space	5th Floor SMPC Bldg., St Francis Ave., Ortigas Center, Mandaluyong City	Rented	Good	1,134,194.28	August 31, 2024	Renewable upon mutual agreement of both parties
	B. NORTH LUZON						
	Plants						
	GSMI Sta. Barbara Plant (Land and Facilities)	Tebag West, Sta. Barbara, Pangasinan	Owned	Good			
	EPSBPI Cauayan Plant (Land and Facilities)	San Fermin, Cauayan, Isabela	Owned	Good			
	Warehouse/Sales Office						
	GSMI Cauayan Sales Office	327 Prenza Highway, San Fermin, Cauayan Isabela	Owned	Good			
	GSMI Pua Warehouse 1	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	488,748.00 (April 01, 2023 to June 30, 2023) 193,868.00 (July 01, 2023 to December 31, 2023)	December 31, 2023	Renewable upon mutual agreement of both parties
	Pua Warehouse 2	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	194,940.00	February 15, 2024	Short Term Lease Only

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Pua Warehouse 3	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	99,940.00	February 15, 2024	Short Term Lease Only
GSMI La Union Sales Office - Bauang	Disso-or Bauang La Union	Rented	Good	36,000.00	October 31, 2024	Renewable upon mutual agreement of both parties
GSMI San Fernando Sales Office	#162 Baliti 2000 City of San Fernando Pampanga	Rented	Good	475,000.00	December 31, 2024	Renewable upon mutual agreement of both parties
GSMI Lunec Warehouse 1	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	256,000.00	January 31, 2024	Short Term Lease Only
GSMI Lunec Warehouse 2	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	366,240.00	February 15, 2024	Short Term Lease Only
GSMI Lunec Warehouse 3	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	366,240.00	February 29, 2024	Short Term Lease Only
GSMI Lunec Warehouse 4	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	366,240.00	February 29, 2024	Short Term Lease Only
Depot						
GSMI Alcohol Depots #1 and #2	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Owned	Good			
Land						
GSMI Lingayen Property	Libsong East, Lingayen, Pangasinan	Owned	Good			
GSMI Olongapo Property	Sta. Rita, Olongapo City, Zambales	Owned	Good			
GSMI Minien West Sta. Barbara Property	Minien West, Sta. Barbara, Pangasinan	Owned	Good			
GMSI Maticmatic Sta. Barbara Property	Maticmatic, Sta. Barbara, Pangasinan	Owned	Good			
EPSBPI San Fermin Cauyan Isabela (TCT No.035-20230016340)	San Fermin, Cauyan, Isabela	Owned	Good			
EPSBPI San Fermin Cauyan Isabela (TCT No.035-2022007225)	San Fermin, Cauyan, Isabela	Owned	Good			
C. GMA						
Warehouse/Sales Office						
GSMI Pandacan Sales Office (Land and Facilities)	631 Tomas Claudio St. Zone 93 Barangay 865 1011 Pandacan NCR, City of Manila, First District Philippines	Owned	Good			
GSMI Sucat Parañaque Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Owned	Good			
D. SOUTH LUZON						
Plants						
GSMI Lucena Plant (Land and Facilities)	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Needs Renovation			
EPSBPI Ligao Plant (Land and Facilities)	Km 503, Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Good			
GSMI Cabuyao Plant (Land and Facilities)	Silangan Industrial Estate, Brgy. Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good			
Warehouse/Sales Office						
GSMI Ligao Sales Office	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
EPSBPI Warehouse Extension	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
GSMI Lucena Sales Office	Sales Office Building National Rd. Gulang-Gulang 4301 Lucena City (Capital) Quezon Philippines	Owned	Good			
GSMI Legazpi Warehouse 1	Barangay 42, Rawiz Legazpi City	Rented	Good	225,000.00	June 30, 2024	Renewable upon mutual agreement of both parties
GSMI Pagsanjan Sales Office	Sitio Ilaya Sabang 4008 Pagsanjan Laguna	Rented	Good	37,800.00	November 19, 2024	Renewable upon mutual agreement of both parties
Calamba Warehouse 1	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	311,040.00	February 29, 2024	Short Term Lease Only
Calamba Warehouse 2	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	427,680.00	February 29, 2024	Short Term Lease Only
Calamba Warehouse 3	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	388,800.00	February 29, 2024	Short Term Lease Only
Calamba Warehouse 4	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	388,800.00	February 29, 2024	Short Term Lease Only
Calamba Warehouse 5	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	294,840.00	February 29, 2024	Short Term Lease Only

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Calamba Warehouse 6	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	294,840.00	February 29, 2024	Short Term Lease Only
	Tabaco Warehouse 1	Brgy. San Carlos, Tabaco City, Albay	Rented	Good	252,000.00	February 29, 2024	Short Term Lease Only
	Tabaco Warehouse 2	Encinas Compound, Brgy. Pawa, Tabaco City, Albay	Rented	Good	200,000.00	February 29, 2024	Short Term Lease Only
	Depot						
	GSMI Cotta Depot	Francisco Ferdinand St., Teacher's Village, Bgy. Cotta, Lucena City	Owned	Good			
	GSMI Tabangao Depot (Land and Tanks)	Bgy. Tabangao, Aplaya, Batangas City	Owned	Good			
	GSMI Bauan Depot	San Pedro 4201 Bauan Batangas	Owned	Good			
	E. VISAYAS						
	Plants						
	GSMI Mandaue Plant (Land and Facilities)	Subangdaku, Mandaue City, Cebu	Owned	Good			
	DBI Alcohol Distillery (Land and Facilities)	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	DBI Deepwell Sites (Land and Facilities)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	Warehouse/Sales Office						
	GSMI Bago City Sales Office	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	Distileria Bago, Inc. (Aged Alcohol Warehousing and Management)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	GSMI Tacloban Sales Office	Purok 1 Brgy. 91 Maharlika Highway, Abucay Tacloban City	Rented	Good	33,928.57	October 31, 2024	Renewable upon mutual agreement of both parties
	GSMI Iloilo Sales Office	Brgy. Quintin Salas, Jaro, Iloilo City	Rented	Good	58,500.00	January 31, 2025	Renewable upon mutual agreement of both parties
	GSMI Nothern Samar Sales Office	Sitio Cabicalan Londres Allen, Northern Samar	Rented	Good	50,000.00	August 31, 2024	Renewable upon mutual agreement of both parties
	GSMI Goldmark Warehouse	T. Villa St. T. Padilla., Cebu City	Rented	Good	499,200.00	April 30, 2024	Renewable upon mutual agreement of both parties
	GSMI Lapu-lapu Warehouse	Firecrash, Bangkal, Lapu-lapu City	Rented	Good	500,000.00	February 29, 2024	Short Term Lease Only
	GSMI Mandaue Warehouse	P. Sanchez St., Brgy. Pagsabungan, Mandaue City	Rented	Good	613,200.00	March 31, 2024	Short Term Lease Only
	Depot						
	GSMI Ouano Alcohol Depot (Tank)	Ouano, Mandaue City	Owned	Good			
	Land						
	DBI Relocation Site	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	DBI (160sq.m new acquisition)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	GSMI Looc Land (Depot)	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned	Good			
	GSMI Bago Plant (Land)	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	F. MINDANAO						
	Warehouse/Sales Office						
	GSMI Davao Warehouse and Sales Office	Brgy. Talomo, Ulas, Davao City	Owned	Good			
	GSMI Pagadian Sales Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Rented	Good	17,894.74	November 30, 2024	Renewable upon mutual agreement of both parties
	GSMI Cagayan de Oro Sales Office	Limac Warehouse Diversion Road Bulua Zone 8 9000 Cagayan De Oro City	Rented	Good	115,416.00 (May 01, 2023 to April 30, 2024)	April 30, 2024	Renewable upon mutual agreement of both parties
	GSMI Davao Warehouse	SMC Compound, Ulas, Talomo District, Davao City	Owned	Good			
3	**FOOD GROUP**						
	Admin Office/Sales Office						
	Pasig Office - San Miguel Food and Beverage, Inc. (SMFB)	17F, 18F, 21F, 22F, 23F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Iloilo Office - Agro Industrial Cluster	Melliza St., Iloilo City	Owned	Good			
	Davao Region Office - Agro Industrial Cluster	2F, MPPP DavSur 2, Sitio Rambutan, Brgy. Darong, Sta.Cruz, Davao del Sur	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Admin Office and Feedmill/Processing Plant/Product Development Laboratory/Warehouse						
	Cavite Admin Office and Magnolia Plant - Magnolia, Inc.	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
	Depok Office and Poultry Processing Plant - PT San Miguel Purefoods Indonesia	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia	Owned	Good			
	Tarlac Office, Feedmill and Warehouse - Feeds	Luisita Industrial Park, San Miguel,Tarlac City	Owned	Good			
	Bataan Feedmills and Warehouse - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan City	Owned	Good			
	Pasig Office and Product Development Laboratory - SMFI-Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Owned	Good			
	Bacolod Warehouse - San Miguel Mills Inc.	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
	Isabela Feedmill and Warehouse - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Bulacan Feedmill and Warehouse (San Ildefonso) - Feeds	Brgy. Malipampang San Ildefonso, Bulacan	Owned	Good			
	Pangasinan Feedmill - Feeds	Brgy. Bued, Binalonan, Pangasinan City	Owned	Good			
	Admin Office & Magnolia Poultry Processing Plant - SMFI - Poultry	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
	Marikina Processed Meats Plant (used as warehouse) - Purefoods-Hormel	JP Rizal St., Bo. San Roque, Marikina City	Owned	Good			
	Camarines Sur Office - SMFI - AIC; Office, Quality Assurance Office, Magnolia Poultry Processing Plant, Cold Storage and Holding Room - SMFI - Poultry; Cold Storage - SMFI - Meats	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Owned	Good			
	Isabela Sales Office & BMEG Isabela Plant - SMFI - Poultry	Soyung, Echague, Isabela	Owned	Good			
	General Santos Office and Vetmed Hub - SMFI - Poultry	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			
	Depot						
	Cagayan De Oro Building - Magnolia	Victorian Freight Express Corp, Brgy. Cugman, Cagayan De Oro City	Owned	Good			
	Pampanga Depot - Magnolia	Gloria 1, Sindalan, San Fernando Pampanga	Rented	Good	3,888,373.84	December 31, 2023	Renewable every year
	Iloilo Depot - Magnolia	3M Dragon,Leganes St., Brgy Lupa Santa Barbara Iloilo	Rented	Good	1,986,000.00	December 31, 2023	Renewable every year
	Consolacion Cebu Depot - Magnolia	Cebu-North Road, Tayud, Consolacion, Cebu	Rented	Good	3,048,251.32	December 31, 2023	Renewable every year
	Cagayan De Oro Depot - Magnolia	Brgy. Cugman, Cagayan de Oro City	Rented	Good	3,234,698.45	December 31, 2023	Renewable every year
	Bacolod Depot - Magnolia	Magsasay Cor Araneta Sts., Brgy. Singcang, Bacolod City	Rented	Good	1,649,901.40	December 31, 2023	Renewable every year
	Farm/Hatchery						
	Isabela Cattle Farm - Meats	3305 San Luis, Cauayan, Isabela City	Owned	Good			
	Calamba Hatchery - Poultry	Brgy Licheria, Calamba City	Owned	Good			
	Bataan Farm - Poultry	Brgy. General Lim, Orion, Bataan City	Owned	Good			
	Bukidnon Hatchery - Poultry	Kapitan Bayong, Impasug-ong, Bukidnon City	Owned	Good			
	Laguna Cattle Farm & R&D - SMFI - Meats; Office - SMFI - AIC	Brgy. Mabacan, Calauan, Laguna	Owned	Good			
	Camarines Sur Magnolia Poultry Hatchery - SMFI - Poultry; SMFI - AIC	Brgy. San Juan, Baao, Camarines Sur	Owned	Good			
	Magnolia Poultry Farm Davao Del Sur - SMFI - Poultry	Brgy Hagonoy Crossing, Hagonoy, Davao Del Sur	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Flourmill/Feedmill and Warehouse						
	Iloilo Feedmill - Feeds	Brgy. Gua-an, Leganes, Iloilo	Owned	Good			
	Mabini Flourmill - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Tabangao Flourmill - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas City	Owned	Good			
	Bukidnon Feedmill - Feeds	Impalutao,Impasug-ong,Bukidnon City	Owned	Good			
	Davao Feedmill and Warehouse- Feeds	Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur	Owned	Good			
	Pavia Iloilo Feedmill - SMFI - Feeds	Brgy. Mali-ao Pavia, Iloilo	Owned	Good			
	Ormoc Feedmill - SMFI - Feeds	Brgy, Macabug, Ormoc City	Owned	Good			
	Misamis Oriental Feedmill and Warehouse - SMFI - Feeds	Brgy Gracia, Sitio Kivulda, Phividec, Tagoloan, Misamis Oriental	Owned	Good			
	Mandaue Feedmill - SMFI - Feeds	JL Ceniza St., Brgy Looc, Mandaue City	Owned	Good			
	General Santos Feedmill - SMFI - Feeds	San Miguel Purefoods Compound, Rivera St., Calumpang, General Santos City	Owned	Good			
	Grain Terminal						
	Mabini Bulk Grain Handling Terminal - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Land						
	Mabini Land - SMFB	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Pasig Land - San Miguel Mills, Inc. (GAC)	San Miguel Ave., Corner Tektite Road, Pasig City	Owned	Good			
	Bulacan Land - SMFI Feeds	Malipampang, San Ildefonso, Bulacan	Owned	Good			
	Bacolod Land - SMMI	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
	Isabela Land - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Iloilo Land - Feeds	Brgy. Gua-an. Leganes, Iloilo	Owned	Good			
	Davao Land - SMFI - Feeds	Darong, Sta. Cruz, Davao	Owned	Good			
	Catbalogan Property (Land & Building) - SMFI - SMIS	Brgy. 048 Payao, Catbalogan City, Samar	Owned	Good			
	Cavite Property (Land) - Magnolia	Lot 1-E of Subdivision Plan (LRA), PSD-417836, Brgy. San Francisco, General Trias, Cavite	Owned	Good			
	Processing Plant						
	Binh Duong Processing Plant - San Miguel Purefoods (VN) Co., Ltd.	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
	Cavite Processed Meat Plant - Purefoods Hormel Company, Inc.	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Davao Processing Plant 2- SMFI - Poultry	Sitio Rambutan, Brgy. Darong, Sta.Cruz, Davao del Sur	Owned	Good			
	Cavite Fresh Meat Processing Plant - Meats	Governor's Drive Bo. Langkaan 1, Dasmarinas Cavite City	Owned	Good			
	Laguna Ice Cream Plant - Golden Food Management Inc. (GFMI)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	San Fernando Processing Plant - SMFI - Feeds	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
	Magnolia Poultry Processing Plant Pagbilao - SMFI - Poultry	Pagbilao, Quezon	Owned	Good			
	Processing Plant and Cold Storage						
	Mandaue Poultry Processing Plant and Cold Storage - Poultry	Riverside, Canduman, Mandaue City	Owned	Good			
	Warehouse						
	Sta. Rosa Warehouse - SMFI - SMIS	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa City, Laguna	Owned	Good			

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Admin Office						
Mandaluyong Office - San Miguel Food and Beverage, Inc.	40 San Miguel Ave., Mandaluyong City	Owned	Good			
Davao Office - Poultry	3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao	Rented	Good	321,599.60	December 31, 2023	Preterminated the contract from August 31, 2025
Ho Chi Minh Office - SMPFVN	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City, Vietnam	Rented	Good	VND 38,646,597.17	July 31, 2025	Renewable every 5 years
Zamboanga Office - Agro Industrial Cluster	Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City	Rented	Good	31,408.46	December 31, 2025	Renewable every 3 years
Bukidnon Office - Agro Industrial Cluster	Propia St. , Malaybalay, Bukidnon	Rented	Good	147,321.43	January 31, 2025	Renewable every 2 years
Cagayan de Oro Office - Agro Industrial Cluster	Masterson Avenue Zone 13, Carmen, Cagayan de Oro	Rented	Good	408,727.23	June 30, 2024	Renewable every year
Dumaguete Office - Agro Industrial Cluster	Unit 1-C, JC Building, Ipil Road, Brgy. Daro, Dumaguete City	Rented	Good	34,186.12	October 30, 2024	Renewable every 5 years
Bacolod Office - Agro Industrial Cluster	NFCC Cybercentre Complex, Lacson Cr. Hernaez St., Bacolod City	Rented	Good	345,150.00	December 31, 2023	1 year (under TACIT RENEWAL until new rate is approved by Negros Sanguniang Panlalawigan)
C5 Pasig Office - SMFB, SMFI, PHC, Magnolia, Coffee, SMMI	100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City	Owned	Good			
Tacloban Office - Agro Industrial Cluster	Unit 12, 2nd Floor Bldg. B, Metrobank Center, Juan Luna St., Brgy. Poblacion, Palo, Leyte	Rented	Good	53,204.45	October 21, 2028	Renewable every 5 years
Ormoc Office - Agro Industrial Cluster	AW Square 3rd/F R#3F Cor. Real & San Vidal St., Ormoc City	Rented	Good	32,340.00	November 30, 2024	Renewable every 4 years
Central Luzon Office - Agro Industrial Cluster	SMPFC Region Office, SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
Admin Office and Cold Storage/Processing Plant/Warehouse						
Butuan Office and Cold Storage - Agro Industrial Cluster and Poultry	Km 9 Tag-ibo Butu-an City	Rented	Good	11,127.16 (Office) 449,450 (Processing Plant) 228,920 (Cold Storage) 220,530 (Holding Room)	December 31, 2025 (Office - AIC) December 31, 2025 (Cold Storage - Poultry)	Negotiations for the renewal shall commence six (6) months before expiry date. The decision to renew or not to renew should be made by the parties within a period not exceeding three (3) months from date of expiry
Misamis Occidental Office and Cold Storage - Agro Industrial Cluster and Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	133,090 (Cold Storage) 250,027 (Holding room) 14,946.00 (Office)	December 31, 2025	-Renewable every 3 years (Office) -6 months before expiry date. The decision to renew or not to renew should be made by the parties within a period not exceeding three (3) months from date of expiry (Cold Storage & Holding Room)
Cebu Office, Labatory & Cold Storage - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	39,200.00 (Office and Labatory) 3,781,750 (Cold Storage & Warehouse)	January 31, 2025	Renewable every 3 years
Mandaue Warehouse and Cold Storage - Poultry	Lot 2459-B1&B2 Batiller Street, Barangay Umapad, Mandaue City	Rented	Good	654,740.00	Continuing unless terminated and agreed by both parties	Under renewal process
JM1 Farm - SMFI - Meats	Brgy. Kalasungay, Malaybalay City	Rented	Good	650,000.00	August 31, 2025	Renewable upon mutual agreement of both parties
Cold Storage						
Misamis Oriental Dressing Plant (Processing, Cold Storage, Holding Room) Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	422,620.00	September 30, 2025	The Lessee maybe pre-terminate the Contract without cause by giving 60 days prior written notice to the Lessor
Misamis Oriental Cold Storage - Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	118,552.00	September 30, 2025	Renewed upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Palawan Cold Storage - Poultry	Abara Road, Brgy. San Pedro, Puerto Princesa City, Palawan	Rented	Good	388,080.00	December 31, 2024	Renewable every 2 years
	Negros Oriental - Cold Storage & Processing Plant - Poultry	Sra Ascion, San Jose, Negros Oriental	Rented	Good	2,433,370.00	October 28, 2024	Renewable every 3 years
	Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse/Processing Plant/Mixes Storage/Office						
	Bulacan Cold Storage and Holding Room - Poultry	#95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	180,928 (Cold Storage) 184,667 (Holding room)	May 31, 2025	Renewable every 3 years
	Pampanga Cold Storage & Selling Station-SMFI - Meats & Mixes Storage - Poultry	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	1,967,612.59 (Cold Storage) 51,785.71 (Selling Station) 30,140 (Mixes Storage)	December 31, 2024 (Cold and Mixes Storage) June 30, 2024 (Selling Station)	Renewable upon mutual agreement of both parties
	Leyte Cold Storage and Office and Labatory - Poultry	Brgy. Antipolo, Albuera, Leyte	Owned	Good			
	Bulacan Cold Storage, Holding Room and Laboratory & Liquidator's Office- SMFI - Poultry	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	2,831,846 (Cold Storage) 1,392,985 (Holding Room) 55,033(Laboratory) 9,750 (Office)	February 28, 2025	Renewable every 3 years
	La Union Cold Storage, Holding Room and Laboratory - Poultry	Brgy. Rabon, Rosario, La Union 2506	Rented	Good	2,183,379 (Cold Storage & Holding Room) 72,081.00 (Laboratory)	September 30, 2026	Renewable every 3 years
	Pampanga Cold Storage, Holding Room and Labatory - SMFI - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	731,185 (Cold Storage) 317,853.00 (Holding Room) 49,090.00 (Labatory)	July 08, 2025	Renewable every 5 years
	Tarlac Cold Storage, Holding Room and Laboratory - Poultry	Brgy. San Nicolas Balas, Concepcion, Tarlac 2316	Rented	Good	1,810,069.00 (Cold Storage) 1,211,826.00 (Holding Room) 37,882.07 (Laboratory)	December 31, 2024	Renewable every 3 years
	Bataan Cold Storage and Holding Room - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	2,880,950 (Cold Storage) 1,327,480.00 (Holding Room) 28,764.14 (Labatory)	December 31, 2024	Renewable every 3 years
	Nueva Ecija Cold Storage, Holding Room and Labatory- SMFI - Poultry	Km104, Brgy Tabuating, San Leonardo, Nueva Ecija	Rented	Good	693,070 (Cold Storage) 914,660.00 (Holding Room) 28,570.00 (Labatory)	March 09, 2024	Renewable every 3 years
	Iloilo Cold Storage and Processing Plant - Poultry	Barangay Tungay, Sta. Barbara, Iloilo	Rented	Good	902,691.69 (Cold storage) 474,483.96 (Processing plant)	December 31, 2023	Renewable every 3 years
	Negros Oriental Cold Storage and Processing Plant - Poultry	Bolocboloc Sibulan Negros Oriental	Rented	Good	1,818,600	October 31, 2024	Renewable every 3 years
	Negros Occidental Processing Plant and Cold Storage & Laboratory - Poultry	Hda Binunga. Brgy Guinhalaran, Silay City, Negros Occidental	Rented	Good	395,541.76 (Processing Plant) 794,134.38 (Cold Storage)	December 31, 2024	Renewable upon mutual agreement of both parties
	El Salvador Processing Plant; Cold Storage; Holding Room - SMFI Poultry	Upper Linabo, Brgy. Cogon, El Salvador City	Rented	Good	2,121,510 (Cold Storage) 453,490 (Holding room)	March 3, 2026	6 months before expiry date. The decision to renew or not to renew should be made by the parties within a period not exceeding three (3) months from date of expiry
	Tacloban Cold Storage and Warehouse - SMFI - Poultry	Bgry. Diit, Maharlika Highway, Tacloban City, Leyte	Rented	Good	2,755,200	December 31, 2023	Renewable upon mutual agreement of both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Foreshore						
Mabini Bulk Grain Handling Terminal Foreshore - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	373,949.14	February 28, 2025	Lease may be renewed for another 25 years at the option of the DENR
Mabini Foreshore - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Rented	Good	49,089.06	Continuing unless terminated and agreed by both parties	Lease may be renewed for another 25 years at the option of the DENR; Under renewal process
Tabangao Foreshore - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas	Rented	Good	9,648.63	August 22, 2024	Lease may be renewed for another 25 years at the option of the DENR
Land						
Mabini Bulk Grain Handling Terminal (Land only) - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Owned	Good			
Pangasinan Feedmill (Land only) - Feeds	Brgy. Bued, Binalonan, Pangasinan	Owned	Good			
Mabini Flourmill (Land Only) - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Owned	Good			
Bataan Farm (Land only) - Poultry	Brgy. General Lim, Orion, Bataan	Owned	Good			
Bataan Feedmill (Land only) - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan	Rented	Good	1,323,435.00 (Plant 1) 842,267.78 (Plant 2) 906,560.73 (Extension warehouse)	31-Dec-2054 (Plant 1) 31-Mar-2041 (Plant 2) 31-Mar-2041 (Extension Warehouse)	Renewable upon mutual agreement of both parties
Cebu Land - San Miguel Mills, Inc.	P. Rodriguez Street & Dad Cleland Road, Poblacion, Lapu-Lapu, Cebu	Rented	Good	Jan-June : 4,042,478.91 July -Dec : 4,244,602.85	May 31, 2031	Renewable upon mutual written agreement of the parties
Pasig Office (Land Only) - San Miguel Foods, Inc. - Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig	Owned	Good			
Laguna Ice Cream Plant (Land Only) - GFMI	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
Ready-to-Eat Plant (Land Only) - Great Food Solutions	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
Bulacan Feedmill (Land Only) - SMFI - Feeds	Brgy. Malipampang San Ildefonso, Bulacan	Owned	Good			
Davao Land - SMFI - Feeds	Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur	Owned	Good			
Processing Plant						
Lipa Dressing Plant - Poultry	Brgy Kayumanggi, Lipa	Rented	Good	1,040,110.00	August 31, 2024	Renewable upon mutual agreement of both parties
Puerto Princesa Dressing Plant - Poultry	Brgy Tagburos, Puerto Princesa	Rented	Good	22,400.00	December 31, 2024	Renewable every 2 years
Lucena Processing Plant - Poultry	Brgy. Bocohan, Lucena	Rented	Good	1,534,600.00	June 30, 2024	Renewable every 3 years
Isabela Processing Plant and Laboratory - SMFI - Poultry	Garit Sur, Echague Isabela	Rented	Good	3,516,289 (Processing Plant) 40,765.18 (Laboratory)	March 15, 2024	Renewable every 3 years
Davao City Processing Plant -Poultry	R.Castillo, Davao City	Rented	Good	397,423.89	Continuing unless terminated and agreed by both parties	Under renewal process
Rizal Processing Plant - Poultry	#1 Sitio Kapatagan, Brgy. Pinugay, Baras, Rizal	Rented	Good	291,326.19	December 31, 2024	Renewable every year
Batangas Processing Plant - Poultry	Brgy Aya, San Jose, Batangas	Rented	Good	3,314,850.00	December 31, 2023	Renewable upon mutual agreement of both parties
South Cotabato Processing Plant - Meats	Purok 3, Brgy. Glamang, Polomolok, South Cotabato	Rented	Good	208,272.87	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties; Under renewal process
Marawoy Lipa Processing Plant - Meats	A.Tanco Drive, Brgy . Marawoy , Lipa City, Batangas	Rented	Good	132,959.49	December 31, 2025	Renewable upon mutual agreement of both parties
Tacloban Processing Plant - Poultry	Brgy. 69 Anibong, Tacloban City	Rented	Good	132,000.00	December 31, 2023	Renewable upon mutual agreement of both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Sales Office						
Iloilo Office - San Miguel Integrated Sales	Orbe St., Brgy. Baybay Norte, Miag-ao, Iloilo	Rented	Good	8,928.57	June 30, 2028	Renewable upon mutual agreement of both parties
Sales Office and Cold Storage/Laboratory/Warehouse						
Pangasinan Office and Warehouse - SMFI - Poultry	GTL Compound, San Vicente, San Jacinto, Pangasinan, 2431	Rented	Good	25,000.00 (Office) 15,000.00 (Warehouse)	December 31, 2023 (Office, Warehouse)	Renewable every year
Warehouse						
LSL Multi-Serve-Managed Warehouses - Feeds	Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City; Km. 11, Sasa, Davao	Rented	Good	754,285.71	December 31, 2023	Renewal every one year
Pangasinan Warehouse - Feeds	Carmen East, Rosales, Pangasinan	Rented	Good	1,547,212.80	December 31, 2023	Renewable every year
MMIJOE-Managed Warehouses - Feeds	Diversion Rd., Buhangin, Davao City; Km 10, Sasa, Davao City	Rented	Good	865,632.14	December 31, 2023	Renewable every year
SMCSL-Managed Warehouses - Feeds	Manila; Bataan; Batangas; Camarines Sur; Cebu; Iloilo; Bacolod; Cagayan de Oro; Ozamiz; Bukidnon; General Santos; Zamboanga; Davao	Rented	Good	47,680,963.51	December 31, 2023	Renewable upon mutual agreement of both parties
D Meter-Managed Warehouses - Feeds	Cristo Rey Capas, Tarlac 2315; Claro Castaneda St, Brgy. Namayan, Mandaluyong City	Rented	Good	1,679,546.96	December 31, 2023	Renewable upon mutual agreement of both parties
Tarlac Warehouse - Feeds	Mabini, Moncada, Tarlac	Rented	Good	504,128.80	December 31, 2023	Renewable every year
Camarines Sur Warehouse - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	273,240.00	December 31, 2023	Renewable every year
Pangasinan Warehouse - Feeds	Urdaneta, Pangasinan	Rented	Good	1,886,640.00	December 31, 2023	Renewable every year
Mandaluyong Warehouse - Feeds	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	198,000.00	May 2024	Lease contract no longer renewed following May 2024 expiration
Camarines Sur Warehouse - Feeds	Brgy. San Jose, Pili, Camarines Sur	Rented	Good	972,787.20	December 31, 2023	Renewable every year
Parañaque Warehouse - AIC, SMIS and Great Food Solutions	Pacific Coast Plaza Building, 1st Villamor Street, Parañaque	Rented	Good	59,423.29 (AIC) 149,629.7 (SMIS) 24,433.47 (GFS)	December 31, 2024	Mutually be agreed upon between the parties.
Tarlac Warehouse - Feeds	Brgy. Estrada Capas, Tarlac	Rented	Good	1,002,400.00	December 31, 2023	Renewable every year
Laguna Warehouse - Poultry	Denson Whse, Brgy Parian, Calamba, Laguna	Rented	Good	1,142,350.00	July 31, 2024	Renewable every year
Calamba Warehouse - Poultry	Prinza, Calamba, Laguna	Rented	Good	203,400.00	December 31, 2023	Continuing unless terminated and agreed by both parties
Isabela Warehouse - SMFI - Feeds	Bo. Soyung, Echague, Isabela	Rented	Good	882,028 (Jan-Apr) 1,260,924 (May-Jul) 838,236 (Aug-Dec)	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties; Under renewal process
Paranaque Warehouse - SMMI	8380 Dr. A. Santos Avenue, Barangay BF Homes, Parañaque City	Owned	Good			
Samar Warehouse-SMMI	Catbalogan Samar	Owned	Good			
Bulacan Warehouse - SMFI - Feeds	Cagayan Valley Rd, Brgy. Matimbubong, San Ildefonso, Bulacan	Rented	Good	784,000.00	December 31, 2023	Renewable upon mutual agreement of both parties
Batangas Warehouse - SMFI - Feeds	Brgy. Balibaguhan, Mabini Batangas	Owned	Good			
Bacolod Warehouse - SMFI - Feeds	Lot 1 Bredco Port, Brgy. Poblacion, Bacolod City	Owned	Good			
Gen. Santos Warehouse - SMFI - Feeds	Labangal, General Santos City	Rented	Good	361,600.00	December 31, 2023	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
PACKAGING BUSINESS							
	A. DOMESTIC						
1	**SAN MIGUEL YAMAMURA PACKAGING CORPORATION**						
	SMYPC Main Office, SMYPC Trading and SMYPC Contract Packaging						
	Building / Office Space	San Miguel Properties Centre, Saint Francis St., Mandaluyong City	Owned	Good			
	SMYPC Rightpak Plant, SMYPC Canlubang PET & Caps Plant, SMYPC MCLP Canlubang Plant and SMYPC Leasing Operations						
	Land	Canlubang Industrial Estate, Canlubang, Laguna	Owned	Good			
	SMYPC Cebu Beverage Packaging Plant, SMYPC Cebu Glass Plant and SMYPC MCLP Mandaue Plant						
	Land	SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu	Owned	Good			
	SMYPC MCLP Mandaue						
	Warehouse - SMC	SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu	Owned	Good			
	Warehouse - Brewery	SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu	Owned	Good			
	SMYPC Cebu Beverage Packaging Plant & SMYPC Cebu Glass Plant						
	Warehouse	SMC Wharf, Tipolo, Mandaue City, Cebu	Owned	Good			
	SMYPC Cebu Glass Plant						
	Warehouse	Quano Wharf, Mandaue City	Owned	Good			
	Warehouse	GSK, Jagobiao, Mandaue City	Rented	Good	2,831,940.00	December 31, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	LDGP, Tayud, Consolacion	Rented	Good	453,065.00	October 14, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Bassett Land, Tayud, Consolacion	Rented	Good	155,520.00	April 25, 2024	Plan to renew until April 25, 2025
	Warehouse	CBPP, SMC Complex, Mandaue City	Owned	Good			
	SMYPC San Fernando Bev. Packaging Plant						
	Land and Warehouse	Brgy. Maimpis, City of San Fernando, Pampanga (Gate 2, SMC PET Plant)	Owned	Good			
	SMYPC Pet Recycling Plant and SMYPC MCLP San Fernando Plant						
	Land	SMC San Fernando Complex, Quebiauan, San Fernando City	Owned	Good			
	SMYPC Manila Glass Plant						
	Land	Muelle dela Industria St., Binondo, Manila City	Owned	Good			
	Warehouse	San Fernando Brewery, San Fernando, Pampanga	Owned	Good			
	Warehouses 1, 2 & 3	No. 35 Calle Malusak, San Pablo, Malolos City, Bulacan	Rented	Good	881,684.70	June 30, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouses	No.10 T. Santiago St., Plastic City Compound, Canumay, Valenzuela City	Rented	Good	340,200.00	December 31, 2023	For renewal for 6 mos period only (Jan-Jun2024)
	Warehouse Extension 2	Mabalas Brgy Calulut San Fernando Pampanga	Rented	Good	507,500.00	April 30, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse Extension 3	Mabalas Brgy Calulut San Fernando Pampanga	Rented	Good	261,000.00	April 30, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	SMYPC Glass Business Office						
	Land	Barrio Halayhay, Tanza, Cavite	Owned	Good			
	SMYPC Manila Plastics Plant						
	GTU Warehouse	2068 B Candido St. Mapulang Lupa, Valenzuela City	Rented	Good	1,252,650.24	May 31, 2025	Renewable for a period in accordance with the mutual written agreement of both parties
	Bocaue Warehouse (Ecostorage)	#276 Boontown Industrial Park Brgy. Tambobong, Bocaue , Bulacan	Rented	Good	525,000.00	September 30, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	MCLP Warehouse	MCLP warehouse ,Canlubang Laguna	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	SMYPC MPP Cebu Operations						
	Warehouse	Mandaue Cebu	Owned	Good			
	Warehouse	SMC Wharf, Tipolo, Mandaue City, Cebu	Owned	Good			
	Warehouse Rental of Bassette Land	Sitio Bangkerohan, Tayud, Consolacion	Rented	Good	620,978.40	December 31, 2023	Renewable for a period in accordance with the mutual written agreement of both parties > With renewal of contract for BPG Processing Jan 01, 2024 to Dec 31, 2024)
	SMYPC SMY Glass Plant						
	Land	Km 27, Aguinaldo Highway, Imus, Cavite	Owned	Good			
	Land & Warehouse	Canlubang Industrial Estate, Canlubang, Laguna	Owned	Good			
	Warehouse	Quezon Road, San Simon, Pampanga	Rented	Good	963,424.00	March 31, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Tagoloan, Misamis Oriental	Owned	Good			
	Springfield Warehouses	Sitio Pantay, Brgy. Maguyam, Silang Cavite	Rented	Good	2,226,056.00	June 04, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	STMI	Km 52 Bo Lawa, Calamba Laguna	Rented	Good	2,959,875.00	April 15, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
2	**SMC YAMAMURA FUSO MOLDS CORPORATION**	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
3	**MINDANAO CORRUGATED FIBREBOARD, INC.**						
	Land	Km 12 Sasa, Davao City	Owned	Good			
4	**CAN ASIA, INC.**						
	Land	Bgy. San Francisco de Malabon, Gen. Trias, Cavite	Owned	Good			
	B. INTERNATIONAL						
5	**SAN MIGUEL YAMAMURA PACKAGING INTERNATIONAL LTD. AND SAN**	9/F Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, N.T. Hongkong, PRC	Owned	Good			
6	**ZHAOQING SAN MIGUEL YAMAMURA GLASS COMPANY LTD.**						
	Plant	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC	Land Use Rights	Good			
	Warehouse	Duanzhou Science and Technology Industrial Area, Zhaoqing City	Rented	Good	518,720.45	January 31, 2026	Negotiation by both parties
	Warehouse	Duanzhou seven road and Mugang South Road interchange,Zhaoqing City	Rented	Good	319,606.35	March 12, 2024	Negotiation by both parties
	Warehouse	Duanzhou district Taihe Road Junfu Industrial Park third building four, Zhaoqing City	Rented	Good	699,152.56	October 31, 2025	Negotiation by both parties
7	**FOSHAN SAN MIGUEL YAMAMURA PACKAGING COMPANY LTD.**	3 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good			
8	**SAN MIGUEL YAMAMURA HAIPHONG GLASS COMPANY LTD.**	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good			
9	**SAN MIGUEL YAMAMURA PHU THO PACKAGING COMPANY LTD.**	1 Le Van Khuong Street, Hiep Thanh Ward, District 12, Ho Chi Minh City, Vietnam	Land Use Rights	Good			
10	**SAN MIGUEL YAMAMURA PLASTICS FILMS SDN. BHD.**	No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Owned	Good			
11	**SAN MIGUEL YAMAMURA PACKAGING AND PRINTING SDN. BHD. AND PACKAGING RESEARCH CENTRE SDN. BHD.**	Lot 5078 and 5079, Jalan Jenjarum 28/39, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good			
12	**SAN MIGUEL YAMAMURA WOVEN PRODUCTS SDN. BHD.**						
	Office Space	Lot 9 and 10, Jalan Usuha 4, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia Lot 4305, Jalan Usaha 8, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Plant	Lot 75, Jalan Usaha 5, Ayer Keroh Industrial Estate, 75450 Melaka	Rented	Good	MYR 22,932.00	December 31, 2024	The tenancy will automatically renew every 2 years for 5 consecutive terms subject to early termination.
	Warehouse	Lot 4320, Jalan Usaha 6, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Rented	Good	MYR 6,800.00	March 30, 2024	In the event that the Tenant is desirous of extending the period of Tenancy herein created, the Landlord shall upon receipt of a written request from the Tenant made not less than three (1) month before expiration of the term hereby created, at the expense of the Tenant, grant to the Tenant a tenancy of the Premises for a further term of one (1) year from the expiration of the Term (the "Renewal Term").
	Warehouse	83, Jalan Usaha 6, Kawasan Perindustrian Air Keroh, 75450 Melaka, Malaysia	Rented	Good	MYR 9,500.00	February 28, 2025	In the event that the Tenant is desirous of extending the period of Tenancy herein created, the Landlord shall upon receipt of a written request from the Tenant made not less than three (1) month before expiration of the term hereby created, at the expense of the Tenant, grant to the Tenant a tenancy of the Premises for a further term of one (1) year from the expiration of the Term (the "Renewal Term").
13	**INSA ALLIANCE SDN. BHD.**						
	Office Space	Plo 64 & Plo 65, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor.	Owned	Burnt in fire			
	Plant	Plo 64 & Plo 65, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor.	Owned	Burnt in fire			
	Warehouse	Plo 136, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor.	Owned	Good			
	Plant	PT 3197, Jalan TP 3, Taman Perindustrian Bukit Rambai Fasa 6, 75260 Melaka.	Rented	Good	MYR 35,000.00	March 31, 2026	Renewable upon mutual agreement of both parties
14	**SAN MIGUEL YAMAMURA AUSTRALASIA**						
	Office	1 Culverston Road, Minto NSW, Australia	Rented	Good	AUD 161,592.00	July 31, 2027	Renewable upon mutual agreement of both parties
	Production	21 Huntsmore Road, Minto NSW, Australia (Unit 1)	Rented	Good	AUD 24,873.00	July 31, 2027 - Unit 1	Renewable upon mutual agreement of both parties
	SMYC PTY LTD						
	Warehouse	117-121 Lewis Rd, Knoxfield, Victora	Rented	Good	AUD 95,781.00	September 07, 2031	Renewable upon mutual agreement of both parties
	Warehouse	Warehouse 5, Acacia Link Industrial Estate, 25 Industrial Crescent, Willawong, Queensland	Rented	Good	AUD 35,981.00	October 31, 2027	Renewable upon mutual agreement of both parties
	Warehouse	30-32 Rosberg Rd, Wingfield, South Australia	Rented	Good	AUD 49,172.00	June 18, 2027	Renewable upon mutual agreement of both parties
	Warehouse	52 McDowell Street Welshpool, Western Australia	Rented	Good	AUD 39,878.00	September 30, 2024	Renewable upon mutual agreement of both parties
	Warehouse	22 Kinta Drive, Beresfield, Newcastle	Rented	Good	AUD 7,917.00	November 30, 2024	Renewable upon mutual agreement of both parties
	Warehouse	10-12 Linear Court, Derwent Park, Tasmania	Rented	Good	AUD 15,435.00	November 16, 2024	Renewable upon mutual agreement of both parties
	SMYP PTY LTD						
	Plant	21 Huntsmore Road, Minto NSW, Australia (Unit 2)	Rented	Good	AUD 30,851.00	July 31, 2027	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Warehouse	21 Huntsmore Road, Minto NSW, Australia (Unit 3)	Rented	Good	AUD 32,048.00	July 31, 2030	Renewable upon mutual agreement of both parties
	Plant	114-118 Talinga Road, Cheltenham, Victora	Rented	Good	AUD 83,333.00	January 01, 2028	Renewable upon mutual agreement of both parties
	Plant	160 May Terrace Ottoway, South Australia	Rented	Good	AUD 52,235.00	October 17, 2026	Renewable upon mutual agreement of both parties
	Plant	160 May Terrace Ottoway, South Australia	Rented	Good	AUD 27,206.00	November 01, 2026	Renewable upon mutual agreement of both parties
	Plant	Lionels Vineyard, Payne Road Jindong, Western Australia (Margaret River)	Rented	Good	AUD 31,104.00	July 01, 2029	Renewable upon mutual agreement of both parties
	SMYV PTY LTD						
	Plant/Office	34-38 Aldershot Road, Lonsdale South Australia	Owned	Good			
	Barossa Bottling Pty Ltd						
	Plant/Office	Lot 147, Sturt Highway, Nuriootpa, South Australia	Rented	Good	AUD 44,278.00	February 01, 2031	Renewable upon mutual agreement of both parties
	SMYBB Pty Ltd						
	Plant/Office	463-469 Cowra Avenue, Mildura, Victora	Rented	Good	AUD 24,468.00	July 31, 2027	Renewable upon mutual agreement of both parties
	Plant/Office	487-501 Cowra Avenue, Mildura, Victora	Owned	Good			
	Plant/Office	503-513 Cowra Avenue, Mildura, Victora	Rented	Good	AUD 29,855.00	May 16, 2025	Renewable upon mutual agreement of both parties
	Plant	Port Adelaide Distribution Centre 25-91 Bedford Road Gillam SA	Rented	Good	AUD 26,706.00	July 06, 2025	Renewable upon mutual agreement of both parties
	Plant	Warehouse 02, 95 South Gippsland Highway, Dandenong South, Victoria	Rented	Good	AUD 79,991.00	April 27, 2026	Renewable upon mutual agreement of both parties
	SMYJ Pty Ltd						
	Plant/Office	50 Bond Street Mordialloc Victora	Rented	Good	AUD 36,513.00	July 10, 2024	Renewable upon mutual agreement of both parties
	Plant/Office	48 Bond Street Mordialloc Victora	Rented	Good	AUD 21,759.00	July 29, 2025	Renewable upon mutual agreement of both parties
15	**COSPAK LIMITED**	27 Ross Reid Place, East Tamaki, Auckland, New Zealand	Rented	Good	NZD 138,307.71	July 31, 2026	Renewable upon mutual agreement of both parties
16	**FOSHAN NANHAI COSPAK PACKAGING COMPANY LIMITED**	Beijia Team of Niande Village Committee, Nanfeng Road, Leping Town, Sanshui District, Foshan City, Guangdong Province, PRC	Rented	Good	¥ 63,275	October 31, 2024	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
FUEL AND OIL BUSINESS							
1	**PETRON CORPORATION**						
	Refinery and Powerplant						
	Petron Bataan Refinery	Petron Bataan Refinery, Limay, Bataan	Owned	Good			
	Power Plant (Units 1, 2, 3 and 4)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Polypropylene Plant	PNOC-AFC Petrochemicals Estate Barangay Batangas Dos Mariveles, Bataan	Owned	Good			
	Metro Manila and Manufacturing						
	Terminal (Navotas)	PFDA CMPD., Navotas, M.M.	Rented Except Building & Facilities	Good	1,450,558.33	Aug 26, 2039	Renewable upon mutual agreement of both parties
	Terminal (Rosario)	Gen. Trias, Rosario, Cavite	Rented Except Building & Facilities	Good	268,013.66	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Terminal (Pandacan)	Jesus St., Pandacan, Manila	Rented Except Building & Facilities	Good	1,812,664.86	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Terminal (SLHBTC)	Tondo, Manila	Owned	Good			
	Lube Oil Manufacturing Plant	Block 12 and Pipeline Row, Harbour Centre, North Harbor, Tondo, Manila.	Owned	Good			
	Lube Oil Manufacturing Plant	Block 13, Harbour Centre, North Harbor, Tondo, Manila	Owned	Good			
	Airport Installations	Laoag Airport Installation, Laoag Airport, Brgy. Araniw, Laoag City	Rented Except Building & Facilities	Good	3,180.00	October 31, 2029	Renewable upon mutual agreement of both parties
	Airport Installations	NAIA Airport Installation (Petron) & JOCASP, JOCASP Compound, NAIA Complex, Pasay City	Rented Except Building & Facilities	Good	833,133.46	December 31, 2035	Renewable at the option of the lessee
	Luzon Operations						
	Terminal (Palawan)	Brgy. Masipag, Puerto Princesa City	Rented Except Building & Facilities	Good	173,643.75	November 30,2024	Renewable at the option of the lessee
	Terminal (Palawan)	Parola, Brgy. Maunlad, Puerto Princesa City, Palawan	Rented Except Building & Facilities	Good	4,222.12	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Sales Office (Pasacao)	Sitio Camangui, Brgy. Santa Rosa del Sur, Pasacao, Camarines Sur	Rented Except Building & Facilities	Good	Jan - 489,675.38 Jun - 514,159.14	May 31, 2027	Renewable upon mutual agreement of both parties
	Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented Except Building & Facilities	Good	353,756.10	November 30, 2024	Renewable upon mutual agreement of both parties.
	Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented Except Building & Facilities	Good	22,279.97	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Sales Office (Calapan)	Sixteen Enterprises Compound, Brgy. Masipit, Calapan City, Oriental Mindoro	Rented	Good	Jan - 26,741.14 Jul - 28,078.19	June 30, 2027	Renewable upon mutual agreement of both parties
	Sales Office (San Jose)	Purok Tagumpay 2, Brgy. Caminawit, San Jose, Occidental Mindoro	Rented	Good	17,000.00	April 30, 2026	Renewable upon mutual agreement of both parties
	Sales Office (Masbate)	Masbate	Rented except Building & Facilities	Good	4,759.53	December 31, 2026	Renewable upon mutual agreement of both parties.
	Terminal (Batangas)	Bo. Mainaga, Mabini, Batangas	Rented Except Building & Facilities	Good	41,987.17	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Terminal (Bataan)	Limay, Bataan	Rented Except Building & Facilities	Good	1,611.84	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Sales Office (Odiongan)	Brgy Poctoy, Odiongan, Romblon	Rented	Good	67,175.33	December 31, 2051	Renewable at the option of the lessee
	Terminal (SL PanAsia)	Limay, Bataan	Owned	Good			
	Terminal (SL PanAsia)	Limay, Bataan	Rented	Good	43,836.00	December 31, 2024	Renewable upon mutual agreement of both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Airport Installations	Puerto Princesa Airport, Palawan	Rented	Good	80,762.50	September 30, 2025	Renewable upon mutual agreement of both parties
Visayas Operations						
Depot (Amlan)	Tandayag, Amlan, Negros Oriental	Rented Except Building & Facilities	Good	57,594.16	November 30, 2033	Renewable at the option of the lessee
Terminal (Bacolod)	Bo. San Patricio, Bacolod City, Negros Occidental	Rented Except Building & Facilities	Good	86,265.59	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
Terminal (Bacolod)	Bo. San Patricio, Bacolod City, Negros Occidental	Owned	Good			
Depot (Siquijor Mini BP)	Candanay Sur, Siquijor	Rented Except Building & Facilities	Good	180,912.91	March 31, 2035	with 5% escalation per year
Terminal (Iloilo)	Lapuz, Iloilo City	Rented Except Building & Facilities	Good	30,408.92	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
Terminal (Iloilo)	Lapuz, Iloilo City	Rented Except Building & Facilities	Good	~3,500,000 (thruput-based)	April 04, 2039	Effective for 20 years
Terminal (Iloilo)	Lapuz, Iloilo City	Owned	Good			
Depot (Isabel)	LIDE, Isabel, Leyte	Rented Except Building & Facilities	Good	Awaiting offered lease rate from lessor	November 30, 2024	Renewable upon mutual agreement of both parties
Terminal (Mactan)	MEPZ, Lapu- lapu City	Rented Except Building & Facilities	Good	780,000.00	September 30, 2045	Continuing unless terminated by both parties
Terminal (Mactan)	MEPZ, Lapu- lapu City	Rented Except Building & Facilities	Good	11,570.88	September 30, 2043	Continuing unless terminated by both parties
Terminal (Mactan)	MEPZ, Lapu- lapu City	Rented Except Building & Facilities	Good	104,000.00	December 31, 2023	Continuing unless terminated by both parties
Terminal (Ormoc)	Bo. Linao, Ormoc City, Leyte	Rented Except Building & Facilities	Good	26,831.40	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
Terminal (Ormoc)	Bo. Linao, Ormoc City, Leyte	Rented Except Building & Facilities	Good	5,000.00	May 31, 2025	Renewable upon mutual agreement of both parties
Terminal (Roxas)	Sitio Pook, Brgy. Culasi, Roxas, City	Owned	Good			
Terminal (Tacloban)	Anibong, Tacloban City	Rented Except Building & Facilities	Good	15,233.33	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
Terminal (Tacloban)	Anibong, Tacloban City	Rented Except Building & Facilities	Good	434,109.38	January 02, 2039	Renewable upon mutual agreement of both parties
Depot (Tagbilaran)	Graham Ave., Tagbiliran, Bohol	Rented Except Building & Facilities	Good	4,579.76	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
Terminal (Mandaue)	Looc, Mandaue City, Cebu	Rented Except Building & Facilities	Good	61,414.63	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
Terminal (Mandaue)	Looc, Mandaue City, Cebu	Owned	Good			
Airport Installations	Iloilo Airport, Cabatuan, Iloilo City	Rented Except Building & Facilities	Good	60,260.27	Continuing unless terminated and agreed by both parties	Under renewal process; Terminal has an ongoing application with CAAP Iloilo for a long term contract in Iloilo (20-25 yrs)
Mindanao Operations						
Terminal (Davao)	Km. 9, Bo. Pampanga, Davao City	Rented Except Building & Facilities	Good	170,955.16	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
Terminal (Bawing)	Purok Cabu, Bawing, General Santos City	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Terminal (Iligan)	Bo. Tomas Cabili, Iligan City, Lanao del Norte	Rented Except Building & Facilities	Good	10,303.79	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Terminal (Jimenez)	Jimenez, Misamis Occidental	Rented Except Building & Facilities	Good	274,625.00	March 02, 2035	Renewable upon mutual agreement of both parties
	Terminal (Jimenez)	Jimenez, Misamis Occidental	Rented Except Building & Facilities	Good	274,625.00	December 16, 2029	Renewable upon mutual agreement of both parties
	Terminal (Nasipit)	Talisay, Nasipit, Agusan del Norte	Owned	Good			
	Terminal (Nasipit)	Talisay, Nasipit, Agusan del Norte	Rented	Good	82,500.00	December 31, 2024	Renewable upon mutual agreement of both parties. Yearly renewal.
	Terminal (Nasipit)	Talisay, Nasipit, Agusan del Norte	Rented	Good	7,310.00	July 31, 2029	Renewable at option of the lessee
	Terminal (SL Phividec)	SL Phividec, Mindanao	Owned	Good			
	Terminal (Tagoloan)	Tagoloan, Misamis Oriental PNOC- 13,836 sq m	Rented Except Building & Facilities	Good	14,770.14	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Terminal (Tagoloan)	Tagoloan, Misamis Oriental - 13,499 sq m.	Owned	Good			
	Terminal (Tagoloan)	Tagoloan, Misamis Oriental PHIVIDEC/NVRC (FLA)- 19,965 sq m.	Rented Except Building & Facilities	Good	100,623.60	February 9, 2034	Renewable at the option of the lessee
	Terminal (Zamboanga)	Bgy. Campo Islam, Lower Calarian, Zamboanga City	Rented Except Building & Facilities	Good	33,826.59	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Airport Installations	Laguindingan, Misamis Oriental CAAP- 4000 sq m.	Rented Except Building & Facilities	Good	200,187.50	March 30, 2025	Renewable upon mutual agreement of both parties
	Airport Installations	Davao Airport	Rented Except Building & Facilities	Good	32,850.00	December 31, 2024	Renewable upon mutual agreement of both parties
	Airport Installations	Zamboanga International Airport	Rented Except Building & Facilities	Good	84,540.00	November 30, 2029	Renewable at the option of the lessee
	Gasul Operations						
	Depot (LPG Operation)	Lakandula Drive, brgy. Bonot, Legaspi City	Rented Except Building & Facilities	Good	43,169.61	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Depot (Gasul - San Fernando)	Brgy Dela Paz Norte, San Fernando, Pampanga	Rented Except Building & Facilities	Good	9,691.29	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
	Refilling Plant (San Pablo)	San Pablo	Owned	Good			
	Terminal (Gasul – Pasig)	Bo. Ugong, C5,Pasig, M.M	Rented Except Building & Facilities	Good	955,475.80	Continuing pending final resolution of the case by the Supreme Court	Renewable upon mutual agreement of both parties
2	**PETROFUEL LOGISTICS INC.**						
	Office	SMC Head Office Complex, #40 San Miguel Avenue, Mandaluyong City	Owned	Good			
3	**PETRON MALAYSIA REFINING & MARKETING BHD**						
	Refinery						
	Port Dickson Refinery	Lot 1222, 1593-1595, 1757, 1803, 1805, 1836, 1838, 1926-1930, 2645-2647, 12111-12112, 30151-30156 Mukim Port Dickson, Negeri Sembilan	Owned	Good			
	Lumut LPP plant	Lot 15636, Lumut Port Industrial Park, Mukim Lumut, Jalan Kampung Acheh, Sitiawan, Perak.	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Terminals and Depots						
	Port Dickson Terminal	Batu 1.5, Jalan Pantai, 71009 Port Dickson, Negeri Sembilan	Owned	Good			
	Bagan Luar Terminal	Lot 95-125, Lot 2327-2338 Section 4 Butterworth, Seberang Perai Utara, Penang	Owned	Good			
	KLIA Aviation Depot	Forward Fuel Base, Jalan FFB Kuala Lumpur International Airport (KLIA) 64000 Sepang Selangor Darul Ehsan, Malaysia	Rented	Good	MYR 8,976.00	Continuing unless terminated and agreed by both parties	Contract automatically renewed on yearly basis unless terminated in accordance with the termination provision in the agreement
	KVDT- MPP (Tie-in facilities for MPP/KVDT)	GM 1397 Lot 194 Mukim and Daerah Port Dickson Negeri Sembilan	Rented Except Building & Facilities	Good	MYR 8,100.00	June 30, 2026	Renewable upon mutual agreement of both parties
4	**PETRON FUEL INTERNATIONAL SDN BHD**						
	Kuantan Terminal	Lot 1863, Mukim Sungai Karang, Tanjung Gelang, Kuantan Port, 26100 Kuantan. PAHANG	Rented	Good	Terminal 1 MYR 20,895.61 Terminal 2 MYR 19,693.79	Terminal 1 Dec 2027 Terminal 2 Dec 2027	Current rate is RM13.27 per square meter per year from 1st January 2022 until 31st Dec 2025 and shall be increased by 10% on 1st January 2026 and after every three (3) years thereafter Current rate is RM13.27 per square meter per year from 1st January 2022 until 31st Dec 2025 and shall be increased by 10% on 1st January 2026 and after every three (3) years thereafter
	Pasir Gudang Terminal	Jalan Cecair Satu, Kawasan Perdagangan Bebas, Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor.	Rented	Good	MYR 9,788.00	June 2051	An option for renewal for a period of thirty (30) years. Note: Revision of assessment fee effective 2017 by Johor Port after approval by MPPG.
	Westport JV	Terminal Bersama Sdn Bhd, Jeti Petrokimia, Pelabuhan Barat, 49290 Pulau Indah, Selangor	Rented	Good	MYR 54,994.50	Aug 2024	Renewable upon expiry of lease term
5	**PETRON OIL (M) SDN BHD**						
	Tawau Terminal	Jalan Tg Batu Laut, 91000 Tawau, Sabah	Rented Except Building & Facilities	Good	MYR .125 (Yearly Rental - MYR 1.50)	October 2902	No option stated in the agreement
	Sandakan Terminal	Jalan Kampung Karamunting, Sandakan, Sabah	Rented Except Building & Facilities	Good	MYR 778,000.00 (Total Rental)	31 Dec 2078	Revised lease offered to start from 01/01/2019 (backdate) for a period of sixty (60) years. The lease has been fully paid in 2021.
	Sepangar Bay Terminal	P.O. Box 10558, Kota Kinabalu 88806, Sabah	Rented Except Building & Facilities	Good	MYR 25,333.33 (Yearly Rental - MYR 304,000.00)	July 2031	An option for renewal for a period of 15 years.

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
ENERGY BUSINESS							
1	**SUAL POWER INC. (formerly SAN MIGUEL ENERGY CORPORATION)[a]**						
	1000 MW Sual Coal-Fired Thermal Power Plant	Brgy. Pangascasan, Sual, Pangasinan	IPPA with PSALM	Good			
2	**SAN ROQUE HYDROPOWER INC. (formerly STRATEGIC POWER DEVT. CORP.)[b]**						
	345 MW San Roque Multi-Purpose Hydroelectric Power Plant	Brgy. San Roque, San Manuel, Pangasinan	IPPA with PSALM	Good			
3	**SOUTH PREMIERE POWER CORP.**						
	1200 MW Ilijan Natural Gas Combined Cycle Power Plant	Brgy. Ilijan, Batangas City, Batangas	Owned	Good			
	Land (where the 1200 MW Ilijan Natural Gas Combined Cycle Power Plant and related facilities are situated)	Brgy. Ilijan, Batangas City, Batangas	Rented	Good	$35,202,754.12 (one time payment)	April 04, 2047	Renewable for another 25 years or the remaining corporate life of the Lessor if its original corporate life is extended, whichever is shorter, upon mutual written agreement of both parties. With assignable option to purchase upon issuance by the Lessor of an Option Existence Notice.
4	**LIMAY POWER INC. (LPI; formerly SMC CONSOLIDATED POWER CORPORATION) [c](i)**						
	Phase I - 2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Phase II - 2 X 150 MW Coal-Fired Power Plant (Units 3 and 4)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 1 (where a portion of the Phase I power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 2 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land (Ash Dump Facility)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Offshore/Foreshore land	Brgy. Lamao, Limay, Bataan	Rented	Good	2,034,084.17	December 2042	Renewable for another 25 years at the option of the Lessor
	Land - Site 3 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Rented	Good	512,248.44	March 2042	Renewable for another 25 years to be agreed by both parties
5	**MALITA POWER INC. (MPI; formerly SAN MIGUEL CONSOLIDATED POWER CORPORATION) [d](j)**						
	2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Culaman, Malita, Davao Occidental	Owned	Good			
	5 X 1.6 MW Diesel Generator Set	Brgy. Sangali, Zamboanga, Philippines	Owned	Good			
	1 X TM2500 60HZ Mobile Gas Turbine Generator	Brgy. Sangali, Zamboanga, Philippines	Owned	Ongoing construction			
	Land (where Units 1 and 2 power plant and related facilities are situated)	Brgy. Culaman, Malita, Davao Occidental	Owned	Good			
	Offshore/Foreshore land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	55,300.51	February 2043	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	558,354.47	February 2043	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	387,903.40	February 2048	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	570,000.00	May 2048	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	754,780.02	May 2048	Renewable for another 25 years at the option of the Lessor

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
6	**GRAND PLANTERS INTERNATIONAL INC.**						
	Land - Site 1 (where a portion of the LPI Phase I and II power plants and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 2	Brgy. Alangan, Limay, Bataan	Owned	Good			
	Land	Brgy. Biaan, Mariveles, Bataan	Owned	Good			
	Land	No. 169 E. Delos Santos Avenue, Mandaluyong City	Rented	Good	892,857.14	March 22, 2036	Renewable
7	**MASINLOC POWER CO. LTD. (MPCL; formerly Masinloc Power Partners Co. Ltd.)** [e][k]						
	344 MW coal-fired power plant (Unit 1)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	344 MW coal-fired power plant (Unit 2)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	335 MW coal-fired power plant (Unit 3)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	350 MW coal-fired power plant (Unit 4)	Brgy. Bani, Masinloc, Zambales	Owned	Ongoing construction			
	350 MW coal-fired power plant (Unit 5)	Brgy. Bani, Masinloc, Zambales	Owned	Ongoing construction			
	10 MW battery energy storage project (Phase 1)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	20 MW battery energy storage system (Phase 2)	Brgy. Bani, Masinloc, Zambales	Owned	Substantially complete			
	Land (where Units 1, 2, 3, 4 and 5 power plant and related facilities, and the 10 MW and 20 MW Battery Energy Storage Systems (BESS) projects of MPCL are situated)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	Land (where Units 3, 4, 5 power plants and related facilities are situated)	Brgy. Bani, Masinloc, Zambales	Rented	Good	Lease with PSALM - US$3,966.43	April 2028	With assignable option to purchase
8	**SMGP KABANKALAN POWER CO. LTD. (formerly SMCGP PHILIPPINES ENERGY STORAGE CO. LTD.)** [f]						
	Land (where the 20 MW and 10MW BESS are situated)	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Good			
	20 MW BESS (Phase 1)	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Good			
	10 MW BESS (Phase 2)	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Substantially complete			
9	**MARIVELES POWER GENERATION CORPORATION**						
	4 x 150 MW Coal-Fired Power Plant	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	Owned	Ongoing construction			
	Land (where the 4 x 150 MW coal-fired power plant project is situated)	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	Owned	Good			
	Land (where the transmission network project is situated)	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	Owned	Good			
	Land (for transmission line)	Brgy. Malaya and Maligaya, Mariveles Bataan	Rented	Good	P33,528,000 (one time payment)	October 31, 2046	Renewable upon mutual agreement by both parties
	Land (for transmission line)	Brgy. Biaan, Mariveles, Bataan	Owned	Good			
10	**TOPGEN ENERGY DEVELOPMENT INC.**						
	Land (where the 10 MW Tagum BESS project of SBPI is situated)	Brgy. Magdum Tagum City, Davao del Norte	Owned	Good			
	Land	Barrio Centro Occidental, Polangui, Albay	Owned	Good			
	Land	Brgy. Penafrancia, Daraga, Albay	Owned	Good			
11	**SMGP BESS POWER INC. (SBPI; formerly UNIVERSAL POWER SOLUTIONS, INC.)** [g][l]						
	Land and 20 MW Malita BESS	Brgy. Culaman, Malita, Davao Occidental	Owned	Good			
	Land and 50 MW Lamao BESS	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land and 40 MW Bataan Combined Cycle Power Plant BESS	Brgy. Luz, Limay, Bataan	Land - Rented; BESS - Owned	Land - Good; BESS - Good	205,528.05	April 15, 2045	Renewable upon mutual agreement by both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Land and 20 MW Jasaan BESS	Jasaan, Misamis Oriental	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	2,160,000.00	April 15, 2045	Renewable upon mutual agreement by both parties
	Land and 20 MW Toledo BESS	Calong-calong and Talevera, Toledo City, Cebu	Land - Rented; BESS - Owned	Land - Good; BESS - Good	900,000.00	April 15, 2045	Renewable upon mutual agreement by both parties
	Land and 20 MW Villanueva BESS	Brgys. Sta. Ana, Tagaloan and San Maritin , Villanueva, Phividec Industrial Estate of Misamis Oriental - Special Economic Zone (PIEMO-SEZ)	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	342,368.34	June 04, 2045	Renewable upon mutual agreement by both parties
	Land and 20 MW Tabango BESS	Brgy. Tugas, Tabango, Leyte	Land - Rented; BESS - Owned	Land - Good; BESS - Ongoing Construction	4,326.85	March 01, 2036	Renewable upon mutual agreement by both parties
	Land and 50 MW Mexico BESS	Brgy. San Jose Matulid, Mexico, Pampanga	Owned	Land - Good; BESS - Ongoing Construction			
	Land and 20 MW Mexico-2 BESS	Brgy. San Jose Matulid, Mexico, Pampanga	Land - Rented; BESS - Owned	Land - Good; BESS - Ongoing Construction	372,023.81	June 03, 2036	Renewable upon mutual agreement by both parties
	Land and 20 MW Maco BESS	Brgys. Dumlan and Concepcion, Maco, Compostela Valley, Davao del Norte	Owned	Land - Good; BESS - Good			
	Land and 40 MW Gamu BESS	Brgy. Lenzon, Gamu, Isabela	Owned	Land - Good; BESS - Substantially complete			
	Land and 40 MW Magapit BESS	Brgy. Magapit, Lal-lo, Cagayan	Owned	Land - Good; BESS - Substantially complete			
	Land and 20 MW Ubay BESS	Brgy. Imelda, Ubay, Bohol	Owned	Good			
	Land and 50 MW San Manuel BESS	Brgy. Sto. Domingo, San Manuel, Pangasinan	Owned	Land - Good; BESS - Good			
	Land and 50 MW San Manuel BESS	Brgy. Sto. Domingo, San Manuel, Pangasinan	Owned	Land - Good; BESS - Good			
	Land and 50 MW Concepcion BESS	Brgy. Sta. Rosa, Concepcion, Tarlac	Owned	Land - Good; BESS - Substantially complete			
	Land and 40 MW Ormoc BESS	Brgy. Dolores, Ormoc City, Leyte	Owned	Land - Good; BESS - Substantially complete			
	Land and 40 MW Ormoc BESS	Brgy. Dolores, Ormoc City, Leyte	Owned	Land - Good; BESS - Substantially complete			
	Land and 50 MW Lumban BESS	Brgy. Halang & Lewin, Lumban, Laguna	Owned	Land - Good; BESS - Ongoing Construction			
	Land and 10 MW Tagum BESS	Brgy. Magdum Tagum City, Davao del Norte	Owned	Good			
	Land and 20 MW Tabango BESS and NGCP interconnection facility	Barrio Tabango, San Isidro, Leyte	Land - Rented; BESS - Owned	Land - Good; BESS - Ongoing Construction	95,250.23	September 26, 2032	Renewable upon mutual agreement by both parties
12	**EXCELLENT ENERGY RESOURCES INC. (EERI)**						
	Batangas Combined Cycle Power Plant (BCCPP)	Barangay Ilijan and Dela Paz, Batangas	Owned	Ongoing Construction			
	Land (where the BCCPP Project is situated)	Barangay Ilijan and Dela Paz, Batangas	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Land (to be used as water source for BCCPP)	Barangay Dela Paz, Batangas	Owned	Good			
13	**SAN MIGUEL GLOBAL POWER HOLDINGS CORP. (formerly SMC GLOBAL POWER HOLDINGS CORP.)[h]**						
	C5 Office Space	100 E. Rodriguez Jr. Avenue (C-5 Road) Brgy. Ugong, Pasig City, Metro Manila	Owned	Good			
14	**MULTI-VENTURES INVESTMENT HOLDINGS, INC.**						
	Land	Ternate, Naic and Maragondon, Cavite	Owned	Good			
15	**SMC GLOBAL LIGHT AND POWER CORP.**						
	Land	Barangay San Luis, Cauayan City, Isabela	Owned	Good			
	Land	Barangay Lucanin, Mariveles, Bataan	Owned	Good			
16	**ILIJAN PRIMELINE INDUSTRIAL ESTATE CORP.**						
	Land (a portion of which are used (i) for the BCCPP and related facilities of EERI and (ii) for the Liquefied Natural Gas Terminal of a third party)	Barangays Ilijan and Dela Paz, Batangas	Owned	Good			
17	**BLUE EAGLE STAR, CORP.**						
	Land	Maragondon and Ternate, Cavite	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
INFRASTRUCTURE BUSINESS							
1	**SAN MIGUEL HOLDINGS CORP.**						
	Office Space	Wing A and B - 11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
	Office Space	20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
	Office Space - 83 sq meters	No. 40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Office Space	4th Floor San Miguel Properties Center St. Francis Street Mandaluyong City	Owned	Good			
	Office Space - 635.75 sq meters	Unit C and D - 23rd Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Office Space	19th floor San Miguel Properties Centre St. Francis St. Ortigas Center Mandaluyong City	Owned	Good			
	Office Space	Unit A - 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center Pasig City	Owned	Good			
2	**SMC NAIAX Corporation (Formerly: VERTEX TOLLWAYS DEVT. INC.)**						
	Office Space	11/F San Miguel Properties Centre, St. Francis Street, Mandaluyong City	Owned	Good			
	Office Space	Unit C 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center	Owned	Good			
	Parking	(B-4) JMT Corporate Condominium, ADB Avenue, Ortigas Center	Owned	Good			
	Parking	(B-2) JMT Corporate Condominium, ADB Avenue, Ortigas Center	Rented	Good	5,000.00	July 31, 2024	Annually
3	**TERRAMINO HOLDINGS, INC AND ASSETVALUES HOLDING COMPANY, INC.**						
	Office Space	11F and 20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
4	**UNIVERSAL LRT CORPORATION (BVI) LIMITED**						
	Office Space	11/F San Miguel Properties Centre, St. Francis Street, Mandaluyong City	Owned	Good			
5	**TRANS AIRE DEVELOPMENT HOLDINGS, CORP.**						
	Office Space	Wing B 2/F San Miguel Building, 40 San Miguel Ave. Mandaluyong City	Owned	Good			
6	**SMC TPLEX HOLDINGS COMPANY, INC.**						
	Land	Emilio Vergara Highway Corner Mabini Street Extension, Sta. Arcadia, Cabanatuan, Nueva Ecija	Owned	Good			
	Land	Maharlika Highway, Malipampang, San Ildefonso, Bulacan	Owned	Good			
7	**SMC TPLEX CORPORATION**						
	Office space (Old)	Unit 06 UG Pioneer Highlands Condo Tower 2, Pioneer corner Madison Streets, Mandaluyong City	Owned	Good			
	Office space	11th Floor San Miguel Properties Center St. Francis Street Mandaluyong City	Owned	Good			
	Office space	The JMT Bldg, ADB Ave. Ortigas Center, Pasig City	Owned	Good			
	Parking	The JMT Bldg, ADB Ave. Ortigas Center, Pasig City	Owned	Good			
	ROWA SMPI Office space	Burgos St. District1 Poblacion, Pozorrubio, Pangasinan	Rented	Good	49,065.42 (Mar 1, 2023 to Feb 28, 2024) 51,401.87 (Mar 1, 2024 to Feb 28, 2025)	February 28, 2025	Subject to renewal or extension as mutually agreed between the parties
	DPWH Office & Lodging	Narang-Ay Apartment, San Nicolas, Villasis, Pangasinan	Rented	Good	18,947.37	January 3, 2025	Subject to renewal or extension as mutually agreed between the parties
	DPWH Office & Lodging - Section1&2	ENS-NPM Residences, Barangay Abagon, Gerona Tarlac	Rented	Good	5,263.16	December 31, 2023	Subject to renewal or extension as mutually agreed between the parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
8	**OPTIMAL INFRASTRUCTURE DEVELOPMENT, INC.**						
	Land	Manila Harbour Centre, Brgy. 128 Zone 10 (Isla de Balut/Vitas), Tondo, Manila City	Owned	Good			
9	**WISELINK INVESTMENT HOLDINGS, INC.**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
10	**ATLANTIC AURUM INVESTMENTS B.V.**						
	Office Space	Museumlaan 2, 3581 HK, Utrecht, The Netherlands	Owned by the Service Provider	Good			
11	**STAGE 3 CONNECTOR TOLLWAYS HOLDINGS CORPORATION**						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
12	**SMC SKYWAY STAGE 3 CORPORATION (Formerly: CITRA CENTRAL EXPRESSWAY CORP)**						
	Office Space	Unit D - 18th Floor of the JMT Corporate Condominium ADB Avenue, Ortigas Center Pasig City	Owned	Good			
	Office Space	11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City	Owned	Good			
	Parking Slots	B1- 22 & 23 of the JMT Corporate Condominium ADB Avenue, Ortigas Center Pasig City	Owned	Good			
13	**SMC SKYWAY CORPORATION (Formerly: CITRA METRO MANILA TOLLWAYS CORPORATION)**						
	Office Space	21st to 24th Floors One Magnificent Mile-CITRA Building, San Miguel Avenue, Ortigas Center 1605 Pasig City	Owned	Good			
	Office Space	3/F Toll Operations Building, Doña Soledad Avenue, Brgy. Don Bosco, Parañaque City	Owned	Good			
	Office Space	11/F San Miguel Properties Centre, #7 St. Francis Street, Ortigas Center, Mandaluyong City	Owned	Good			
14	**SKYWAY O&M CORPORATION**						
	Office Space	1st and 2nd Floors TOB Doña Soledad Avenue, Bicutan, Paranaque City	Owned	Good			
15	**ALLOY MANILA TOLL EXPRESSWAYS INC.**						
	Office Space	GF Operations and Control Center, Km.44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong, Calamba City, Laguna	Owned by ROP (South Luzon Tollway Corporation Concession Rights)	Good			
	Land	Km.44 Sitio Latian, Brgy. Mapagong, Calamba City, Laguna	Owned	Good			
16	**JETHANDLER ASIA SERVICES, INC.**						
	Office Space	Caticlan, Malay, Aklan	Rented	Good	59,054.81	August 31, 2024	Renewable upon mutual agreement in writing by the parties through their duly authorized representatives
	Lot Rental	Caticlan, Malay, Aklan	Rented	Good	45,439.49	July 12, 2025	No renewal options
	Lot Rental	Caticlan, Malay, Aklan	Rented	Good	92,842.11	July 12, 2024	Renewable for another period of two (2) years upon mutual agreement of the parties
	PNP and OTS Office	Caticlan, Malay, Aklan	Rented	Good	18,947.37	December 31, 2024	Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties.
	PNP-SOU Staffhouse	Caticlan, Malay, Aklan	Rented	Good	8,421.05	December 31, 2023	Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	PNP-AVSEC Barracks	Caticlan, Malay, Aklan	Rented	Good	12,631.58	December 31, 2024	Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties
	OTS Staff House	Caticlan, Malay, Aklan	Rented	Good	15,789.74	March 31, 2024	Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties
	TABON Staffhouse	Caticlan, Malay, Aklan	Rented	Good	35,087.72	February 7, 2026	No renewal options
17	**MANILA TOLL EXPRESSWAY SYSTEMS, INC.**						
	Office Space	GF Operations and Control Center, Km.44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong, Calamba City, Laguna	Owned by ROP (South Luzon Tollway Corporation Concession Rights)	Good			
18	**SMC INFRAVENTURES INC.**						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
19	**SMC SLEX INC. (Formerly: SOUTH LUZON TOLLWAYS CORPORATION)**						
	Land	Lot 3122-C, Sitio Latian, Brgy. Mapagong, Calamba, Laguna	Owned	Good			
	Office Space	11F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
20	**SMC SKYWAY STAGE 4 CORPORATION (Formerly: CITRA INTERCITY TOLLWAYS, INC.)**						
	Office Space	Unit B 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Office Space	11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City	Owned	Good			
	Parking Space	B4- JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Parking Space	B1-JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
21	**STAR INFRASTRUCTURE DEVELOPMENT CORPORATION**						
	Land	Brgy. Lapu Lapu, Ibaan, Batangas	Owned	Good			
	Office Space	23F JMT Corporate Condominium, ADB Ave., Ortigas Center, Pasig City	Owned	Good			
	SIDC Office	7th Floor Electra House Condominium, 115- 117 Esteban St., Legaspi Village, Makati City	Rented	Good	50,446.43	January 31, 2024	Subject to renewal or extension as mutually agreed between the parties
22	**STAR TOLLWAY CORPORATION**						
	Office Space	Brgy. Tambo, Lipa City, Batangas	Owned by ROP (Star Infrastructure Development Corporation Concession Rights)	Good			
23	**ULCOM COMPANY, INC.**						
	Office Space	11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
24	**SMC MASS RAIL TRANSIT 7, INC.**						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Office Space	GF 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City	Owned	Good			
	Office Space	4F 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City	Owned	Good			
	Office Space	808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City (Meeting Rooms G & H)	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Office Space	808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City (Meeting Rooms I & J)	Owned	Good			
	Office Space	2F 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City	Owned	Good			
	Office Space	4th Floor Kayumanggi Center, Commonwealth cor. Luzon Avenue, Quezon City	Rented	Good	216,150.00	November 30, 2025	Renewal and extension upon expiration of contract may be mutually agreed upon between parties.
	Condo Unit	Dover Hill Condominium, Mabini Cor Ortega and Pilar St., Addition Hills, San Juan City	Rented	Good	118,250.00	February 11, 2025	The Parties may agree in writing to renew and extend the lease period within 90 days from expiration of the lease period
	Office Space	22nd Floor of OMM Citra Building, No 39 San Miguel Avenue, Ortigas Center, Pasig City	Owned	Good			
	Office Space	7th Floor 100 E Rodriguez Jr, Avenue (C-5 Road), Barrio Ugong, Pasig City	Owned	Good			
	Parking Space	No. 17B Gen. Atienza Street, San Antonio Village, Brgy San Antonio, Pasig City	Owned	Good			
25	**AEROFUEL STORAGE MANAGEMENT INC.**						
	Office Space	11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
26	**ARGONBAY CONSTRUCTION COMPANY, INC.**						
	Office Space	5th Floor, 808 Building, Meralco Avenue, Brgy Antonio Pasig City	Owned	Good			
27	**INTELLIGENT E- PROCESSES TECHNOLOGIES CORP.**						
	Office Space	23F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City	Owned	Good			
	Office Space	KM 44 South Luzon, Brgy. Mapagong, Sitio Latian, Calamba, Laguna	Owned	Good			
28	**LUZON CLEAN WATER DEVELOPMENT CORPORATION**						
	Office Space	BBW Administration Bldg. Don Manuel F. Reyes Ave. PH 1, Gate 1, Pleasant Hills Subd., Brgy. San Manuel City of SJDM, Bulacan 3023	Owned	Good			
29	**PASIG RIVER EXPRESSWAY CORPORATION**						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
30	**TPLEX OPERATIONS AND MAINTENANCE CORP**						
	Office Space	Brgy. San Pascual Tarlac City	Owned	Good			
	Office Space	Brgy Baculong, Victoria, Tarlac	Owned	Good			
	Office Space	Brgy Palakipak, Rosales, Pangasinan	Owned	Good			
	Office Space	Gerona, Tarlac	Owned	Good			
	Office Space	Urdaneta, Pangasinan	Owned	Good			
	Office Space	Rosario, La Union	Owned	Good			
31	**SINCERE LUMBER CO., INC.**						
	Office Space	11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
	Land	1500 Quirino Ave., Paco, Manila City, Metro Manila	Owned	Good			
32	**SAN MIGUEL AEROCITY INC**						
	Office Space	Lower Penthouse, 808 Building, Meralco Avenue, Brgy Antonio Pasig City	Owned	Good			
	Office Space	5th Floor, 808 Building, Meralco Avenue, Brgy Antonio Pasig City	Owned	Good			
	Office Space	3rd Floor, 808 Building, Meralco Avenue, Brgy Antonio Pasig City	Owned	Good			
	Parking Space	Gen. Capinpin St./Parking Space Brgy San Antonio, Pasig City	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Parking Space	Ground Floor, 100 E. Rodriguez Jr. Avenue (C-5 Road), Barrio Ugong, Pasig City, Metro Manila	Owned	Good			
	Office Space	3rd Floor, 100 E. Rodriguez Jr. Avenue (C-5 Road), Barrio Ugong, Pasig City, Metro Manila	Owned	Good			
	Condominium Unit	Delgado Place Residences	Rented	Good	24,107.14	August 2024	Annual Renewal
	Staff House	Brgy. San Nicholas Bulacan	Rented	Good	30,000.00	January 15, 2027	The Parties may agree in writing to renew and extend the lease period within 90 days from expiration of the lease agreement.
	Parking Space	21 Gen Atienza St., Brgy San Antonio Pasig City	Owned	Good			
	Office Space	14th Flr, 45 San Miguel Bldg.	Rented	Good	467,600.00	June 30, 2026	The Parties may agree in writing to renew and extend the lease period within 90 days from expiration of the lease agreement.
	Parking Space	45 San Miguel Bldg.	Rented	Good	38,500.00	June 30, 2026	The Parties may agree in writing to renew and extend the lease period within 90 days from expiration of the lease agreement.
	Staff House	Brgy. San Antonio, Pasig City	Rented	Good	12,500.00	September 15, 2024	Annual Renewal
	Staff House	Cavite Staff House	Rented	Good	7,000.00	July 15, 2024	Annual Renewal
	Condominium Unit	U707, East Tower Lumiere Residences	Rented	Good	40,000.00	March 29, 2024	Annual Renewal
33	**SMC Central Access Link Expressway Corp.**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
34	**SMC Marilao Access Link Expressway Corp.**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
35	**SMC Northern Access Link Expressway Corp.**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
36	**SMC Southern Access Link Expressway Corp.**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
37	**SOUTH LUZON TOLL ROAD-5 EXPRESSWAY INC**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
38	**SMC TOLLWAYS CORPORATION (Formerly: ATLANTIC AURUM INVESTMENTS PHILIPPINES CORPORATION)**						
	Office Space	11F San Miguel Properties Centre, 7 St. Francis St., Ortigas Center, Mandaluyong City	Owned	Good			
39	**SMC SLEX Holdings, Inc. (Formerly: MTD MANILA EXPRESSWAYS, INC.)**						
	Office Space	11F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
40	**ASSETVALUES HOLDING COMPANY INC**						
	Office Space	11F and 20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
41	**SMC AEROTROPOLIS INC**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
42	**PHILIPPINE INTERNATIONAL AIRPORT INC.**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
43	**SMC AVIATION CITY INC.**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
44	**TOLL ROAD OPERATION AND MAINTENANCE VENTURE CORPORATION**						
	Office Space	11/F San Miguel Properties Centre, #7 St. Francis Street, Ortigas Center, Mandaluyong City	Owned	Good			
45	**SMC CBEX INC**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
46	**SMC NBEX INC**						
	Office Space	40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City	Owned	Good			
47	**AEROCITY CEMENT INC.**						
	Office Space	11/F San Miguel Properties Centre, #7 St. Francis Street, Ortigas Center, Mandaluyong City	Owned	Good			
48	**DURACEMENT INC.**						
	Office Space	11/F San Miguel Properties Centre, #7 St. Francis Street, Ortigas Center, Mandaluyong City	Owned	Good			
49	**SMC PLEX INC.**						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
OTHERS							
1	**SAN MIGUEL CORPORATION**						
	Iligan Coconut Oil Mill	Sta.Filomena, Iligan City	Owned	Good			
	Land and Warehouse	A. Del Rosario Ave., Brgy. Tipolo, Mandaue City	Owned	Good			
	Land	Banilad, Mandaue - Petron Station	Owned	Good			
	Land	Alfonso, Cavite - Management Training Center	Owned	Good			
	Office Space	Meralco Ave., Pasig City - 808 Building	Owned	Good			
	Warehouse Only	Northbay Blvd., Navotas, Metro Manila	Owned	Good			
	Land	San Fernando, Pampanga	Owned	Good			
	Office Space	40 San Miguel Ave., Mandaluyong City - SMC Corporate Office	Owned	Good			
	Land	San Rafael, Tarlac	Owned	Good			
	Land	Tagaytay - Petron Station	Owned	Good			
	Land	Tunasan - Petron Station	Owned	Good			
	Land	Looc Ouano, Mandaue City	Owned	Good			
	Warehouse Only	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
2	**REAL ESTATE BUSINESS**						
	San Miguel Properties, Inc.						
	Bel Aldea Subdivision	Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Maravilla Subdivision	Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Asian Leaf Subdivision	Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Office Spaces	San Miguel Properties Centre, Mandaluyong City	Owned	Good			
	Office Building	155 Edsa (SMITS), Ortigas Center, Mandaluyong City	Owned	Good			
	Land	620 Lee St., Mandaluyong City	Owned	Good			
	Land	San Isidro Road corner Unnamed Road Lot, Brgy. Tatalon, Cabuyao, Laguna	Owned	Good			
	Land and Building	808 Bldg. Meralco Avenue corner General Lim St., Brgy. San Antonio, Pasig City	Owned	Good			
	Land	Along Commerce Avenue Corner Asean Drive and Jakarta Lane, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City	Owned	Good			
	Land	Brgy. Canlubang and Majada, Calamba City, Laguna	Owned	Good			
	Land	Barrio de Fuego, Gen. Trias, Cavite	Owned	Good			
	Land	Barrio Sinaliw Munti, Alfonso, Cavite	Owned	Good			
	Land	Brgys. of Mabatac, Sinaliw and Kaytitinga, Sitios of Amuyong and Haulian, Alfonso, Cavite	Owned	Good			
	Land	Brgys. Lourdes and Santiago, Lubao, Pampanga	Owned	Good			
	Land	Cagay Road, Brgy. Asid, Masbate City	Owned	Good			
	Land	Brgy. Tagabuli, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Sitio Landing, Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Bato, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Yapak, Boracay Island, Malay, Aklan	Owned	Good			
	Land	327 Brgy. Prenza-San Fermin, Cauayan City, Isabela	Owned	Good			
	Land	471 F. Ortigas St., Brgy. Hagdang Bato Libis, Mandaluyong City	Owned	Good			
	Land/Building/Improvements	San Miguel Corporation - Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Land and Building	Dr. A Santos Ave. (Sucat Road), Parañaque City	Owned	Good			
	Land	Brgy. Boot, Tanuan, Batangas	Owned	Good			
	Land	Brgy. Glamang (Silway), Polomolok, South Cotabato	Owned	Good			
	Land	Maragondon / Mabacao - Magallanes Road, Brgy. Mabato, Maragondon, Cavite	Owned	Good			
	Land	Acacia St., Brgy. Hagdang Bato, Mandaluyong City	Owned	Good			

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Land	Sixto Avenue, Maybunga, Pasig City	Owned	Good			
Land	National Road, Brgy. Bunawan, Davao City	Owned	Good			
Land and Building	Crestview Heights Subd., San Roque, Antipolo, Rizal	Owned	Good			
Land	618 Lee St. Brgy. Addition Hills, Mandaluyong City	Owned	Good			
Land	Brgy. Bucal Calamba, Laguna	Owned	Good			
Land	Brgy. Tawala, Panglao, Bohol	Owned	Good			
Land and Building	635 Lee St. Addition Hills Mandaluyong City	Owned	Good			
Land and Building	Brgy. Sasa, Davao City	Owned	Good			
Land	Brgy. De Fuego, Brgy. San Francisco General Trias,	Owned	Good			
Land and Building	Lot1-D Brgy. Parian, Calamba City, Laguna	Owned	Good			
Land and Building	SJCB Sta. Maria Bulacan- Lots 2&4	Owned	Good			
Land	Bowen Island -Bugsuk, Balabac, Palawan	Owned	Good			
Land and Building	Brgy. Nibaliw West, San Fabian, Pangasinan	Owned	Good			
Land	Naic, Cavite	Owned	Good			
Bel-Aldea Realty, Inc.						
Land and Building	No. 77 IPO St., Brgy. Paang Bundok, La Loma, Quezon City	Owned	Good			
Bright Ventures Realty, Inc.						
Land	A. Marcos cor M.H. del Pilar and A. Mabini Sts., Addition Hills, San Juan City	Owned	Good			
Land / Dover Hill	No. 168 Pilar Corner P. Zamora Sts., Brgy. Addition Hills, San Juan City	Owned	Good			
Brillar Realty and Development Corp.						
Land	Limbones Island, Brgy. Papaya, Nasugbu, Batangas	Owned	Good			
Dimanyan Wakes Holdings, Inc.						
Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Busuanga Bay Holdings Inc.						
Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Bulalacao Property Holdings, Inc.						
Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Calamian Prime Holdings, Inc.						
Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Palawan White Sands Holdings Corp.						
Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Coron Islands Holdings, Inc.						
Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Rapidshare Realty and Development Corporation						
Land	341 Northwestern St., Brgy. Wack-Wack, Greenhills, Mandaluyong City	Owned	Good			
SMC Originals, Inc.						
Land	Antonio Arnaiz Avenue corner Estacion St., Brgy. Pio del Pilar, Makati City	Owned	Good			
Silang Resources, Inc.						
Land	Brgys. San Vicente, San Miguel, Biluso And Lucsuhin, Silang, Cavite	Owned	Good			
Tanauan Resources, Inc.						
Land	No. 34 McKinley Road, Brgy. Forbes Park (North Side), Makati City	Owned	Good			
SMPI Makati Flagship Realty Corp.						
Land and Building	117 Legaspi and Gallardo Sts., Legaspi Village, Makati City	Owned	Good			
Carnell Realty, Inc.						
Land	621 Lee St., Mandaluyong City	Owned	Good			

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Grandioso Realty Corporation						
Land	National Road, Brgy. Tambler, General Santos City	Owned	Good			
Sta. Cruz Resource Management, Inc.						
Land and Building	54 and 50 Hydra St., Bel Air 3, Makati City	Owned	Good			
Maison 17 Properties, Inc.						
Land	116 Legaspi and Gallardo Sts., Legaspi Village, Makati City	Owned	Good			
Integrated Geosolutions, Inc.						
Land	Bo.Diezmo, Cabuyao, Laguna	Owned	Good			
Tierra Castellanas Development Inc.						
Land	Brgy. Bungoy, Dolores, Quezon	Owned	Good			
Excel Unified Land Resources Corp.						
Wedge Woods Subdivision	Silang, Cavite	Owned	Good			
512 Acacia Holdings, Inc.						
Land	512 Acacia Ave., Ayala Alabang Village Phase II-A, Brgy. Alabang, Muntinlupa City	Owned	Good			
La Belle Plume Realty Inc						
Land	Western Visayas	Owned	Good			
La Verduras Realty Corp.						
Land	No. 38 Gen. Delgado Street, San Antonio Village, Pasig City	Owned	Good			
First Monte Sierra Realty Corporation						
Land	Brgy. San Antonio, Basco, Batanes	Owned	Good			
Lanes and Bi-Ways Realty Corp.						
Land	403 Columbia St., East Greenhills, Mandaluyong City	Owned	Good			
Land	#2 Columbia St. N.East Greenhills, San Juan	Owned	Good			
Premiata Realty, Inc.						
Land	52 Mercedes cor 61 Aries, Bel Air 3, Makati City	Owned	Good			
Picanto de Alta Realty Corp.						
Land	1331 J.P. Laurel St. Brgy. 643 Zone 066, San Miguel District, Manila	Owned	Good			
Kingsborough Realty, Inc.						
Land	37 Gen. Delgado St., San Antonio Village, Pasig City	Owned	Good			
E- Fare Investment Holdings Inc.						
Land	Mariveles, Bataan	Owned	Good			
Zobel Polo Club Inc.						
Land	Lipa, Batangas	Owned	Good			
Rapidshare Realty and Development Corporation						
Land	Northwestern Street, Barangay Wack-Wack Greenhills, Mandaluyong City	Owned	Good			
Land Improvements	Ortigas Street, Barangay Wack-Wack, Greenhills, Mandaluyong City	Owned	Good			
Apice Solare Resources Corp.						
Land	National Road, Barangay Igmaya-an, District 1, Don Salvador Benedicto, Negros Occidental	Owned	Good			
Roca Pesada Realty Corp.						
Land	118 Esteban Abada St. Varsity Hills, Quezon City	Owned	Good			
Uno Clarity Investment Holdings Inc.						
Land and Building	Buruanga, Aklan	Owned	Good			
Zee2 Resources Inc.						
Land	82 Cambridge Circle, North Forbes Park, Makati City	Owned	Good			

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	Quicksilver Development Corp.						
	Land	50 McKinley Road North Forbes Park Makati City	Owned	Good			
	Max Harvest Holdings Inc.						
	Land	Brgy. Anyatam San Ildefonso Bulacan	Owned	Good			
	High Garden Land Resources Inc.						
	Land	82 EDSA Brgy Wack-Wack, Mandaluyong City	Owned	Good			
	One Wilson Cayenne Holdings, Inc.						
	Land	708-A & B J.R Yulo St. Mandaluyong City	Owned	Good			
	Land	6-C East St. Addition Hills Mandaluyong City	Owned	Good			
	Auburnrite Holdings Inc.						
	Land	Bungahan, Biñan, Laguna	Owned	Good			
	Land	Mamplasan, Biñan, Laguna	Owned	Good			
	Bricktree Properties Inc.						
	Land	Bancalaan, Palawan	Owned	Good			
	Agricultural Investors, Inc						
	Land	Bugsuk, Palawan	Owned	Good			
	Unexplored Land Developers, Inc						
	Land	Bugsuk Palawan	Owned	Good			
	Ocean-side Maritime Enterprises, Inc						
	Land	Bugsuk Palawan	Owned	Good			
	Labayug Air Terminals Incorporated						
	Land	Bugsuk Palawan	Owned	Good			
	Pura Electric Co. Inc						
	Land	Bugsuk Palawan	Owned	Good			
	Punong Bayang Housing Development Corporation						
	Land	Bugsuk Palawan	Owned	Good			
	Habagat Realty Development Incorporated						
	Land	Bugsuk Palawan	Owned	Good			
	Spade One Resorts Corporation						
	Land	Bugsuk Palawan	Owned	Good			
	Ondarre Holdings Corp.						
	Land	Mandaluyong City	Owned	Good			
	Soracil Prime Inc.						
	Land	Mandaluyong City	Owned	Good			
3	**PACIFIC CENTRAL PROPERTIES, INC.**						
	Land	Limay, Combined Power Plant, Limay, Bataan	Owned	Good			
	Land	Dauin, Negros Oriental	Owned	Good			
	Land	Outlook Drive, Baguio City	Owned	Good			
4	**SMC SHIPPING AND LIGHTERAGE CORPORATION AND SUBSIDIARIES**						
	SMC Shipping and Lighterage Corporation						
	Land	Maribojoc-Cortes National Road Junction, Barrio Salvador, Cortes, Bohol	Owned	Good			
	Land and Building	Dr. A. Santos Avenue corner Unnamed Road, Brgy. San Antonio, Parañaque City	Owned	Good			
	Land	Mariveles Bataan Lot #1 and #2, Barrio of Lucanin, Mariveles, Bataan	Owned	Good			
	Land	Mariveles Bataan Lot #3, Barrio of Agnipa and Cabcaben, Mariveles, Bataan	Owned	Good			
	Land	National Road, Brgy. San Pedro, Bauan and Brgy. San Juan, Mabini, Batangas	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Building (Admin Buildings, Warehouses D, C, R, S, I, N, Q, L, M, Terminals, Parking Shed, Loading Bay)	Ouano Wharf, Looc, Manduae City	Owned	Good			
	Building (KCSLI)	Dad Cleland Avenue, Looc, Lapu Lapu City	Owned	Good			
	Land and Building	Brgy. Loboc, Lapaz, Ilollo	Owned	Good			
	Land	Mariveles, Bataan	Rented	Good	2,870,392.20	September 30, 2030	Renewable upon mutual agreement of the parties
	Land	Yard 2, Engineering Island, Baseco Compound, Port Area, Manila City	Rented	Good	5,052,978.00	January 02, 2037	Renewable upon mutual agreement of the parties
	Land	Block 22 Manila Harbor Center, Tondo, Manila City	Rented	Good	1,976,616.63	July 14, 2024	Renewable upon mutual agreement of the parties
	Land	San Pedro, Bauan, Batangas	Rented	Good	477,543.60	December 06, 2042	SMCSL can exercise an option to purchase the reclaimed lot during the life of the lease period should the municipality decide to sell the property
	Land	Brgy. Tubod, Municipality of Sto. Tomas, La Union	Rented	Good	200,000.00	August 31, 2027	Renewable upon mutual agreement of the parties
	Land	Puting Buhangin hi-way, Orion (TCT #s 226614, 2015000040, 2015000041)	Rented	Good	263,538.00	June 30, 2034	Renewable upon mutual agreement of the parties
	Land	Bo. of Gua-an, Municipality of Leganes, Province of Iloilo	Owned	Good			
	Land	Ouano Wharf, Looc, Manduae City	Owned	Good			
	Land	Road Lot 3 Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Santa Elena, Orion, Bataan	Owned	Good			
	Land, Land Improvement (e.g. Pier), Building, and Machineries	Namonitan, Santo Tomas, La Union	Owned	Good			
	Warehouse	Limay, Bataan	Owned	Good			
	Coal Warehouse	Namonitan, Santo Tomas, La Union	Owned	Good			
	Land	Baluarte,Tagoloan Misamis Oriental	Owned	Good			
	Land	Lot 1118&1119Puting Buhangin Orion Bataan	Owned	Good			
	Warehouse	Mactan, Cebu	Owned	Good			
	Warehouse	Loboc, Iloilo	Owned	Good			
	Warehouse	Tagoloan, Misamis Oriental	Owned	Good			
	Pier	Iloilo	Owned	Good			
	Pier	Mandaue, Cebu	Owned	Good			
	Warehouse	Mabini, Bauan, Batangas	Owned	Good			
	Blk 12 (Lot 1) and Blk 14 (Lot 1-15)	Harbor, Manila	Owned	Good			
	Warehouses (14 warehouses) 14,700sqm in total	Zone 3, Upper Agusan, Cagayan de Oro City	Rented	Good	2,028,600.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouses (1,5,9A & 8A,10)	Brgy. Masaya, Rosario Batangas	Rented	Good	423,998.21	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse (3&5)	Bicol Oil Mill Cmpd. Balogo, Pasacao, Camarines Sur	Rented	Good	337,500.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse rental for Feedmill Plant	CDO	Owned	Good			
	Warehouse rental for Feedmill Plant	Iloilo	Owned	Good			
	Warehouse (A, B, D1, D2)	Casisang, Malaybalay City, Bukidnon	Rented	Good	390,000.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	10,835.33	October 02, 2024	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	1,398.79	October 04, 2024	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	27,994.66	January 24, 2024	Renewable after one (1) year or upon mutual agreement of the parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	1,763.17	October 04, 2024	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	5,246.54	February 15, 2024	Renewable after one (1) year or upon mutual agreement of the parties
	Warehouse	218 Don Jose Canciller Avenue, Cauayan City	Rented	Good	64,260.00	July 15, 2024	Renewable upon mutual agreement of the parties
	Warehouse	Leganes, Iloilo (2A, 3A, 5A & 6A)	Rented	Good	2,106,046.06	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse (GMC3)	Taboc, Brgy. San Jose, Pili Cam Sur	Rented	Good	202,500.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse (GMC1&2)	San Jose, Pili, Camarines sur	Rented	Good	308,142.86	December 31, 2023	Renewable upon mutual agreement of the parties
	Office space	Namayan Compound, No. 979 Castaneda St., Brgy Namayan, Mandaluyong	Rented	Good	10,000.00	June 30, 2024	Renewable upon mutual agreement of the parties
	Warehouse 1&2, office space	Pangao, Ibaan, Batangas	Rented	Good	223,214.29	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse 1&2 (Cosay)	National Highway, Santiago, Pili, Camarines Sur	Rented	Good	221,785.72	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse (A3,A7,B2,B3,B4,B6,B9)	PRK5 Bario Mahayag, Bunawan, Davao	Rented	Good	784,530.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse 21	Sitio Pantay, Baranggay Maguyam, Silang, Cavite	Rented	Good	157,615.00	June 04, 2024	Renewable upon mutual agreement of the parties
	Warehouse 23	Sitio Pantay, Baranggay Maguyam, Silang, Cavite	Rented	Good	159,861.61	June 04, 2024	Renewable upon mutual agreement of the parties
	Warehouse 5-7	Sitio Pantay, Baranggay Maguyam, Silang, Cavite	Rented	Good	534,063.75	June 04, 2024	Renewable upon mutual agreement of the parties
	Warehouse 8	Sitio Pantay, Baranggay Maguyam, Silang, Cavite	Rented	Good	178,021.25	June 04, 2024	Renewable upon mutual agreement of the parties
	Warehouse 12	Sitio Pantay, Baranggay Maguyam, Silang, Cavite	Rented	Good	252,466.50	July 08, 2024	Renewable upon mutual agreement of the parties
	Warehouse 22	Sitio Pantay, Baranggay Maguyam, Silang, Cavite	Rented	Good	158,767.00	June 04, 2024	Renewable upon mutual agreement of the parties
	Bldg 2 Doors 5-7	PLDC Diversion Road, Naga City, Camarines Sur	Rented	Good	321,428.57	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse 1-3	Sitio Tawagan, Tayud, Consolacion, Cebu	Rented	Good	480,000.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse PKS-F	Sitio Tawagan, Tayud, Consolacion, Cebu	Rented	Good	209,760.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse 1&2	Tabok, Mandaue City, Cebu	Rented	Good	396,480.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse 3	Sta. Elena, Orion Bataan	Rented	Good	1,555,200.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Condo	15J Pearl of the Orient Ermita, Manila	Rented	Good	17,600.00	May 19, 2024	Renewable upon mutual agreement of the parties
	Condo	33J Pearl of the Orient Ermita, Manila	Rented	Good	18,000.00	April 07, 2024	Renewable upon mutual agreement of the parties
	Condo	3615 Admiral Baysuites, Malate, Manila	Rented	Good	24,000.00	October 02, 2024	Renewable upon mutual agreement of the parties
	Condo	709 Burgundy Place Condominium, Loyola Heights, QC	Rented	Good	23,825.44	July 31, 2024	Renewable upon mutual agreement of the parties
	Condo	Unit 2201 Grand Riviera Suites Roxas Boulevard, Corner Padre Faura St., Ermita, Manila	Rented	Good	25,000.00	June 15, 2024	Renewable upon mutual agreement of the parties
	Warehouse (B1-B3)	Parang, Batangas	Rented	Good	618,000.00	December 31, 2023	Renewable upon mutual agreement of the parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Office Space	2nd Floor, Unit G, Blk 9 Lot 4-6 Manila Harbour Center, Fernando St. Cor. Francisco St. Zone 10 Barangay 128, Tondo Manila	Rented	Good	21,804.69	September 01, 2024	Renewable upon mutual agreement of the parties
	Office Space	2nd Floor, Unit G, Blk 9 Lot 4-6 Manila Harbour Center, Fernando St. Cor. Francisco St. Zone 10 Barangay 128, Tondo Manila	Rented	Good	21,804.69	May 01, 2024	Renewable upon mutual agreement of the parties
	Office Space	5th Floor, Unit B, Blk 9 Lot 4-6 Manila Harbour Center, Fernando St. Cor. Francisco St. Zone 10 Barangay 128, Tondo Manila	Rented	Good	46,284.33	March 01, 2024	Renewable upon mutual agreement of the parties
	Office Space	3rd Floor, Blk 9 Lot 4-6 Manila Harbour Center, Fernando St. Cor. Francisco St. Zone 10 Barangay 128, Tondo Manila	Rented	Good	346,741.76	February 15, 2024	Renewable upon mutual agreement of the parties
	Office Space	4th Floor, Blk 9 Lot 4-6 Manila Harbour Center, Fernando St. Cor. Francisco St. Zone 10 Barangay 128, Tondo Manila	Rented	Good	346,741.76	January 17, 2024	Renewable upon mutual agreement of the parties
	Staffhouse	Poblacion Norte, Sta. Barbara, Pangasinan	Rented	Good	8,000.00	April 14, 2024	Renewable upon mutual agreement of the parties
	Staffhouse	Zone 7, Brgy. Agusan, Cagayan De Oro	Rented	Good	8,000.00	June 30, 2024	Renewable upon mutual agreement of the parties
	Staffhouse	Maharlika Hi-way, Brgy. Paulog, Ligao City, Albay	Rented	Good	5,800.00	August 19, 2024	Renewable upon mutual agreement of the parties
	Condo	Bldg 3. Unit 1443, Brgy. 99 and 101 Vitas and Velasquez St. Tondo, Manila	Rented	Good	17,000.00	July 15, 2024	Renewable upon mutual agreement of the parties
	Condo	Bldg 1. Unit 1207, Brgy. 99 and 101 Vitas and Velasquez St. Tondo, Manila	Rented	Good	17,000.00	July 15, 2024	Renewable upon mutual agreement of the parties
	Condo	Unit 2, No. 681, Beaterio Street corner Magallanes Street, Intramuros, Manila	Rented	Good	25,000.00	June 15, 2024	Renewable upon mutual agreement of the parties
	Condo	Unit 51-A North Tower, One Shangri-La Place	Rented	Good	160,000.00	December 27, 2024	Renewable upon mutual agreement of the parties
	Condo	Bldg 5. Unit 1415, Brgy. 99 and 101 Vitas and Velasquez St. Tondo, Manila	Rented	Good	17,000.00	April 30, 2024	Renewable upon mutual agreement of the parties
	Condo	Bldg 10. Unit 233, Brgy. 99 and 101 Vitas and Velasquez St. Tondo, Manila	Rented	Good	17,000.00	March 31, 2024	Renewable upon mutual agreement of the parties
	Warehouse (Elim)	Lam-An, Ozamis City, Misamis Occidental	Rented	Good	37,500.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Staffhouse	23 Tubod West, Sto. Tomas, La Union	Rented	Good	10,000.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Condo	4F-414, Brgy. 99 and 101 Vitas and Velasquez St. Tondo, Manila	Rented	Good	15,000.00	March 15, 2024	Renewable upon mutual agreement of the parties
	Condo	Bldg 10. Unit 1056, Brgy. 99 and 101 Vitas and Velasquez St. Tondo, Manila	Rented	Good	17,000.00	May 31, 2024	Renewable upon mutual agreement of the parties
	Warehouse (2,3,4,7,8,9,12)	MCT Complex, Tagoloan, Misamis Oriental	Rented	Good	1,636,600.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse Rich A7, B2, B3, B4, B6,B9	PRK 5, Barrio, Mahayag, Bunawan, Davao City	Rented	Good	683,330.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse	Door 2-3, Bay 6, Everland Agricorp, Sasa, Davao	Rented	Good	251,183.00	December 31, 2023	Renewable upon mutual agreement of the parties
	Warehouse 1 (1-4) & 2	Brgy. Mahabang, Parang, Batangas City	Rented	Good	1,023,000.00	December 31, 2023	Renewable upon mutual agreement of the parties
	SMC Shipping and Lighterage Corporation and SL Mariveles Drydocking and Shipyard Corporation						
	Building (Warehouses, Admin Building, Slipway, Seawall, Guardhouse)	Luzon Avenue, Baseco Compound, Mariveles, Bataan	Owned	Good			
	Land	Baseco Compound Luzon Avenue Mariveles, Bataan	Rented	Good	730,747.07	December 31, 2023	Renewable upon mutual agreement of the parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	SMC Shipping and Lighterage Corporation and Baseco Shipyard Corporation						
	Building (Warehouses, Admin Building, Improvements, Container Yard, Access Roads, Guardhouse, Truckscale, Equipments)	Yard 2, Engineering Island, Baseco Compound, Port Area, Manila City	Owned	Good			
	Land	Yard 2, Engineering Island, Baseco Compound, Port Area Manila	Rented	Good	2,523,293.73	December 31, 2023	Renewable upon mutual agreement of the parties
	SL Harbour Bulk Terminal Corporation						
	Land	Blk14 Lots 1-4 Manila Harbour Centre, Brgy. 128, Zone 10, Tondo District, Manila City	Owned	Good			
	Land	Blk15 Lots 8-9 Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Blk4 Lot 10-11 Road Lot 3, Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Manila Harbour Center Lot 3 fronting Blk 14 (BERTHING 5)	Rented	Good	501,886.21	April 29, 2024	Renewable upon mutual agreement of the parties
	Land	Manila Harbour Center Lot 3 fronting Blk 15 (BERTHING 4)	Rented	Good	380,077.59	April 29, 2024	Renewable upon mutual agreement of the parties
	Land	Blk17 Lot 4 Manila Harbour Centre, Vitas, Tondo, Manila City	Rented	Good	431,323.88	September 30, 2024	Renewable upon mutual agreement of the parties
	Foreshore and Offshore Areas	Gracia, Tagoloan, Misamis Oriental (41,682 sqm)	Rented	Good	27,145.23	March 07, 2029	May be renewed for 25 years upon terms and conditions mutually agreed upon by the parties
	Foreshore and Offshore Areas	Gracia, Tagoloan, Misamis Oriental (50,152 sqm)	Rented	Good	251,233.01	March 07, 2029	May be renewed for 25 years upon terms and conditions mutually agreed upon by the parties
	Foreshore and Offshore Areas, and Port Facility	Gracia, Tagoloan, Misamis Oriental (121,396 sqm)	Rented	Good	292,518.93	August 03, 2025	Renewable upon mutual agreement of the parties
	Building (Admin Buildings, Terminals, Parking Shed, Loading Bay, Mini Laboratory, Storage Areas)	Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City	Owned	Good			
	Land Improvements (Walkways, Driveway, Ground Improvements, Access Roads, Catwalks, Perimeter Fence, Etc.)	Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City	Owned	Good			
	Buildings (Admin Building, Bulk Office, Mini Laboratory, etc.)	Limay, Bataan	Owned	Good			
	Buildings (Admin Building, Mini Laboratory, etc.)	Tagoloan, Misamis Oriental	Owned	Good			
	Land	Blk12 Rd 10 Cor Rd 21 New Harbour Center, Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Blk14 Lot 5 Rd Lot 3 Cor Rd Lot 9 New Harbour Center, Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Barrio Kitang, Limay, Bataan (228,616 sqm)	Rented	Good	532,559.05	December 31, 2023	Renewable on a year to year basis for as long as the original lease agreement is in effect and under such terms and conditions based on the mutal consent and agreement of both parties
	Land	Block 15, Lots 1-7, Manila Harbour Centre, Tondo, Manila	Rented	Good	3,013,776.95	January 26, 2024	Renewable upon mutual agreement of the parties
	Leasehold Improvements (Driveway, Pier, Perimeter Fence, etc.)	Limay, Bataan	Owned	Good			
	Leasehold Improvements (Driveway, Pier, Perimeter Fence, etc.)	Tagoloan, Misamis Oriental	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Machinery and Equipment (Fuel Tanks)	Bataan Combined Cycle Power Plant, Barangay Luz, Kitang 2, Limay, Bataan	Rented	Good	4,969,228.61	December 31, 2023	Renewable upon mutual agreement of the parties
	Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc.	Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City	Owned	Good			
	Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc.	Limay, Bataan	Owned	Good			
	Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc.	Tagoloan, Misamis Oriental	Owned	Good			
	Land	386,755 sqm land in Manila Harbour Center	Rented	Good	187,709.75	April 30, 2024	Renewable upon mutual agreement of the parties
	Land	The lease agreement pertains to lease of land in Manila Harbor Blk 4 lot 10 and 11.	Rented	Good	1,072,000.00	December 31, 2024	Renewable upon mutual agreement of the parties
	Land	Road Lot 3 fronting lot 10 and 11 of block 4, Manila Harbour Centre, Tondo, Manila City	Rented	Good	380,077.59	May 14, 2024	Renewable upon mutual agreement of the parties
	MG8 Terminal Inc.						
	Land	Road Lot 19 (New Harbor Center) Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Lucanin, Mariveles, Bataan	Owned	Good			
	Land	Mabini, Batangas	Owned	Good			
	Land	Lot 10181, CAD-584, C-24 San Pedro, Bauan Cadastre	Owned	Good			
	Land	Lot 10184-A, of the sub. Plan, Psd-04-148187 being a portion of Lot - 10184 Cad 584, Bauan Cadastre	Owned	Good			
	Land	Lot 14038-B of the sub. Plan Psd-04-195256 being portion of Lot 14038 Cad 584, Bauan Cad., LRC Rec. No.	Owned	Good			
	Land	Lot 10156 Cad-584 San Pedro, Bauan, Batangas TCT 05-0034-00532	Owned	Good			
	Land and pier and port facilities	Various land in Bauan, Batangas	Owned	Good			
	Warehouse 1, 2, 3 and 4	Mabini and Bauan, Batangas	Owned	Good			
	SMC Shipyard Cebu Land Inc.						
	Land and Building	Dad Cleland Ave., Looc, Lapu Lapu City	Owned	Good			
	La Union Shipyard and Marine Service Corporation						
	Buildings	Tubod Sto. Tomas La Union	Owned	Good			
	Leasehold Improvemens/Shipyard	Tubod Sto. Tomas La Union	Owned	Good			
	LS Shipping Management Corporation						
	Landrights and improvements	Barangay San Miguel, Municipality of Bauan, Province of Batangas.	Owned	Good			
	Elite Marine Construction Corporation						
	Land	Barangay Putting Buhangin, Orion, Bataan	Rented	Good	30,000.00	December 31, 2024	Renewable upon mutual agreement of the parties
	Land	Lot 1071, Barangay Putting Buhangin, Orion, Bataan	Rented	Good	44,555.00	September 01, 2024	Renewable upon mutual agreement of the parties
	Condo	125 Bernadette Street, 8th Avenue, Grace Park, Caloocan City	Rented	Good	15,789.47	August 07, 2024	Renewable upon mutual agreement of the parties
	Office space	5th floor, Unit A Kynsna Bldg, Blk 9 Lot 4-6 Manila Harbour Centre Fernando St Cor. Francisco Siero St Barangay 128 Zone 10 Dist 1 1012 Tondo I / II NCR, City of Manila, First District Philippines	Rented	Good	44,150.99	February 01, 2024	Renewable upon mutual agreement of the parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Staffhouse	Brgy. Upper, Bian, Mariveles, Bataan	Rented	Good	10,526.32	January 21, 2025	Renewable upon mutual agreement of the parties
	Office space	5th floor, Unit J Kynsna Bldg, Blk 9 Lot 4-6 Manila Harbour Centre Fernando St Cor. Francisco Siero St Barangay 128 Zone 10 Dist 1 1012 Tondo I / II NCR, City of Manila, First District Philippines	Rented	Good	30,660.53	April 01, 2024	Renewable upon mutual agreement of the parties
	Office space	3rd floor, Kynsna Bldg, Blk 9 Lot 4-6 Manila Harbour Centre Fernando St Cor. Francisco Siero St Barangay 128 Zone 10 Dist 1 1012 Tondo I / II NCR, City of Manila, First District Philippines	Rented	Good	89,285.71	April 30, 2024	Renewable upon mutual agreement of the parties
	Cupertino Realty Corporation						
	Land 1 - TOT# 095-2011000677	PPA BY PASS Road, Barangay Loboc, La Paz, City of Ilo-Ilo	Owned	Good			
	Land 2 - TOT# 095-2011000678	Barangay Loboc, La Paz, City of Ilo-Ilo	Owned	Good			
	Building 1	Barangay Loboc, La Paz, City of Ilo-Ilo	Owned	Good			
	Building 2	Barangay Loboc, La Paz, City of Ilo-Ilo	Owned	Good			
5	**SM BULK WATER CO., INC.**						
	Land	Bobulusan, Guinobatan, Albay	Owned	Good			
	Land	Brgy. Batang, Ligao City	Owned	Good			
	Land	Tabuyoc, Apalit, Pampanga	Owned	Good			
6	**SMC STOCK TRANSFER SERVICE CORPORATION**						
	Office Space	Units 1505-1507, Robinsons Equitable Tower, ADB Avenue, corner Poveda, Pasig City	Owned	Good			
	Parking Space	Parking Slots 31-33, Robinsons Equitable Tower, ADB Avenue, corner Poveda, Pasig City	Owned	Good			
7	**SAN MIGUEL PAPER PACKAGING CORPORATION**	8380 Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Good			
8	**SAN MIGUEL INTEGRATED LOGISTICS SERVICES INC.**						
	Warehouse	45 Muelle Dela Industria Binondo Manila	Owned	Good			
	Ulas Warehouse	Brgy. Talomo, Ulas, Davao City	Owned	Good			
	Warehouse	8380 Dr. A. Santos Avenue, Barangay BF Homes, Sucat, Paranaque	Owned	Good			
	Land	Purok 5, Brgy Rawis Legazpi City	Owned	Good			
	Land	A. Mabini Street San Juan City	Owned	Good			
	Land	Fe Martinez St. Brgy Anghit Daet Camarines Norte	Owned	Good			
9	**SAN MIGUEL INTEGRATED MERCHANDISING SERVICES INC.**						
	Office	6th Floor, Unit C&D, JMT Corporate Condominium, ADB Avenue, Mandaluyong City	Rented	Good	459,559.43	March 31, 2024	Renewable upon mutual agreement of the parties
	Office	G/F, IT Benedicto College, A.S. Fortuna Street, Bakilid, Mandaue City	Rented	Good	59,400.00	January 31, 2024	New contract upon expiration of the previous
	Office	Lot 1 C. Ramon Diaz St., Villa Corazon del Rosario, Naga City, Camarines Sur	Rented	Good	11,080.34	March 28, 2024	New contract upon expiration of the previous
	Office	Kingspire Business Centre, KM. 71, Mc Arthur Hiway, Brgy. San Isidro, San Fernando City, Pampanga	Rented	Good	29,439.25	July 31, 2024	New contract upon expiration of the previous
	Office	Room 304, 2nd Floor, G & J E Bldg., Cor. Hernaez Locsin Sts., Brgy. 38, Bacolod City, 6100	Rented	Good	7,500.00	February 14, 2024	New contract upon expiration of the previous
	Office	127B, Sorongon Drive, Brgy. Danao, Iloilo City	Rented	Good	13,500.00	November 30, 2024	New contract upon expiration of the previous
	Office	2nd Floor, 1st Door, Realmark Commercial Hub Mons. #430 Hayes St., Pinikitan, Cagayan De Oro City	Rented	Good	10,000.00	October 15, 2024	New contract upon expiration of the previous
	Office	Room No. 7, 2nd Floor, Brgy. Zamora Extension, Pogo Chico, Dagupan City	Rented	Good	7,476.64	June 12, 2024	New contract upon expiration of the previous
10	**SMC MULTI-SERVICES INC.**						
	Office	SMC C5 Complex No. 100 E. Rodriguez Jr. Ave C5 Road, Pasig City	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
11	**SMC REPAIRS & MAINTENANCE INC.**						
	Office	#100 E. Rodriguez Jr. Ave., (C5 Road), Brgy. Ugong, Pasig City 1604	Owned	Good			
12	**SMC INTEGRATED FARM SPECIALISTS INC.**						
	Office	#100 E. Rodriguez Jr. Ave., (C5 Road), Brgy. Ugong, Pasig City 1604	Owned	Good			
13	**SAN MIGUEL EQUITY INVESTMENTS INC. AND SUBSIDIARIES**						
	San Miguel Equity Investments Inc.						
	Office Space	No. 40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Ionic Cementworks Industries Inc.						
	Land	Pagbilao, Quezon	Owned	Good			
	Southstrong Cement Industries Corp.						
	Land	Leganes, Iloilo	Owned	Good			
	Land	Tayasan, Negros Oriental	Owned	Good			
	Primero Cemento Industries Corp.						
	Land	Agno, Pangasinan	Owned	Good			
	Southern Concrete Industries Inc.						
	Land	Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Cement Grinding Plant	Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	E-Novate Holdings, Inc.						
	Land	Cagniog and Trinidad, Surigao City	Owned	Good			
	Northern Cement Corporation						
	Head Office Space	3rd Flr 155 Edsa Building, 155 Edsa Brgy Wack Wack Mandaluyong	Owned	Good			
	Cement Plant	Brgy. Labayug, Sison Pangasinan	Owned	Good			
	Cement Plant	Brgy. Labayug, Sison Pangasinan	Owned	On-going Construction			
	Land	Brgy. Inoman, Pozorrubio, Pangasinan	Owned	Good			
	Land	Brgy. Labayug, Inmalog - Sison Pangasinan	Owned	Good			
	Land	Brgy. Bila And Paldit - Sison, Pangasinan	Owned	Good			
	Land	Brgy. Amagbagan, Sison, Pangasinan	Owned	Good			
	Land	Brgy. Bobonan, Inoman, Sugcong - Pozorrubio, Pangasinan	Owned	Good			
	Land	Brgy. Lunec, Malasiqui, Pangasinan	Owned	Good			
	Land	Brgy. Asin, Malasiqui, Pangasinan	Owned	Good			
	Land	Brgy. La Paz, Villasis And Mangan Dampay - Malasiqui, Pangasinan	Owned	Good			
	Land	Brgy. Mangan Dampay, Taloyan, Bacudao - Malasiqui, Pangasinan	Owned	Good			
	Land	Brgy. Ansagan, Tuba, Benguet	Owned	Good			
	Land	Brgy. Tubod And Namonitan - Sto Tomas, La Union	Owned	Good			
	Land	Brgy. Namonitan And Casantaan - Sto Tomas, La Union	Owned	Good			
	Land	Brgy. Guset sur, Sto. Domingo - San Manuel Pangasinan	Owned	Good			
	Land	Brgy. Paldit, Sison, Pangasinan	Rented	Good	80,405.74	December 31, 2025	Renewable subject to conditions
	Land	Brgy Olympia, Makati City	Rented	Good	35,740.34	December 31, 2024	Renewable subject to conditions
	Eagle Cement Corporation						
	Head Office Space	2F Smits Bldg. 155 EDSA, Brgy. Wack-Wack, Mandaluyong City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Cement Plant	Brgy. Akle, San Ildefonso, Bulacan	Owned	Good			
	Cement Grinding Plant	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land	Brgy. Akle, San Ildefonso, Bulacan	Owned	Good			
	Land	Brgy. Bohol na Mangga, San Ildefonso, Bulacan	Owned	Good			
	Land	Brgy. Alagao, San Ildefonso, Bulacan	Owned	Good			
	Land	Brgy. Talbak, DRT, Bulacan	Owned	Good			
	Land	Brgy. Kalawakan, DRT, Bulacan	Owned	Good			
	Land	Brgy. Biak-na-Bato, San Miguel, Bulacan	Owned	Good			
	Land	Brgy. Mabalasbalas, San Rafael, Bulacan	Owned	Good			
	Land	Brgy. Gabihan, San Ildefonso, Bulacan	Owned	Good			
	Land	Brgy. Caingin, San Rafael, Bulacan	Owned	Good			
	Land	Brgy. Caigsing, Ginatilan, Cebu	Owned	Good			
	Land	Brgy. Campisong, Ginatilan, Cebu	Owned	Good			
	Land	Brgy. Guiwanon, Ginatilan, Cebu	Owned	Good			
	Land	Brgy. Looc, Ginatilan, Cebu	Owned	Good			
	Land	Brgy. Malatbo, Ginatilan, Cebu	Owned	Good			
	Land	Brgy. Poblacion, Ginatilan, Cebu	Owned	Good			
	Land	Mabalacat, Pampanga	Owned	Good			
	Land	Harvard Street, Wack Wack Village Subdivision, Brgy Wack Wack, Mandaluyong City	Owned	Good			
	Land	(EDSA), Wack Wack Subdivision, Brgy Wack Wack, Mandaluyong City	Owned	Good			
	Warehouse Space	Malasique,Pangasinan	Rented	Good	137,340.00	December 31, 2023	Renewable subject to conditions
	Warehouse Space & Driveway	Paranaque City	Owned	Good			
	Parking Space	Paranaque City	Owned	Good			
	Warehouse Space	Ibaan, Batangas	Rented	Good	261,360.00	December 31, 2023	Renewable subject to conditions
	Parking Space	Ibaan, Batangas	Rented	Good	178,571.43	December 31, 2023	Renewable subject to conditions
	Warehouse Space	Imus, Cavite	Rented	Good	239,285.71	April 30, 2025	Renewable subject to conditions

[(a)] The change in the corporate name was approved by the SEC on March 9, 2023

[(b)] The change in the corporate name was approved by the SEC on March 31, 2023.

[(c)] The change in the corporate name was approved by the SEC on February 7, 2023.

[(d)] The change in the corporate name was approved by the SEC on March 9, 2023.

[(e)] The change in the corporate name was approved by the SEC on November 13, 2023.

[(f)] The change in the corporate name was approved by the SEC on September 21, 2023.

[(g)] The change in the corporate name was approved by the SEC on November 3, 2023.

[(h)] The change in the corporate name was approved by the SEC on March 22, 2023.

Note: All owned properties are free of liens and encumbrances, except for the following:

[(i)] The Power Plant, including all related facilities therein, and the leasehold rights for the leased land are mortgaged in favor of the lenders to secure the loan obligation of LPI;

[(j)] The Power Plant, including all related facilities therein, and the leasehold rights for the leased landare mortgaged in favor of the lenders to secure the loan obligation of MPI;

[(k)] The Power Plant, including all related facilities therein, and the land are mortgaged in favor of the lenders to secure the loan obligation of MPCL; and

[(l)] The BESS, including all related facilities therein, and the leasehold rights for the leased land are mortgaged in favor of the lenders to secure the loan obligation of SMGP BESS.