



SECURITIES AND EXCHANGE COMMISSION

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SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR SEPARATE FINANCIAL STATEMENTS

The management of San Miguel Corporation (the "Company") is responsible for the preparation and fair presentation of the separate financial statements, including the schedules attached therein, for the years ended December 31, 2025 and 2024, 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 separate 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 separate 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
Chairman and
Chief Executive Officer

JOHN PAUL L. ANG
President and
Chief Operating Officer

BRYAN U. VILLANUEVA
Chief Finance Officer

Signed this 12th day of March 2026

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public for and in the City of Mandaluyong, Philippines on this 12th day of March 2026, personally appeared the following with his identification, to wit:

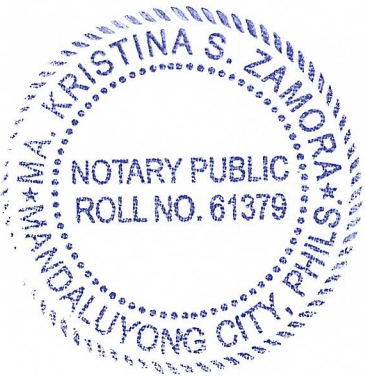
Name	Passport No.	Date of issue	Place of Issue
Ramon S. Ang	P2247867B	May 22, 2019	DFA Manila
John Paul L. Ang	P2247846B	May 22, 2019	DFA Manila
Bryan U. Villanueva	P8559308B	December 23, 2021	DFA Manila

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

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

Doc. No.: 338 ;
Page No.: 001 ;
Book No.: III ;
Series of 2026.

MA. KRISTINA S. ZAMORA
Commission No. 0513-25
Notary Public for Mandaluyong City
Until December 31, 2026
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 61379
PTR No. 6034386; 01/05/26; Mandaluyong City
IBP Lifetime Member No. 018307; 12/14/17; RSM
MCLE Compliance No. VIII-0039380; 07/04/25; Pasig City



3/12/2026

SAN MIGUEL CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2025 and 2024

With Independent Auditors' Report

R.G. Manabat & Co.



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 separate financial statements of San Miguel Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2025 and 2024, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2025 and 2024, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of the separate financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the separate financial statements of public interest entities in the Philippines. We have also 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

SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024

and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025

BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029

financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External

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

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

In preparing the separate 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.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 PSAs 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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.

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

SEC Accreditation No. 94495-SEC, Group A, valid for the audit covering 2025 and 2026 to 2030 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2025

Issued June 11, 2025; valid until June 10, 2028

PTR No. MKT 10764422

Issued January 5, 2026 at Makati City

April 15, 2026

Makati City, Metro Manila

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024
(In Millions)

	<i>Note</i>	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	4, 5, 29, 30	P60,502	P59,463
Receivables - net	4, 6, 23, 25, 29, 30	123,693	118,551
Prepaid expenses and other current assets	23, 29, 30	4,666	5,463
Total Current Assets		188,861	183,477
Noncurrent Assets			
Investments and advances - net	4, 7, 29, 30	1,067,693	1,052,450
Property, plant and equipment - net	4, 8	1,575	1,550
Right-of-use assets - net	4, 9	161	242
Investment property - net	4, 10	735	746
Noncurrent receivables - net	4, 11, 23, 29, 30	3,990	6,232
Deferred tax assets - net	4, 16	6,851	5,700
Other noncurrent assets	4, 12, 29, 30	5,565	2,825
Total Noncurrent Assets		1,086,570	1,069,745
		P1,275,431	P1,253,222
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	13, 21, 28, 29, 30	P66,588	P67,226
Accounts payable and accrued expenses	14, 23, 24, 28, 29, 30	18,003	17,520
Income and other taxes payable	16	2,249	1,815
Subscriptions payable	7, 23, 29, 30	1,635	1,365
Dividends and distributions payable	23, 26, 28, 29, 30	3,784	3,786
Current maturities of long-term debt - net of debt issue costs	15, 28, 29, 30	85,075	8,073
Total Current Liabilities		177,334	99,785
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	15, 28, 29, 30	609,856	618,221
Other noncurrent liabilities	23, 24, 25, 28, 29, 30	1,955	1,728
Total Noncurrent Liabilities		611,811	619,949
Total Liabilities		789,145	719,734
Equity			
	17		
Capital stock - common		16,443	16,443
Capital stock - preferred		10,187	10,187
Additional paid-in capital		177,151	177,442
Capital securities		4,860	29,071
Equity reserves	7, 25, 30	1,278	(527)
Retained earnings	26	387,712	410,535
Treasury stock		(111,345)	(109,663)
Total Equity		486,286	533,488
		P1,275,431	P1,253,222

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Millions, Except Per Share Data)

	<i>Note</i>	2025	2024
REVENUES			
Dividend and distribution income	7	P37,048	P34,486
Sale of services	23	16,061	15,531
Interest income	5, 22, 25	3,814	4,174
Rent income	4, 10, 23, 24	377	352
Gain (loss) on derivatives - net	30	165	(332)
Gain on sale of investment property, intangible assets and others	8, 10, 12	15	794
		57,480	55,005
EXPENSES			
Costs and expenses	18, 19, 20, 23, 24	16,338	15,507
Interest expense and other financing charges	13, 15, 21, 24, 25	40,786	40,642
Loss on foreign exchange - net	29	6,764	15,327
		63,888	71,476
LOSS BEFORE INCOME TAX		(6,408)	(16,471)
INCOME TAX BENEFIT	16	(1,083)	(1,673)
NET LOSS		(P5,325)	(P14,798)
Basic and Diluted Loss Per Common Share			
	27	(P5.99)	(P10.28)

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Millions)

	<i>Note</i>	2025	2024
NET LOSS		(P5,325)	(P14,798)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss			
Remeasurement gain (loss) on defined benefit retirement plan	25	1,488	(309)
Income tax benefit (expense)	16	(372)	77
		1,116	(232)
Net gain on financial assets at fair value through other comprehensive income	7	1,456	576
Income tax expense	16	(1)	(16)
		1,455	560
Item that may be reclassified to profit or loss			
Net loss on cash flow hedges	30	(1,021)	(372)
Income tax benefit	16	255	93
		(766)	(279)
OTHER COMPREHENSIVE INCOME - Net of tax		1,805	49
TOTAL COMPREHENSIVE LOSS - Net of tax		(P3,520)	(P14,749)

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Millions)

	Note	Capital Securities				Equity Reserve							Total Equity
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Retained Earnings	Treasury Stock		
		Common	Preferred								Common	Preferred	
As at January 1, 2025		P16,443	P10,187	P177,442	P24,211	P4,860	(P2,267)	(P681)	P2,421	P410,535	(P67,093)	(P42,570)	P533,488
Remeasurement gain on defined benefit retirement plan	25	-	-	-	-	-	1,116	-	-	-	-	-	1,116
Net loss on cash flow hedges	30	-	-	-	-	-	-	(766)	-	-	-	-	(766)
Net gain on financial assets at fair value through other comprehensive income	7	-	-	-	-	-	-	-	1,455	-	-	-	1,455
Other comprehensive income (loss)		-	-	-	-	-	1,116	(766)	1,455	-	-	-	1,805
Net loss		-	-	-	-	-	-	-	-	(5,325)	-	-	(5,325)
Total comprehensive income (loss)		-	-	-	-	-	1,116	(766)	1,455	(5,325)	-	-	(3,520)
Reclassification of treasury shares	17	-	-	-	-	-	-	-	-	-	67,093	(67,093)	-
Reissuance of treasury shares - preferred	17	-	-	(291)	-	-	-	-	-	-	-	30,000	29,709
Redemption of preferred shares	17	-	-	-	-	-	-	-	-	-	-	(31,682)	(31,682)
Redemption of senior perpetual capital securities	17	-	-	-	(24,211)	-	-	-	-	(4,444)	-	-	(28,655)
Cash dividends and distributions:	26												
Common		-	-	-	-	-	-	-	-	(3,337)	-	-	(3,337)
Preferred		-	-	-	-	-	-	-	-	(7,403)	-	-	(7,403)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	(2,122)	-	-	(2,122)
Redeemable perpetual securities		-	-	-	-	-	-	-	-	(192)	-	-	(192)
As at December 31, 2025		P16,443	P10,187	P177,151	P -	P4,860	(P1,151)	(P1,447)	P3,876	P387,712	P -	(P111,345)	P486,286
As at January 1, 2024		P16,443	P10,187	P177,468	P24,211	P4,860	(P2,035)	(P402)	P1,861	P438,651	(P67,093)	(P42,570)	P561,581
Remeasurement loss on defined benefit retirement plan	25	-	-	-	-	-	(232)	-	-	-	-	-	(232)
Net loss on cash flow hedges	30	-	-	-	-	-	-	(279)	-	-	-	-	(279)
Net gain on financial assets at fair value through other comprehensive income	7	-	-	-	-	-	-	-	560	-	-	-	560
Other comprehensive income (loss)		-	-	-	-	-	(232)	(279)	560	-	-	-	49
Net loss		-	-	-	-	-	-	-	-	(14,798)	-	-	(14,798)
Total comprehensive income (loss)		-	-	-	-	-	(232)	(279)	560	(14,798)	-	-	(14,749)
Share issuance costs from reissuance of treasury shares	17	-	-	(26)	-	-	-	-	-	-	-	-	(26)
Cash dividends and distributions:	26												
Common		-	-	-	-	-	-	-	-	(3,337)	-	-	(3,337)
Preferred		-	-	-	-	-	-	-	-	(7,687)	-	-	(7,687)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	(2,102)	-	-	(2,102)
Redeemable perpetual securities		-	-	-	-	-	-	-	-	(192)	-	-	(192)
As at December 31, 2024		P16,443	P10,187	P177,442	P24,211	P4,860	(P2,267)	(P681)	P2,421	P410,535	(P67,093)	(P42,570)	P533,488

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Millions)

	<i>Note</i>	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(P6,408)	(P16,471)
Adjustments for:			
Interest expense and other financing charges	13, 15, 21, 24, 25	40,786	40,642
Loss on foreign exchange - net		7,644	15,917
Depreciation, amortization and others - net	19, 25	378	306
Dividend and distribution income		(37,048)	(34,486)
Interest income	22, 25	(3,814)	(4,174)
Gain on sale of investment property, intangible assets and others	8, 10, 12	(15)	(794)
Operating income before working capital changes		1,523	940
Changes in current assets, certain current liabilities and others	28	(6,303)	(12,218)
Cash used in operations		(4,780)	(11,278)
Dividends and distributions received	7	40,500	31,057
Income taxes paid	16	(186)	(219)
Net cash flows provided by operating activities		35,534	19,560
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investments and advances	7	(75,305)	(43,363)
Property and equipment	8	(152)	(231)
Increase in other noncurrent assets	12, 23	(519)	(1,305)
Proceeds of redemption of investment in capital securities	7	61,788	3,509
Interest received		3,515	3,163
Proceeds of sale of investment property, intangible assets and others	8, 10, 12	23	1,013
Net cash flows used in investing activities		(10,650)	(37,214)

Forward

	Note	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of:			
Short-term borrowings	28	P400,056	P390,321
Long-term borrowings	28	66,960	163,891
Payments of:			
Short-term borrowings	28	(401,815)	(344,298)
Long-term borrowings	28	(8,675)	(140,806)
Lease liabilities	24, 28	(105)	(93)
Net proceeds of reissuance of treasury shares		29,709	-
Interest expense and other financing charges paid	21	(37,733)	(37,876)
Redemption of senior perpetual capital securities	17	(28,655)	-
Redemption of preferred shares		(31,682)	-
Cash dividends and distributions paid	26, 28	(13,056)	(12,600)
Share issuance costs from reissuance of treasury shares		-	(26)
Net cash flows provided by (used in) financing activities		(24,996)	18,513
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		1,151	2,022
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		1,039	2,881
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	5	59,463	56,582
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	5	P60,502	P59,463

See Notes to the Separate Financial Statements.

SAN MIGUEL CORPORATION

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data and Number of Shares)

1. Reporting Entity

San Miguel Corporation (SMC or the Company), a subsidiary of Top Frontier Investment Holdings, Inc. (Top Frontier or the 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 Company to extend the corporate term for another 50 years from August 21, 2013, as approved on the March 14, 2011 and June 7, 2011 meetings of the Company's Board of Directors (BOD) and stockholders, respectively.

The Company shall have a perpetual corporate term in accordance with the Revised Corporation Code of the Philippines (RCC) and the rules of the SEC.

Under Section 2 of SEC Memorandum Circular No. 22, Series of 2020, the corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation.

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

The Company, through its subsidiaries, 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 Company is No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila, Philippines.

2. Basis of Preparation

Statement of Compliance

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

The Company also prepares and issues consolidated financial statements for the same period in which it consolidates its investment in shares of stock of subsidiaries and recognizes its equity in net earnings of its associates and joint ventures. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries (collectively referred to as the "Group") of which SMC is the parent company and its interests in associates and joint ventures.

The separate financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 12, 2026.

Basis of Measurement

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

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement liability	Present value of the defined benefit retirement obligation less the fair value of the plan assets

Functional and Presentation Currency

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

3. Material Accounting Policy Information

The accounting policies set out below have been applied consistently to all periods presented in the separate 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 Accounting Standards.

Adoption of Amendments to Standards

The Company has adopted the Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*) effective January 1, 2025. 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 that reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions, using either 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 separate 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 adoption of the amendments to standards did not have a material effect on the separate 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, 2025 and have not been applied in preparing the separate financial statements.

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

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1, *Presentation of Financial Statements*. The new standard introduces the following key requirements:
 - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.
 - Management-defined performance measures are disclosed in a single note to the financial statements.
 - Enhanced guidance is provided on how to group information in the financial statements.

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

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

The Company continues to assess the impact of the above new and amendments to standards effective subsequent to 2025 on the separate financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the separate financial statements when these amendments are adopted.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the separate 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 right to defer the settlement of the liability for at least 12 months after the reporting period.

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

A financial asset 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 fair value through profit or loss (FVPL), includes transaction costs.

Financial Assets

The Company 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 Company for managing the financial assets.

The business model refers to how the Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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 separate statements of income when the financial assets are derecognized, modified or impaired.

The Company's cash and cash equivalents and receivables are included under this category (Notes 5, 6, 11, 23, 29 and 30).

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. At initial recognition of an investment in equity instrument that is not held for trading, the Company 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.

Dividend and distribution earned on holding an investment in equity instrument are recognized as dividend and distribution income in the separate statements of income when the right to receive payment has been established, unless the dividend and distribution clearly represent a recovery of 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 separate statements of changes in equity are never reclassified to the separate statements of income.

The Company's investments in equity instruments at FVOCI are classified under this category (Notes 7, 29 and 30).

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 Company 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 Company carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the separate statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the separate 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 separate statements of changes in equity. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the separate statements of income. Any dividend and distribution income from investment in equity instrument is recognized in the separate statements of income when the right to receive payment has been established, unless the dividend and distribution clearly represents a recovery of part of the cost of the investment.

The Company's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 29 and 30).

Financial Liabilities

The Company determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and financial liabilities at amortized cost. 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 with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Company carries financial liabilities at FVPL using their fair values and reports fair value changes in the separate 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 separate statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the separate statements of income.

The Company's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 14, 23, 29 and 30).

Financial Liabilities at Amortized Cost. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial recognition, financial liabilities at amortized cost are measured 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 separate statements of income. Gains and losses are recognized in the separate 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 separate statements of income.

The Company's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, subscriptions payable, dividends and distributions payable, long-term debt and lease liabilities are included under this category (Notes 7, 13, 14, 15, 23, 24, 26, 29 and 30).

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 Company 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 separate statements of income.

Impairment of Financial Assets

The Company recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

The Company 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 Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Company on terms that the Company 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 Company 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 Company 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 Company 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 Company'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 separate 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 Company; 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 Company 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 separate statements of income.

Freestanding Derivatives

The Company 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 Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Company 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 separate 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 separate statements of income.

The Company 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 separate statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the separate 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 separate statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the separate 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 separate statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the separate 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 separate statements of income.

The Company has outstanding derivatives accounted for as a cash flow hedge as at December 31, 2025 and 2024 (Note 30).

Investments in Shares of Stock of Subsidiaries

The Company's investments in shares of stock of subsidiaries are accounted for under the cost method. The investments are carried in the separate statements of financial position at cost less any impairment in value.

A subsidiary is an entity controlled by the Company. The Company 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.

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, 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 Company and the cost of the items can be measured reliably.

Construction in progress (CIP) 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. CIP 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
Equipment, furniture and fixtures	2 - 40
Leasehold improvements	5 - 10 or term of the lease, whichever is shorter

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 separate statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Company 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, the Company assesses whether, throughout the period of use:

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

Company as a Lessee

The Company 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. Buildings and improvements are depreciated over 10 years.

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 Company's incremental borrowing rate. Generally, the Company 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 the separate statements of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., leases 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 Company recognizes the lease payments associated with these leases as rent expense on a straight-line basis over the lease term.

Company as Lessor

The Company determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

The Company 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 land improvements	5 - 50 or term of the lease, whichever is shorter
Buildings and improvements	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 separate 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 Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Impairment of Non-financial Assets

The carrying amounts of investments and advances (excluding financial assets at FVOCI), property, plant and equipment, right-of-use assets, investment property and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

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 separate 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 separate statements of income. After such a reversal, the depreciation and amortization charge are 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.

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 Company.

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 Company 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 separate 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 separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company 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 Company 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 the 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 and are recognized at par value. Incremental costs directly attributable to the issuance of common shares, referred to as share issuance costs, and share options are recognized as a deduction from equity, net of any tax effects. Such costs are deducted from additional paid-in capital arising from the share issuance. If additional paid-in capital is insufficient to absorb the costs, the excess is charged against additional paid-in capital from previous stock issuances or directly to retained earnings, in that order.

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Additional Paid-in Capital

When the shares are issued at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account in the separate statements of financial position.

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 dividends, distributions and other capital adjustments.

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 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 Company 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 Company 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 Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company 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 Services

Revenue from sale of services is recognized over time as the related services are rendered. Invoices are issued on a monthly basis and are usually payable within a 30-day period.

Revenue from Other Sources

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 and Distribution Income. Dividend and distribution income is recognized when the Company's right to receive the payment is established.

Rent Income. Rent income 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.

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.

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.

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 Company 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 separate 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 separate 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 separate 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 separate statements of income. The Company recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the functional currency of the Company at exchange rates on the dates of the transactions.

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

Foreign currency differences arising on translation are recognized in the separate statements of income, except for differences arising on the translation of financial assets at FVOCI or qualifying cash flow hedges, which are recognized in other comprehensive income.

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 Company 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 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, 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, 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 assets 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 Company 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 separate 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.

Value-added Tax (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 separate 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, 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.

Contingencies

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate 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 Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS Accounting Standards requires management to exercise judgments, make accounting estimates and use assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate 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 Company has made judgments, apart from those involving estimations, which have significant effect on the amounts recognized in the separate financial statements.

Determining whether a Contract Contains a Lease. The Company uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Company makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Company as Lessor. The Company has entered into various lease agreements as a lessor. The Company had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the separate statements of income amounted to P377 and P352 in 2025 and 2024, respectively (Notes 10 and 24).

Determining the Lease Term of Contracts with Renewal Options - Company as Lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has several lease contracts that include extension options. At lease commencement date, the Company 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 Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Adequacy of Tax Liabilities. The Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company 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 Company exercises judgments in classifying financial instruments, 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 separate statements of financial position.

The Company 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 30.

Contingencies. The Company is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Company. The Company'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 Company 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 32).

Estimates and Assumptions

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

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

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

No receivables were written off as at December 31, 2025 and 2024. The allowance for impairment losses on receivables amounted to P7,431 and P7,427 as at December 31, 2025 and 2024, respectively. The carrying amount of receivables amounted to P123,693 and P118,551 as at December 31, 2025 and 2024, respectively (Note 6).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Company 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 other 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 Company 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 Company 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 Company only with reputable financial institutions and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on financial assets at amortized cost was recognized in 2025 and 2024. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2025	2024
Cash and cash equivalents (excluding cash on hand)	5, 29, 30	P60,498	P59,459
Noncurrent receivables - net (excluding lease receivable)	11, 29, 30	3,864	6,114

The allowance for impairment losses on noncurrent receivables (included under “Noncurrent receivables - net” account in the separate statements of financial position) amounted to P253 as at December 31, 2025 and 2024 (Note 11).

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

The Company 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 Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

The Company 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 Company 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 7, 10, 25 and 30.

Estimated Useful Lives of Property, Plant and Equipment, Right-of-use Assets and Investment Property. The Company estimates the useful lives of property, plant and equipment, right-of-use assets and investment property 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 and investment property 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 and investment property 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 and investment property would increase the recorded costs and expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation, amounted to P1,575 and P1,550 as at December 31, 2025 and 2024, respectively. Accumulated depreciation of property, plant and equipment amounted to P2,061 and P1,948 as at December 31, 2025 and 2024, respectively (Note 8).

Right-of-use assets, net of accumulated depreciation, amounted to P161 and P242 as at December 31, 2025 and 2024, respectively. Accumulated depreciation of right-of-use assets amounted to P547 and P466 as at December 31, 2025 and 2024, respectively (Note 9).

Investment property, net of accumulated depreciation, amounted to P735 and P746 as at December 31, 2025 and 2024, respectively. Accumulated depreciation of investment property amounted to P109 and P105 as at December 31, 2025 and 2024, respectively (Note 10).

Recognition of Deferred Tax Assets. The Company 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 future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company'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 P6,851 and P5,700 as at December 31, 2025 and 2024, respectively (Note 16).

Impairment of Non-financial Assets. The Company performs an impairment review of its investments and advances (excluding financial assets at FVOCI), property, plant and equipment, right-of-use assets, investment property and intangible 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 disposal of such assets, discounted to the present value using appropriate assumptions. While it is believed that the assumptions used are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material impact on the financial performance.

The Company assessed that its property, plant and equipment, right-of-use assets, investment property and intangible assets are not impaired. Accumulated impairment losses on investments and advances (excluding financial assets at FVOCI) amounted to P2,476 as at December 31, 2025 and 2024 (Note 7).

The combined carrying amounts of investments and advances (excluding financial assets at FVOCI), property, plant and equipment, right-of-use assets, investment property and intangible assets amounted to P869,967 and P801,446 as at December 31, 2025 and 2024, respectively (Notes 7, 8, 9, 10 and 12).

Estimating the Incremental Borrowing Rate. The Company 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 Company 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 Company 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 Company 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 Company's lease liabilities amounted to P227 and P332 as at December 31, 2025 and 2024, respectively (Notes 14, 23, 24, 28, 29 and 30).

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 25 to the separate financial statements and include discount rate and salary increase rate.

The Company 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 Company 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 Company are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Company.

The present value of defined benefit retirement obligation amounted to P3,207 and P3,084 as at December 31, 2025 and 2024, respectively (Note 25).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2025	2024
Cash in banks and on hand		P6,052	P4,566
Short-term investments		54,450	54,897
	4, 29, 30	P60,502	P59,463

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 Company and earn interest at short-term investment rates.

The Company's cash and cash equivalents earned interest income amounting to P3,222 and P3,537 in 2025 and 2024, respectively (Note 22).

6. Receivables

Receivables consist of:

	Note	2025	2024
Amounts owed by related parties	23, 25	P99,977	P96,002
Non-trade receivables		31,147	29,976
		131,124	125,978
Less allowance for impairment losses	4	7,431	7,427
	4, 29, 30	P123,693	P118,551

Non-trade receivables include interest receivable and security deposits.

Receivables are generally collectible on demand.

The movements in the allowance for impairment losses are as follows:

	Note	2025	2024
Balance at beginning of year		P7,427	P7,427
Provision for allowance for impairment losses	4, 18	4	-
Balance at end of year		P7,431	P7,427

7. Investments and Advances

Investments and advances consist of:

	Note	2025	2024
Investments in shares of stock of subsidiaries	4	P855,054	P786,397
Financial assets at FVOCI	29, 30	200,459	253,791
Advances for investment	4	14,656	14,738
		1,070,169	1,054,926
Less allowance for impairment losses	4	2,476	2,476
		P1,067,693	P1,052,450

Investments in Shares of Stock of Subsidiaries

The carrying amounts of investments in shares of stock of subsidiaries are as follows:

		2025		2024	
	Country of Incorporation	Percentage of Ownership	Amount	Percentage of Ownership	Amount
Food and Beverage Business					
San Miguel Food and Beverage, Inc. (SMFB)	Philippines	88.76	P342,104	88.76	P342,104
Infrastructure Business					
San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure (SMHC)	Philippines	100.00	156,250	100.00	156,250
Cement Business					
San Miguel Equity Investments Inc.	Philippines	100.00	112,736	100.00	112,736
Real Estate Business					
San Miguel Properties, Inc. (SMPI) ^(a)	Philippines	99.90	38,880	99.87	31,711
Davana Corporation ^(b)	Philippines	100.00	4,195	100.00	4,195
Silvertides Holdings Corporation	Philippines	100.00	3,901	100.00	3,901
Fonterra Verde Holdings Inc. (FVHI)	Philippines	100.00	8,495	100.00	7,755
Deity Holdings Corporation (DHC) ^(c)	Philippines	98.95	3,080	98.93	3,024
Worldsummit Holdings Corporation (WHC) ^(c)	Philippines	100.00	1,950	100.00	1,950
One Verdana Holdings, Inc. (OVHI)	Philippines	100.00	1,018	100.00	828
Fuel and Oil Business					
Petron Corporation (Petron) ^(d)	Philippines	19.11	15,260	18.16	15,260
SEA Refinery Corporation (SRC) ^(d)	Philippines	100.00	1,921	100.00	1,921
Packaging Business					
San Miguel Yamamura Packaging Corporation (SMYPC)	Philippines	65.00	12,095	65.00	12,095
Mindanao Corrugated Fibreboard, Inc.	Philippines	100.00	636	100.00	636
Energy Business					
San Miguel Global Power Holdings Corp. (San Miguel Global Power)	Philippines	100.00	110,635	100.00	51,778
Others					
SMC Equivest Corporation (SMCEC)	Philippines	100.00	7,008	100.00	7,008
San Miguel International Limited (SMIL)	British Virgin Islands (BVI)	100.00	5,670	100.00	5,670
San Miguel Integrated Logistics Services, Inc. (SMILSI)	Philippines	100.00	4,127	100.00	4,127
SMC Shipping and Lighterage Corporation (SMCSLC)	Philippines	70.00	6,872	70.00	6,872
San Miguel Insurance Company Limited (SMICL) ^(e)	BVI	98.21	3,170	98.21	3,170
Petrogen Insurance Corporation (Petrogen) ^(f)	Philippines	74.94	3,000	74.94	3,000
Globalwise Corporation (GWC) ^(g)	Philippines	100.00	1,745	100.00	105
SMITS, Inc. (SMITS)	Philippines	100.00	1,216	100.00	1,216
Challenger Aero Air Corp.	Philippines	100.00	949	100.00	949
SMC Asia Car Distributors Corp. (SMCACDC)	Philippines	65.00	325	65.00	325
ArchEn Technologies, Inc. (ArchEn)	Philippines	100.00	390	100.00	390
Others - net	Philippines		7,426		7,421
			855,054		786,397
Less allowance for impairment losses on investment in shares of stock of subsidiaries			2,476		2,476
			P852,578		P783,921

- (a) SMPI is 99.90% and 99.87% directly owned by the Company as at December 31, 2025 and 2024, respectively, and 0.08% and 0.11% indirectly owned by the Company through Philippine Breweries Corporation as at December 31, 2025 and 2024, respectively.
- (b) Formerly Davana Heights Development Corporation. The change in the corporate name was approved by the SEC on November 28, 2025.
- (c) DHC is 98.95% and 98.93% directly owned by the Company as at December 31, 2025 and 2024, respectively, and 1.05% and 1.07% indirectly owned by the Company through WHC as at December 31, 2025 and 2024, respectively.
- (d) Petron is 19.11% and 18.16% directly owned by the Company as at December 31, 2025 and 2024, respectively, and 52.71% and 50.10% indirectly owned by the Company through SRC as at December 31, 2025 and 2024, respectively.
- (e) SMICL is 98.21% directly owned by the Company as at December 31, 2025 and 2024, and 1.79% indirectly owned by the Company through SMIL's subsidiary, San Miguel Holdings Limited (SMHL), as at December 31, 2025 and 2024. The Company's investment in SMICL consists of 6,600,000 voting preferred shares with a par value of US\$10.00 per preferred share.
- (f) Petrogen is 74.94% directly owned by the Company and 25.06% indirectly owned by the Company through Petron.
- (g) Formerly Globalwise Realty Corporation. The change in the corporate name was approved by the SEC on December 4, 2025.

The following are the major developments relating to the Company's investments in shares of stock of subsidiaries:

Infrastructure

SMHC

On April 20 and May 11, 2023, SMHC and the Company executed Subscription Agreements to subscribe to an additional 5,500,000 common shares of SMHC for a total subscription price of P8,250 or P1,500.00 per common share. The Company paid P7,227 in 2023, while the balance of the subscription price amounting to P1,023 was paid in 2024.

On March 1 and July 17, 2024, SMHC and the Company executed Subscription Agreements to subscribe to an additional 2,500,000 common shares of SMHC for a total subscription price of P3,750 or P1,500.00 per common share. In 2024, the Company paid a total amount of P3,212, while the balance of the subscription price amounting to P538 is presented as part of “Subscriptions payable” account in the separate statements of financial position as at December 31, 2025 and 2024.

Real Estate

- SMPI

On March 4 and May 8, 2024, the BOD and stockholders of SMPI, respectively, approved the additional increase in its authorized capital stock from P15,000 divided into 1,500,000,000 common shares to P17,000 divided into 1,700,000,000 common shares, both with a par value of P10.00 per common share. On March 4, 2024, SMPI and the Company executed a Subscription Agreement to subscribe to an additional 50,000,000 common shares of SMPI from the proposed increase in authorized capital stock for a total subscription price of P1,000 or P20.00 per common share. The Company paid the subscription price as deposit for future stock subscription in 2024, presented as part of “Advances for investment” under “Investments and advances” account in the separate statement of financial position as at December 31, 2024.

On June 20, 2025, SMPI and the Company executed a Subscription Agreement to subscribe to an additional 80,000,000 common shares of SMPI from the proposed increase in authorized capital stock for a total subscription price of P1,600 or P20.00 per common share. The Company paid P1,540 of the subscription price as deposit for future stock subscription in 2024, presented as part of “Advances for investment” under “Investments and advances” account in the separate statement of financial position as at December 31, 2024. The remaining balance of the subscription price amounting to P60 was fully paid in 2025.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMPI was filed with the SEC on June 9, 2025 and was approved on June 17, 2025. Consequently, the P2,540 deposit for future stock subscription paid by the Company in 2024 was reclassified from “Advances for investment” to “Investments in shares of stock of subsidiaries”, both under “Investments and advances” account in the separate statement of financial position as at December 31, 2025

On June 20, June 30 and September 30, 2025, SMPI and the Company executed Subscription Agreements to subscribe to a total of an additional 70,000,000 common shares of SMPI from the unissued capital stock for a total subscription price of P1,400 or P20.00 per common share, which was fully paid in 2025.

On May 6 and May 14, 2025, the BOD and stockholders of SMPI, respectively, approved the additional increase in its authorized capital stock from P17,000 divided into 1,700,000,000 common shares to P20,600 divided into 2,060,000,000 common shares, both with a par value of P10.00 per common share. On May 6, 2025, SMPI and the Company executed a Subscription Agreement to subscribe to an additional 90,000,000 common shares of SMPI from the proposed increase in authorized capital stock for a total subscription price of P1,800 or P20.00 per common share, which was fully paid in 2025.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMPI was filed with the SEC on October 8, 2025 and was approved on October 9, 2025.

On November 4, 2025, SMPI and the Company executed a Subscription Agreement to subscribe to an additional 68,489,798 common shares of SMPI for a subscription price of P1,369 or P20.00 per common share, which was fully paid in 2025.

- FVHI

On August 25, 2022, the BOD and stockholders of FVHI approved the additional increase in its authorized capital stock from P1,750 divided into 17,500,000 common shares to P4,250 divided into 42,500,000 common shares, both with a par value of P100.00 per common share. On the same date, FVHI and the Company executed a Subscription Agreement to subscribe to an additional 12,500,000 common shares of FVHI from the proposed increase in authorized capital stock for a total subscription price of P2,500 or P200.00 per common share. In 2022 and 2023, the Company paid P495 and P1,935, respectively, as deposit for future stock subscription to the proposed increase in authorized capital stock.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of FVHI was filed with the SEC on June 27, 2024 and was approved on July 1, 2024. Consequently, the P2,430 deposit for future stock subscription paid by the Company in 2022 and 2023 was reclassified from “Advances for investment” to “Investments in shares of stock of subsidiaries”, both under “Investments and advances” account in the separate statement of financial position as at December 31, 2024. The remaining balance of the subscription price amounting to P70 was fully paid in 2024.

On December 16, 2024, FVHI and the Company executed a Subscription Agreement to subscribe to an additional 8,800,000 common shares of FVHI for a total subscription price of P1,760 or P200.00 per common share. In 2024, the Company paid P1,747, while the balance of the subscription price amounting to P13, presented as part of “Subscriptions payable” account in the separate statement of financial position as at December 31, 2024, was fully paid in 2025.

On October 28, 2025, the BOD and stockholders of FVHI approved the additional increase in its authorized capital stock from P4,250 divided into 42,500,000 common shares to P6,000 divided into 60,000,000 common shares, both with a par value of P100.00 per common share.

On December 15, 2025, FVHI and the Company executed a Subscription Agreement to subscribe to an additional 3,700,000 common shares from the remaining unissued capital stock of FVHI for a total subscription price of P740 or P200.00 per common share, which was fully paid in 2025.

On the same date, FVHI and the Company executed a Subscription Agreement to subscribe to an additional 6,900,000 common shares of FVHI from the proposed increase in authorized capital stock for a total subscription price of P1,380 or P200.00 per common share. The Company paid P583 as deposit for future stock subscription in 2025, presented as part of “Advances for investment” under “Investments and advances” account in the separate statement of financial position as at December 31, 2025.

- WHC

On December 4, 2023, WHC and the Company executed a Subscription Agreement to subscribe to an additional 123,500,000 common shares of WHC for a subscription price of P247 or P2.00 per common share. The Company paid P224 in 2023, while the balance amounting to P23 was paid in 2024.

On December 16, 2024, WHC and the Company executed a Subscription Agreement to subscribe to an additional 177,500,000 common shares of WHC for a subscription price of P355 or P2.00 per common share, which was fully paid in 2024.

On December 16, 2024, the BOD and stockholders of WHC approved the additional increase in its authorized capital stock from P1,000 divided into 1,000,000,000 common shares to P1,300 divided into 1,300,000,000 common shares, both with a par value of P1.00 per common share. On the same date, WHC and the Company executed a Subscription Agreement to subscribe to an additional 186,560,000 common shares of WHC from the proposed increase in authorized capital stock for a total subscription price of P373 or P2.00 per common share. The Company paid the subscription price as deposit for future stock subscription in 2024, presented as part of “Advances for investment” under “Investments and advances” account in the separate statement of financial position as at December 31, 2025 and 2024.

On December 22, 2025, WHC and the Company executed a Subscription Agreement to subscribe to an additional 113,440,000 common shares of WHC from the proposed increase in authorized capital stock for a subscription price of P227 or P2.00 per common share. The Company paid the subscription price as deposit for future stock subscription in 2025, presented as part of “Advances for investment” under “Investments and advances” account in the separate statement of financial position as at December 31, 2025.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of WHC was filed with the SEC on January 21, 2026 and was approved on January 22, 2026.

On December 22, 2025, the BOD and stockholders of WHC approved the additional increase in its authorized capital stock from P1,300 divided into 1,300,000,000 common shares to P2,800 divided into 2,800,000,000 common shares, both with a par value of P1.00 per common share. On the same date, WHC and the Company executed a Subscription Agreement to subscribe to an additional 595,000,000 common shares of WHC from the proposed increase in authorized capital stock for a total subscription price of P1,190 or P2.00 per common share. The Company paid P1,101 as deposit for future stock subscription in 2025, presented as part of “Advances for investment” under “Investments and advances” account in the separate statement of financial position as at December 31, 2025.

- OVHI

On December 14, 2023, OVHI and the 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 Company paid P49 in 2023, while the balance amounting to P2 was paid in 2024.

On December 16, 2024, OVHI and the Company executed a Subscription Agreement to subscribe to an additional 820,000 common shares of OVHI for a subscription price of P164 or P200.00 per common share. The Company paid P151 in 2024, while the balance amounting to P13 presented as part of "Subscriptions payable" account in the separate statement of financial position as at December 31, 2024, was paid in 2025.

On December 15, 2025, OVHI and the Company executed a Subscription Agreement to subscribe to an additional 950,000 common shares of OVHI for a subscription price of P190 or P200.00 per common share. In 2025, the Company paid P189, while the balance amounting to P1 is presented as part of "Subscriptions payable" account in the separate statement of financial position as at December 31, 2025.

Energy

- San Miguel Global Power

On March 6, 2025, San Miguel Global Power and the Company executed a Subscription Agreement to subscribe to an additional 950,796,000 common shares of San Miguel Global Power from the unissued capital stock for a total subscription price of P28,524 or P30.00 per common share, which was fully paid in 2025.

On March 6 and April 14, 2025, the BOD and stockholders of San Miguel Global Power, respectively, approved the additional increase in the authorized capital stock from P3,774 divided into 3,774,400,000 common shares to P7,800 divided into 7,800,000,000 common shares, both with a par value of P1.00 per common share. On the same date, San Miguel Global Power and the Company executed a Subscription Agreement to subscribe to an additional 1,011,093,800 common shares of San Miguel Global Power from the proposed increase in authorized capital stock for a total subscription price of P30,333 or P30.00 per common share, which was fully paid in 2025.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of San Miguel Global Power was filed with the SEC on May 9, 2025 and was approved on May 16, 2025.

Others

- SMCSLC

On November 28, 2024, SMCSLC and the Company executed a Subscription Agreement to subscribe to an additional 142,940,000 common shares of SMCSLC for a total subscription price of P3,002 or P21.00 per common share, which was fully paid in 2024.

- GWC

On October 10, 2023, the BOD and stockholders of GWC approved the additional increase in the authorized capital stock from P35 divided into 350,000 common shares to P70 divided into 700,000 common shares, both with a par value of P100.00 per common share. On the same date, GWC and the Company executed a Subscription Agreement to subscribe to an additional 120,000 common shares of GWC from the proposed increase in authorized capital stock for a total subscription price of P18 or P150.00 per common share.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of GWC was filed with the SEC on December 22, 2023 and was approved on February 20, 2024. Consequently, the P18 deposit for future stock subscription paid by the Company in 2023 was reclassified from "Advances for investment" to "Investments in shares of stock of subsidiaries", both under "Investments and advances" account in the separate statement of financial position as at December 31, 2024.

On February 8, 2024, the BOD and stockholders of GWC approved the additional increase in its authorized capital stock from P70 divided into 700,000 common shares to P1,450 divided into 14,500,000 common shares, both with a par value of P100.00 per common share. On the same date, GWC and the Company executed a Subscription Agreement for the Company to subscribe to an additional 10,465,000 common shares of GWC from the proposed increase in authorized capital stock for a total subscription price of P1,570 or P150.00 per common share. The Company paid P1,545 of the subscription price as deposit for future stock subscription in 2024, presented as part of "Advances for investment" under "Investments and advances" account in the separate statement of financial position as at December 31, 2024. The remaining balance of the subscription price amounting to P25 was fully paid in 2025.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of GWC was filed with the SEC on August 8, 2024 and was approved on June 4, 2025. Consequently, the P1,545 deposit for future stock subscription paid by the Company in 2024 was reclassified from "Advances for investment" to "Investments in shares of stock of subsidiaries", both under "Investments and advances" account in the separate statement of financial position as at December 31, 2025.

On March 7, 2024, GWC and the Company executed a Subscription Agreement to subscribe to an additional 230,000 common shares of GWC for a subscription price of P35 or P150.00 per common share. The Company paid P29 in 2024, while the balance amounting to P6 is presented as part of "Subscriptions payable" account in the separate statements of financial position as at December 31, 2025 and 2024.

On various dates in 2025, GWC and the Company executed Subscription Agreements to subscribe to an additional 465,000 common shares of GWC for a total subscription price of P70 or P150.00 per common share. The Company paid P68 in 2025, while the balance amounting to P2 is presented as part of "Subscription payable" account in the separate statement of financial position as at December 31, 2025.

- SMITS

On December 9, 2024, SMITS and the Company executed a Subscription Agreement to subscribe to an additional 442,500 common shares of SMITS for a total subscription price of P708 or P1,600.00 per common share, which was fully paid in 2024.

- ArchEn

On December 20, 2023, the BOD and stockholders of ArchEn approved the additional increase in the authorized capital stock from P300 divided into 3,000,000 common shares to P360 divided into 3,600,000 common shares, both with a par value of P100.00 per common share. On the same date, ArchEn and the Company executed a Subscription Agreement to subscribe to an additional 150,000 common shares of ArchEn from the proposed increase in authorized capital stock for a total subscription price of P45 or P300.00 per common share.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of ArchEn was filed with the SEC on May 4, 2024 and was approved on May 9, 2024. Consequently, the P45 deposit for future stock subscription paid by the Company in 2023 was reclassified from “Advances for investment” to “Investments in shares of stock of subsidiaries”, both under “Investments and advances” account in the separate statement of financial position as at December 31, 2024.

On June 10, 2024, ArchEn and the Company executed a Subscription Agreement to subscribe to an additional 150,000 common shares of ArchEn for a subscription price of P45 or P300.00 per common share, which was fully paid in 2024.

Financial Assets at FVOCI

Financial assets at FVOCI, amounting to P200,459 and P253,791 as at December 31, 2025 and 2024, respectively, pertain to various investments in shares of stock and capital securities carried at fair value (Note 4).

Financial assets at FVOCI mainly includes investments in the following:

- *Investment in Shares of Stock*

- a. Top Frontier

Investment in the shares of stock of Top Frontier consists of 2,561,031 common shares amounting to P143 and P162 as at December 31, 2025 and 2024, respectively.

- b. San Miguel Aerocity Inc. (SMAI)

The investment in SMAI consists of 21,600,000,000 Series 1 Preferred Shares of stock amounting P43,200 as at December 31, 2025 and 2024, and 17,963,000,000 and 16,796,328,018 Series 2 Preferred Shares of stock amounting P86,408 and P79,408 as at December 31, 2025 and 2024, respectively.

On December 26, 2024, SMAI and the Company executed a Subscription Agreement to subscribe to an additional 3,960,000,000 Series 2 Preferred Shares for a total subscription price of P23,760 or P6.00 per preferred share, which was fully paid in 2024.

On October 22 and December 26, 2025, SMAI and the Company executed Subscription Agreements to subscribe to an additional 1,166,671,982 Series 2 Preferred Shares for a total subscription price of P7,000 or P6.00 per preferred share. In 2025, the Company paid P6,730, while the balance amounting to P270 is presented as part of "Subscription payable" account in the separate statement of financial position as at December 31, 2025.

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.

c. Argonbay Construction Company, Inc. (ACCI)

The investment in ACCI consists of 147,487,226 Series 1 Preferred Shares of stock amounting to P14,749 as at December 31, 2025 and 2024.

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.

d. SMCACDC

The investment in SMCACDC consists of 1,270,000 redeemable preferred shares of stock amounting to P1,270 as at December 31, 2025 and 2024.

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.

- *Investment in Capital Securities*

- a. San Miguel Global Power

The RPS issued by San Miguel Global Power amounting to P46,384 and P104,116 as at December 31, 2025 and 2024, respectively, are entitled to distributions as follows:

Foreign Currency-denominated RPS:

- US\$650 (P33,794) subscribed on March 16, 2018

The Company will have the right to receive distribution at 6.25% per annum, payable quarterly in arrears every March 16, June 16, September 16 and December 16 of each year commencing on June 16, 2018.

- US\$85 (P4,953) subscribed on November 8, 2022

The Company will have the right to receive distribution at 6.25% per annum, payable quarterly in arrears every February 8, May 8, August 8 and November 8 of each year commencing on February 8, 2023.

On April 7, 2025, the RPS was partially redeemed at US\$7 (P387). The Company recognized a loss of P5 on the redemption, presented as part of "Net gain on financial assets at fair value through other comprehensive income" in the separate statement of comprehensive income in 2025.

- US\$500 (P27,585) subscribed on March 10, 2023

On April 7, 2025, the RPS was fully redeemed at US\$500 (P27,585). The Company recognized a gain of P1,130 on the redemption, presented as part of "Net gain on financial assets at fair value through other comprehensive income" in the separate statement of comprehensive income in 2025.

- US\$145 (P8,024) subscribed on May 2, 2023

The Company will have the right to receive distribution at 8.00% per annum, payable quarterly in arrears every February 2, May 2, August 2 and November 2 of each year commencing on August 2, 2023.

Peso-denominated RPS:

- P6,000 subscribed on May 30, 2023

The Company will have the right to receive distribution at 7.50% per annum, payable quarterly in arrears every 28th of February and 30th of May, August and November of each year commencing on August 30, 2023.

- P7,000 subscribed on June 1, 2023

The Company will have the right to receive distribution at 7.50% per annum, payable quarterly in arrears every 1st of March, June, September and December of each year commencing on September 1, 2023.

- P5,000 subscribed on June 5, 2023

The Company will have the right to receive distribution at 7.50% per annum, payable quarterly in arrears every 5th of March, June, September and December of each year commencing on September 5, 2023.

- P6,760 subscribed on June 13, 2023

The Company will have the right to receive distribution at 7.50% per annum, payable quarterly in arrears every 13th of March, June, September and December of each year commencing on September 13, 2023.

- P5,000 subscribed on July 10, 2023

The Company will have the right to receive distribution at 7.50% per annum, payable quarterly in arrears every 10th of January, April, July and October of each year commencing on October 10, 2023.

On April 7, 2025, the RPS were fully redeemed at P29,760.

Distributions from the investment in RPS of San Miguel Global Power amounted to P16,145, including distributions in arrears of P14,245, presented as part of "Dividend and distribution income" account in the separate statement of income in 2025. No distributions have been declared by San Miguel Global Power in 2024.

b. Petron

The RPS issued by Petron amounting to US\$118 (P5,827) and US\$170 (P8,406) as at December 31, 2025 and 2024, respectively, are entitled to distributions as follows:

- US\$130 (P6,509) subscribed on June 22, 2020

The Company will have the right to receive distribution at 3.625% per annum, payable quarterly in arrears every 20th of March and 22nd of June, September and December of each year commencing on September 22, 2020.

On September 25 and October 2, 2024, the investment in RPS of Petron were partially redeemed at US\$40 (P2,003) and US\$20 (P1,001), respectively. The Company recognized a gain of P355 on the redemption, presented as part of "Net gain on financial assets at fair value through other comprehensive income" in the separate statement of comprehensive income in 2024.

On April 4 and August 14, 2025, the investment in RPS of Petron were partially redeemed at US\$10 (P501) and US\$42 (P2,078), respectively. The Company recognized a gain of P352 on the redemption, presented as part of "Net gain on financial assets at fair value through other comprehensive income" in the separate statement of comprehensive income in 2025.

- US\$100 (P4,901) subscribed on August 10, 2020

The Company will have the right to receive distribution at 3.625% per annum, payable quarterly in arrears every 20th of February and 10th of May, August and November of each year commencing on November 10, 2020.

Distributions from the investment in RPS of Petron amounted to P309 and P448 in 2025 and 2024, respectively, presented as part of "Dividend and distribution income" account in the separate statements of income.

The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. The issuers of the RPS have the right to defer the distribution under certain conditions.

The Company has irrevocably elected to classify these investments as financial assets at FVOCI as it intends to hold these investments for strategic purposes. The carrying amount of the investments approximate their fair value (Note 30).

The methods and assumptions used to measure the fair value of financial assets at FVOCI are disclosed in Notes 3, 4 and 30.

Advances for Investment

Advances for investment pertain to deposits made to certain companies which will be applied against future stock subscription.

8. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Equipment, Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
January 1, 2024	P995	P250	P1,000	P895	P361	P3,501
Additions	-	-	33	45	153	231
Disposals and reclassifications	(223)	-	189	110	(310)	(234)
December 31, 2024	772	250	1,222	1,050	204	3,498
Additions	1	-	87	16	48	152
Reclassifications	18	-	139	33	(204)	(14)
December 31, 2025	791	250	1,448	1,099	48	3,636
Accumulated Depreciation						
January 1, 2024	274	149	846	584	-	1,853
Depreciation	1	4	45	45	-	95
December 31, 2024	275	153	891	629	-	1,948
Depreciation	2	3	52	56	-	113
December 31, 2025	277	156	943	685	-	2,061
Carrying Amount						
December 31, 2024	P497	P97	P331	P421	P204	P1,550
December 31, 2025	P514	P94	P505	P414	P48	P1,575

“Equipment, furniture and fixtures” includes machinery, transportation equipment, office equipment, tools and small equipment.

Certain fully depreciated property, plant and equipment with aggregate costs of P1,682 and P1,550 as at December 31, 2025 and 2024, respectively, are still being used in the Company’s operations.

Depreciation expense, included as part of “Costs and expenses” account in the separate statements of income, amounted to P113 and P95 in 2025 and 2024, respectively (Notes 18 and 19).

9. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	<i>Note</i>	2025	2024
Cost			
Balance at beginning and end of year		P708	P708
Accumulated Depreciation			
Balance at beginning of year		466	386
Depreciation	18, 19	81	80
Balance at end of year		547	466
Carrying Amount		P161	P242

The Company recognized right-of-use assets for the lease of building and improvements, which typically run for a period of 10 years. The lease contains an option to renew at the end of the lease term and is 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 Company.

Depreciation expense, included as part of "Costs and expenses" account in the separate statements of income, amounted to P81 and P80 in 2025 and 2024, respectively (Notes 18 and 19).

10. Investment Property

The movements in investment property are as follows:

	Land and Land Improvements	Buildings and Improvements	Total
Cost			
January 1, 2024	P536	P390	P926
Disposals and reclassifications	139	(214)	(75)
December 31, 2024	675	176	851
Disposals	(7)	-	(7)
December 31, 2025	668	176	844
Accumulated Depreciation			
January 1, 2024	3	186	189
Depreciation	1	8	9
Disposals	-	(93)	(93)
December 31, 2024	4	101	105
Depreciation	1	3	4
December 31, 2025	5	104	109
Carrying Amount			
December 31, 2024	P671	P75	P746
December 31, 2025	P663	P72	P735

Depreciation expense, included as part of "Costs and expenses" account in the separate statements of income, amounted to P4 and P9 in 2025 and 2024, respectively (Notes 18 and 19).

Rent income earned from investment property amounted to P377 and P352 in 2025 and 2024, respectively (Notes 4 and 24). The direct costs and expenses arising from the investment property that generated income amounted to P11 and P17 in 2025 and 2024, respectively.

The fair value of investment property amounting to P12,742 and P6,317 as at December 31, 2025 and 2024, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Notes 3 and 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 Company'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 the proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined based on 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 5.00% to 7.00%.

11. Noncurrent Receivables

Noncurrent receivables consist of:

	Note	2025	2024
Amounts owed by related parties	23	P3,986	P6,228
Others		257	257
		4,243	6,485
Less allowance for impairment losses	4	253	253
	4, 29, 30	P3,990	P6,232

Amounts owed by related parties consist of interest-bearing receivables, deposit and lease receivable (Note 23).

No impairment loss was recognized on noncurrent receivables in 2025 and 2024.

12. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2025	2024
Noncurrent derivatives assets	29, 30	P2,295	P1,584
Retirement asset	25	1,305	-
Option deposit		975	975
Noncurrent prepaid expense		726	16
Intangible assets	4	262	249
Others		2	1
		P5,565	P2,825

On February 17, 2017, the Company entered into an option agreement (the Agreement) with the non-controlling stockholder of SMCACDC for the grant to the Company of the option to acquire 35% ownership interest in SMCACDC. The option is exercisable within a period of two years from the execution of the Agreement, or such other date as may be agreed upon by the parties in writing. The option deposit shall be applied as partial payment of the option exercise price upon exercise of the option. As at December 31, 2025, the Agreement was extended under the same terms and conditions.

No impairment loss was recognized on other noncurrent assets in 2025 and 2024.

The movements in intangible assets are as follows:

	Computer Software	Licenses	Project Development Cost	Total
Cost				
January 1, 2024	P376	P68	P236	P680
Additions	1	11	31	43
Disposals and reclassifications	23	3	(64)	(38)
December 31, 2024	400	82	203	685
Additions	19	11	48	78
Disposals and reclassifications	8	(3)	(38)	(33)
December 31, 2025	427	90	213	730
Accumulated Amortization				
January 1, 2024	360	68	-	428
Amortization	8	-	-	8
December 31, 2024	368	68	-	436
Amortization	10	22	-	32
December 31, 2025	378	90	-	468
Carrying Amount				
December 31, 2024	P32	P14	P203	P249
December 31, 2025	P49	P -	P213	P262

Amortization expense, included as part of "Costs and expenses" account in the separate statements of income, amounted to P32 and P8 in 2025 and 2024, respectively (Notes 18 and 19).

13. Loans Payable

Loans payable consists of:

	Note	2025	2024
Peso-denominated		P25,575	P49,903
Foreign currency-denominated		41,013	17,323
	28, 29, 30	P66,588	P67,226

Loans payable represents unsecured peso and foreign currency-denominated loans obtained from local and foreign banks. Interest rates per annum for Peso-denominated loans range from 4.25% to 5.00% and 5.50% to 6.50% in 2025 and 2024, respectively. Interest rate per annum for foreign currency-denominated loans is based on Secured Overnight Financing Rate (SOFR) plus margin in 2025 and 2024.

Interest expense on loans payable recognized in the separate statements of income amounted to P4,095 and P3,195 in 2025 and 2024, respectively (Note 21).

The movements in debt issue costs are as follows:

	Note	2025	2024
Balance at beginning of year		P31	P -
Additions		345	63
Amortization	21	(236)	(32)
Balance at end of year		P140	P31

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2025	2024
Accrued expenses		P11,516	P11,181
Amounts owed to related parties	4, 23	6,434	6,297
Derivative liabilities	23	33	22
Deposits		20	20
	29, 30	P18,003	P17,520

15. Long-term Debt

Long-term debt consists of:

	2025	2024
Peso-denominated Bonds:		
Series L Bonds, fixed interest rate of 7.4458% maturing in 2028	P26,925	P26,854
Series M Bonds, fixed interest rate of 7.8467% maturing in 2029	9,645	9,619
Series N Bonds, fixed interest rate of 8.489% maturing in 2032	23,033	22,973
P60,000 fixed rate bonds (a)	59,603	59,446
Series J Bonds, fixed interest rate of 5.2704% maturing in 2027	17,354	17,313
Series K Bonds, fixed interest rate of 5.8434% maturing in 2029	12,466	12,445
P30,000 fixed rate bonds (b)	29,820	29,758
Series O Bonds, fixed interest rate of 7.2584% maturing in 2031	12,860	12,838
Series P Bonds, fixed interest rate of 7.7197% maturing in 2034	6,917	6,910
P20,000 fixed rate bonds (c)	19,777	19,748
Series I Bonds, fixed interest rate of 7.465% maturing in 2027 (d)	18,693	18,652
Series C Bonds, fixed interest rate of 5.7613% maturing in 2027	6,013	6,004
Series F Bonds, fixed interest rate of 6.625% maturing in 2025	-	2,437
Series G Bonds, fixed interest rate of 7.125% maturing in 2028	4,400	4,394
P60,000 fixed rate bonds (e)	10,413	12,835
Peso-denominated bonds	138,306	140,439
Peso-denominated Term Notes:		
Fixed interest rate of 6.9375% with maturities up to 2026 (f)	14,950	15,089
Fixed interest rate of 6.3% maturing in 2028 (g)	5,646	-
Fixed interest rate of 7.4998% with maturities up to 2029 (h)	5,060	5,104
Peso-denominated term notes	25,656	20,193
Foreign Currency-denominated Term Notes:		
Fixed interest rate of 6.55% maturing in 2028 (i)	8,784	8,630
Fixed interest rate of 6.68% maturing in 2029 (j)	8,771	8,619
Floating interest rate based on SOFR plus margin maturing in 2029 (k)	115,461	112,973
Floating interest rate based on SOFR plus margin with maturities up to 2035 (l)	109,275	108,534
Floating interest rate based on SOFR plus margin maturing in 2028 (m)	77,205	75,553
Floating interest rate based on SOFR plus margin maturing in 2026 (n)	52,685	51,564
Floating interest rate based on SOFR plus margin maturing in 2027 (o)	40,879	40,016
Floating interest rate based on Tokyo Overnight Average Rate (TONA) plus margin maturing in 2028 and 2030 (p)	22,646	-
Floating interest rate based on SOFR plus margin maturing in 2028 (q)	17,410	17,054

Forward

	2025	2024
Floating interest rate based on SOFR plus margin maturing in 2030 (r)	P17,385	P -
Floating interest rate based on SOFR plus margin maturing in 2028 (s)	17,355	16,987
Floating interest rate based on SOFR plus margin maturing in 2030 (t)	16,874	-
Floating interest rate based on SOFR plus margin maturing in 2028 (u)	11,602	11,369
Floating interest rate based on SOFR plus margin maturing in 2026 (v)	5,863	5,751
Floating interest rate based on SOFR plus margin maturing in 2027 (w)	5,857	5,748
Floating interest rate based on SOFR plus margin maturing in 2029 (x)	2,917	2,864
Foreign currency-denominated term notes	530,969	465,662
	694,931	626,294
Less current maturities	85,075	8,073
	P609,856	P618,221

- a. The amount represents the P60,000 fixed rate bonds issued by the 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 8.489% per annum. The Bonds were listed on the Philippine Dealing & Exchange Corp. (PDEX). Interest is payable every 14th of March, June, September and December of each year.

The proceeds of the issuance of the bonds were used for: (i) the optional redemption of the 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 P397 and P554 as at December 31, 2025 and 2024, respectively.

- b. The amount represents the first tranche of the P60,000 Shelf Registered Fixed Rate Bonds issued by the Company amounting to P30,000. The Bonds were listed on 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.

The proceeds of the issuance of the bonds were used for refinancing the Company's short-term loan facilities and other general corporate purposes.

Unamortized debt issue costs amounted to P180 and P242 as at December 31, 2025 and 2024, respectively.

- c. The amount represents the first tranche of the P50,000 Shelf Registered Fixed Rate Bonds issued by the Company amounting to P20,000. The Bonds were listed on the PDEX.

The first tranche of the fixed rate bonds listed on July 3, 2024, consists of: (i) six-year and six-months Series O Bonds, due in 2031 with an interest rate of 7.2584% per annum; and (ii) ten-year Series P Bonds, due in 2034 with an interest rate of 7.7197% per annum. Interest is payable every 3rd of January, April, July and October of each year.

The proceeds of the issuance of the bonds were used for the partial payment of Series I Bonds, additional investment in the Manila International Airport (MIA) Project and other airport-related projects in Bulacan (Note 18) and the repayment of Series F Bonds on March 19, 2025.

Unamortized debt issue costs amounted to P223 and P252 as at December 31, 2025 and 2024, respectively.

- d. The amount represents the first tranche of the P50,000 Shelf Registered Fixed Rate Bonds issued by the Company amounting to P30,000. The Bonds were listed on 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.

The proceeds of the issuance of the bonds were used to repay existing obligations.

The Company partially paid P11,240 of the Series I Bonds on July 8, 2024, as a result of the Put Option Exercise by the exercising Series I Bondholders. The remaining balance of the Series I Fixed Rate Peso-denominated Bonds was repriced at 7.465% per annum from 3.3832% per annum effective July 8, 2024, until maturity on July 8, 2027.

Unamortized debt issue costs amounted to P67 and P108 as at December 31, 2025 and 2024, respectively.

- e. The amount represents the first, third and fourth tranche of the P60,000 Shelf Registered Fixed Rate Bonds issued by the Company amounting to P20,000, P20,000 and P10,000, respectively. The Bonds were listed on 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 (Note 31); 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 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.

The proceeds of the issuance of the bonds were used to partially refinance various loans.

The Company paid the P7,294 Series B Bonds, P10,000 Series H Bonds and P2,438 Series F Bonds on March 1, 2024, October 4, 2024 and March 19, 2025, respectively.

Unamortized debt issue costs amounted to P26 and P42 as at December 31, 2025 and 2024, respectively.

- f. The amount represents the drawdown by the 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 of the loan were used for general corporate purposes.

The Company paid the scheduled amortization amounting to P1,040 and P880 as at December 31, 2025 and 2024, respectively.

Unamortized debt issue costs amounted to P10 and P31 as at December 31, 2025 and 2024, respectively.

- g. The amount represents the P5,700 Fixed-Rate Corporate Notes due in 2028 issued by the Company on December 23, 2025. The Fixed-Rate Notes were listed on the same day with the PDEX, with an interest rate of 6.3% per annum payable every 23rd of March, June, September and December of each year. The proceeds of the loan were used for general corporate purposes.

Unamortized debt issue costs amounted to P54 as at December 31, 2025.

- h. The amount represents the drawdown by the 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 7.4998% 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 of the loan were used for the refinancing of Corona Virus Disease 2019 response activities during the period 2020 to 2022.

The Company paid the scheduled amortization amounting to P104 and P52 as at December 31, 2025 and 2024, respectively.

Unamortized debt issue costs amounted to P36 and P44 as at December 31, 2025 and 2024, respectively.

- i. The amount represents the drawdown by the 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 of 6.55% per annum, payable quarterly. 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 P34 and P47 as at December 31, 2025 and 2024, respectively.

- j. The amount represents the drawdown by the Company on May 17, 2024 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 of 6.68% per annum, payable quarterly. The proceeds of the loan were used for general corporate purposes.

Unamortized debt issue costs amounted to P47 and P58 as at December 31, 2025 and 2024, respectively.

- k. The amount represents the drawdown by the Company on September 27, 2024 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. The proceeds of the loan were used to refinance the matured loans drawn by the Company amounting to US\$50 and US\$1,950 on December 27, 2019 and March 19, 2020, respectively.

Unamortized debt issue costs amounted to P2,119 and P2,717 as at December 31, 2025 and 2024, respectively.

- l. The amount represents the drawdown by the Company of US\$1,984 on various dates in 2025, 2024, 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 of the loan were used to fund the land development works of the MIA Project in Bulacan (Note 18).

The Company paid the scheduled amortization amounting to US\$102 as at December 31, 2025.

Unamortized debt issue costs amounted to P1,407 and P1,535 as at December 31, 2025 and 2024, respectively.

- m. The amount represents the drawdown by the 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 P986 and P1,381 as at December 31, 2025 and 2024, respectively.

- n. The amount represents the drawdown by the 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 of the loan were used for general corporate purposes.

Unamortized debt issue costs amounted to P226 and P497 as at December 31, 2025 and 2024, respectively.

- o. The amount represents the drawdown by the 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 of the loan were used for general corporate purposes.

Unamortized debt issue costs amounted to P274 and P475 as at December 31, 2025 and 2024, respectively.

- p. The amount represents the drawdown by the Company on May 8, 2025 of Facility A and Facility B from its term loan facilities in the aggregate amount of JPY61,600. The term of Facility A is three years, with an option to extend for an additional two years, while the term of Facility B is five years. Both facilities are subject to floating interest rates. The proceeds of the loan were used for general corporate purposes.

Unamortized debt issue costs amounted to P470 as at December 31, 2025.

- q. The amount represents the drawdown by the 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 P227 and P300 as at December 31, 2025 and 2024, respectively.

- r. The amount represents the drawdown by the Company on December 3, 2025 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.

Unamortized debt issue costs amounted to P252 as at December 31, 2025.

- s. The amount represents the drawdown by the Company on November 15 and 24, 2023 of US\$200 and US\$100, 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 P282 and P367 as at December 31, 2025 and 2024, respectively.

- t. The amount represents the drawdown of Facility A by the Company totaling US\$300 on July 1, August 5 and October 15, 2025 from its term loan in the aggregate amount of US\$600. The term of the Facility A 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 P763 as at December 31, 2025.

- u. The amount represents the drawdown by the 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 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 P156 and P200 as at December 31, 2025 and 2024, respectively.

- v. The amount represents the drawdown by the 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 P16 and P33 as at December 31, 2025 and 2024, respectively.

- w. The amount represents the drawdown by the 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 of the loan were used for general corporate purposes.

Unamortized debt issue costs amounted to P22 and P36 as at December 31, 2025 and 2024, respectively.

- x. The amount represents the drawdown by the Company on August 2, 2024 from its term loan facility amounting to US\$50. 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 P23 and P28 as at December 31, 2025 and 2024, respectively.

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.

The Company is required to comply with the following financial ratios:

Financial Ratios	Threshold
Consolidated earnings before interest, taxes, depreciation and amortization 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

The Company is in compliance with the covenants of the debt agreements as at December 31, 2025 and 2024.

Interest expense on long-term debt recognized in the separate statements of income amounted to P33,657 and P34,691 in 2025 and 2024, respectively (Note 21).

The movements in debt issue costs are as follows:

	Note	2025	2024
Balance at beginning of year		P8,947	P7,588
Additions		1,744	3,521
Amortization	21	(2,394)	(2,162)
Balance at end of year		P8,297	P8,947

Repayment Schedule

The annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2026	P85,468	P393	P85,075
2027	100,976	1,593	99,383
2028	186,169	1,159	185,010
2029	168,219	2,532	165,687
2030 and thereafter	162,396	2,620	159,776
Total	P703,228	P8,297	P694,931

Contractual terms of the Company's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 29.

16. Income Taxes

The components of income tax expense (benefit) are shown below:

	2025	2024
Current	P186	P221
Deferred	(1,269)	(1,894)
	(P1,083)	(P1,673)

Deferred tax assets and liabilities arise from the following:

	2025	2024
Items Recognized in Profit or Loss		
Allowance for impairment losses	P2,208	P2,207
Unrealized foreign exchange loss	3,616	1,687
Retirement benefits	(141)	(184)
Others	403	1,107
	6,086	4,817
Items Recognized Directly in Other Comprehensive Income		
Remeasurement loss on defined benefit retirement plan	384	756
Net loss on cash flow hedges	483	228
Net gain on financial assets at FVOCI	(102)	(101)
	765	883
	P6,851	P5,700

The movements in deferred tax assets are as follows:

2025	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Allowance for impairment losses	P2,207	P1	P -	P2,208
Unrealized foreign exchange loss	1,687	1,929	-	3,616
Retirement costs (benefits)	(184)	43	-	(141)
Net gain on financial assets at FVOCI	(101)	-	(1)	(102)
Remeasurement loss (gain) on defined benefit retirement plan	756	-	(372)	384
Net loss on cash flow hedges	228	-	255	483
Others	1,107	(704)	-	403
	P5,700	P1,269	(P118)	P6,851

2024	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Allowance for impairment losses	P2,207	P -	P -	P2,207
Unrealized foreign exchange loss	300	1,387	-	1,687
Retirement costs (benefits)	(216)	32	-	(184)
Net gain on financial assets at FVOCI	(85)	-	(16)	(101)
Remeasurement loss on defined benefit retirement plan	679	-	77	756
Net loss on cash flow hedges	135	-	93	228
Others	632	475	-	1,107
	P3,652	P1,894	P154	P5,700

As at December 31, 2025, the NOLCO of the Company that can be claimed as deduction from future taxable income are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	Balance
2021	December 31, 2026	P7,087
2023	December 31, 2026	1,880
2024	December 31, 2027	8,264
2025	December 31, 2028	5,669
		P22,900

As at December 31, 2025, the MCIT of the Company that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	Balance
2023	December 31, 2026	P97
2024	December 31, 2027	91
2025	December 31, 2028	148
		P336

As at December 31, 2025, deferred tax assets in respect of NOLCO and MCIT amounting to P5,725 and P336, respectively, have not been recognized because it is not probable that future taxable profit will be available against which the Company 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 2025, 2024 and 2023, the expiration period of NOLCO reverted to three years.

The reconciliation between the statutory income tax rate on loss before income tax and the Company's effective income tax rate is as follows:

	2025	2024
Statutory income tax rate	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:		
Nontaxable income	144.55%	52.32%
Income subject to final tax	0.25%	0.09%
Others, mainly nondeductible expenses	(152.90%)	(67.25%)
Effective income tax rate	16.90%	10.16%

**Percentages are computed based on amounts in nearest Peso.*

International Tax Reform - Pillar Two Model Rules

The Company has adopted the amendments to PAS 12, *Income Taxes*, relating to the International Tax Reform - Pillar Two Model Rules. These amendments provide a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from Pillar Two income taxes. Accordingly, no deferred tax assets or liabilities have been recognized in respect of Pillar Two legislation.

The Company and its subsidiaries are members of the Top Frontier Group. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Top Frontier Group operates. As at December 31, 2025, the legislation has been in effect in Australia, Hong Kong, Indonesia, Japan, Malaysia, Mauritius, the Netherlands, New Zealand, Singapore, Thailand and Vietnam, while not yet effective in the Philippines, Bermuda, the British Virgin Islands, the Cayman Islands, China and Taiwan.

The Top Frontier Group is within the scope of the enacted or substantively enacted legislation and has performed a Transitional Country-by-Country (CbCR) Safe Harbor (TCSH) assessment to identify jurisdictions that may be excluded from detailed Pillar Two computations. The assessment was based on the most recent tax filings, CbCR reports and financial statements of the relevant entities. All jurisdictions met the TCSH criteria, except for Bermuda, Hong Kong, Singapore and New Zealand. Full Pillar Two computations are currently being undertaken for these jurisdictions.

In line with the assessment of the Top Frontier Group, a provision for top-up tax has been recognized to the extent that it is reasonably estimable. As of the reporting date, the Company has no direct exposure to such tax and the computation remains subject to refinement pending the Top Frontier Group's finalization of detailed calculations and any additional guidance or clarifications from relevant tax authorities.

17. Equity

a. Amendments to the Articles of Incorporation

On July 23, 2009, during the annual stockholders' meeting of the Company, the stockholders approved the amendments to the Articles of Incorporation for the declassification of the common shares of the Company. The authorized capital stock of the 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 Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Company, to increase the authorized capital stock of the 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 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 Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the 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 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 Company to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares was approved by the SEC on July 14, 2015.

On June 11, 2024 and August 8, 2024, the BOD and stockholders of the Company, respectively, approved the amendment of the Articles of Incorporation of the Company to reclassify 300,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares. The purpose of the reclassification is to allow the Company to issue additional preferred shares as a new subseries of Series "2" Preferred Shares under the more flexible terms and conditions of the Series "2" Preferred Shares.

The Amended Articles of Incorporation of the Company reflecting the amendments were approved by the SEC on February 25, 2025.

On January 16 and March 27, 2025, the BOD and stockholders of the Company approved and ratified, respectively, the amendments to the Articles of Incorporation of the Company, specifically: (a) the reclassification of the 904,752,537 common shares currently held as treasury shares, into Series "2" Preferred Shares held in treasury; and (b) the amendment of the authorized capital stock of the Company from P30,000 with a par value of P5.00 per share or 6,000,000,000 shares divided into 3,790,000,000 common shares and 2,210,000,000 Series "2" Preferred Shares to 2,885,247,463 common shares and 3,114,752,537 Series "2" Preferred Shares.

The Amended Articles of Incorporation of the Company reflecting the amendments were approved by the SEC on July 7, 2025.

b. Capital Stock

Common Shares

On July 27, 2010, the BOD of the 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 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 Company has a total of 33,048 and 33,162 common shareholders as at December 31, 2025 and 2024, respectively.

The number of issued and outstanding shares of common stock are as follows:

	2025	2024
Issued shares	2,383,896,588	3,288,649,125
Less treasury shares	-	904,752,537
Issued and outstanding shares	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 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 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 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 Company approved the Offer by the Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the 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 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 Company approved the issuance, through private placement, of up to 226,800,000 Series “1” Preferred Shares.

On December 22, 2009, the 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 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 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 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 on the PSE beginning June 10, 2015.

On March 12, 2020, the BOD of the 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.

On February 25, 2025, 300,000,000 Series “1” Preferred Shares, of which 279,406,667 are treasury shares and 20,593,333 are unissued, were reclassified to Series “2” Preferred Shares.

The Company has no issued and outstanding Series “1” Preferred Shares as at December 31, 2025.

ii. Series “2” Preferred Shares

Subseries 2-A, Subseries 2-B and Subseries 2-C

In September 2012, the 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 on 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 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 Company redeemed its 721,012,400 Series “2” Preferred Shares - Subseries “2-A” at a redemption price of P75.00 per share. Unpaid cash dividends were also settled. The Company paid P54,076 to the holders of Subseries “2-A” Preferred Shares. The redemption was approved by the BOD of the Company on August 20, 2015.

On September 23, 2019, the Company redeemed its 90,428,200 Series “2” Preferred Shares - Subseries “2-B” at a redemption price of P75.00 per share. The Company paid P6,782 to the holders of Subseries “2-B” Preferred Shares. The redemption was approved by the BOD of the Company on September 12, 2019.

On September 21, 2021, the Company redeemed its 255,559,400 Series “2” Preferred Shares - Subseries “2-C” at a redemption price of P75.00 per share. The Company paid P19,167 to the holders of Subseries “2-C” Preferred Shares. The redemption was approved by the BOD of the Company on August 5, 2021.

On September 11, 2025, the BOD of the Company approved the delisting of 565,445,086 Series “2” Subseries “2-A”, 90,428,200 Series “2” Subseries “2-B” and 255,559,400 Series “2” Subseries “2-C” Preferred Shares redeemed in September 2015, 2019 and 2021, respectively.

These preferred shares are no longer outstanding after their redemption by the Company which resulted in the suspension by the PSE of the trading of these Series “2” Preferred Shares. Upon redemption, the said shares reverted to the Company’s treasury shares and, subsequently, have been reissued by the Company as different subseries of Series “2” Preferred Shares, under separate applications for listing. With such reissuance and listing, the delisting of the Series “2” Subseries “2-A”, Subseries “2-B” and Subseries “2-C” Preferred Shares is appropriate.

The Company has no outstanding and issued Series “2” Subseries “2-A”, Subseries “2-B” and Subseries “2-C” Preferred Shares as at December 31, 2025 and 2024.

Subseries 2-D, Subseries 2-E and Subseries 2-F

On September 21, 2015, the Company issued and listed on 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"). The said Series "2" Preferred Shares 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 Company redeemed its 89,333,400 Series "2" Preferred Shares - Subseries "2-D" at a redemption price of P75.00 per share. Unpaid cash dividends were also settled. The Company paid P6,700 to the holders of Subseries "2-D" Preferred Shares. The redemption was approved by the BOD of the Company on August 6, 2020.

On September 11, 2025, the BOD of the Company approved the delisting of 89,333,400 Series "2" Subseries "2-D" Preferred Shares redeemed in September 2020.

These preferred shares are no longer outstanding after their redemption by the Company which resulted in the suspension by the PSE of the trading of these Series "2" Preferred Shares. Upon redemption, the said shares reverted to the Company's treasury shares and, subsequently, have been reissued by the Company as different subseries of Series "2" Preferred Shares, under separate applications for listing. With such reissuance and listing, the delisting of the Series "2" Subseries "2-D" is appropriate.

On September 21, 2021, the Company redeemed its 134,000,100 Series "2" Preferred Shares - Subseries "2-E" at a redemption price of P75.00 per share. Unpaid cash dividends were also settled. The Company paid P10,050 to the holders of Subseries "2-E" Preferred Shares. The redemption was approved by the BOD of the Company on August 5, 2021.

On September 22, 2025, the Company redeemed its 223,333,500 Series "2" Preferred Shares - Subseries "2-F" at a redemption price of P75.00 per share. Unpaid cash dividends were also settled. The redemption was approved by the BOD of the Company on August 7, 2025.

The Company has no outstanding and issued Series "2" Subseries "2-D" as at December 31, 2025.

From the 134,000,100 Subseries "2-E" Preferred Shares, 57,527,894 shares are no longer outstanding but they remain issued as they are still in held in treasury, while the balance of 76,472,206 shares were reissued as Subseries "2-O" Preferred Shares.

As at December 31, 2025, the Subseries "2-F" Preferred Shares are no longer outstanding but they remain issued as they are still held in treasury.

Subseries 2-G, Subseries 2-H and Subseries 2-I

On February 24, 2016, the BOD of the PSE approved the listing application of the 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 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 reissued 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 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 Company reissued 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 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 Company redeemed its 66,666,600 Series “2” Preferred Shares - Subseries “2-G” at a redemption price of P75.00 per share. Unpaid cash dividends were also settled. The Company paid P5,000 to the holders of Subseries “2-G” Preferred Shares. The redemption was approved by the BOD of the Company on March 11, 2021.

On December 21, 2022, the Company redeemed its 164,000,000 Series “2” Preferred Shares - Subseries “2-H” at a redemption price of P75.00 per share. Unpaid cash dividends were also settled. The Company paid P12,300 to the holders of Subseries “2-H” Preferred Shares. The redemption was approved by the BOD of the Company on September 22, 2022.

As at December 31, 2025 and 2024, only the 169,333,400 Series “2” Preferred Shares - Subseries “2-I” remain outstanding and issued, and the Subseries “2-G” and Subseries “2-H” Preferred Shares are no longer outstanding but they remain issued as they are still held in treasury.

Subseries 2-J, Subseries 2-K, Subseries 2-P, Subseries 2-Q, Subseries 2-R
On September 30, 2020, the BOD of the PSE approved the listing application of the 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 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 on the PSE.

The 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 on the PSE on December 10, 2020.

Dividend rates are 4.75% and 4.50% per annum for Subseries “2-J” and Subseries “2-K” Preferred Shares, respectively.

On August 7, 2025, the BOD of the Company approved the offer exchange to the holders of 266,666,667 Subseries “2-J” Preferred Shares and 183,904,900 Subseries “2-K” Preferred Shares (collectively, the “Exchange Share”) at a rate of one Exchange Share to one of any of the Series “2” Preferred Shares, to be reissued in three subseries (Subseries “2-P”, Subseries “2-Q” and Subseries “2-R”), which will be reissued from the treasury Series “2” Preferred Shares of the Company.

On October 10, 2025, an aggregate of 251,474,020 Exchange Shares, consisting of 173,760,520 Subseries “2-J” Preferred Shares and 77,713,500 Subseries “2-K” Preferred Shares were tendered to the Company in exchange for 171,370,380 Subseries “2-P” Preferred Shares, 53,815,840 Subseries “2-Q” Preferred Shares and 26,287,800 Subseries “2-R” Preferred Shares. On October 24, 2025, the Company issued and listed on the PSE the Series “2” Subseries “2-P”, Subseries “2-Q” and Subseries “2-R” Preferred Shares.

On October 29 and December 10, 2025, the Company redeemed the remaining 92,906,147 Subseries “2-J” and 106,191,400 Subseries “2-K” Preferred Shares, respectively. The redemption price was the issue price of P75.00 per share. Unpaid cash dividends were also settled. The redemption was approved by the BOD of the Company on August 7, 2025.

As at December 31, 2025, the Subseries “2-J” and Subseries “2-K” Preferred Shares are no longer outstanding but they remain issued as they are still held in treasury.

Subseries 2-M

On August 23, 2023, the Company issued 173,333,325 Subseries “2-M” Preferred Shares via private placement 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 on 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 the Company.

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 Company of up to 866,666,700 Series “2” cumulative, non-voting, non-participating, non-convertible, redeemable and reissuable (the Shelf Registered Shares) and with an offer Supplement for the First Tranche of 400,000,000 Subseries “2-L”, Subseries “2-N” and Subseries “2-O” Preferred Shares (the “Base Offer Shares”) and an Over-subscription Option of up to 266,666,700 Subseries “2-L”, Subseries “2-N” and Subseries “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 on 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.

Subseries 2-S, Subseries 2-T and Subseries 2-U

On October 24, 2025, the Company issued and listed on the PSE 179,837,540 Series “2” Subseries “2-S” Preferred Shares, 73,983,880 Subseries “2-T” Preferred Shares and 146,178,580 Subseries “2-U” Preferred Shares, under the 866,666,700 Series “2” Shelf Registered Preferred Shares. The Subseries “2-S”, Subseries “2-T” and Subseries “2-U” Preferred Shares were issued at P75.00 per share, for a total amount of P30,000, with dividend rates per annum of 6.965%, 7.256% and 7.536%, respectively.

The Offer Shares are perpetual and have no fixed final maturity date.

The shares are cumulative, nonvoting, non-participating, non-convertible, redeemable, reissuable, Philippine Peso-denominated, perpetual Series “2” Preferred Shares, issued out of the Company’s treasury shares.

The Company incurred share issuance costs amounting to P291 and P26 in 2025 and 2024, respectively.

The Company has 1,494,784,745 and 288,194,494 Series “2” Preferred Shares held in treasury as at December 31, 2025 and 2024, respectively.

The Company has 1,447,474,145 and 1,469,905,192 outstanding Series “2” Preferred Shares as at December 31, 2025 and 2024, respectively.

The Company has a total of 172 and 290 preferred shareholders as at December 31, 2025 and 2024, respectively.

c. *Treasury Shares*

Treasury shares consist of:

	2025	2024
Common	P -	P67,093
Preferred	111,345	42,570
	P111,345	P109,663

Common Shares

The Company has no outstanding common shares held in treasury as at December 31, 2025.

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 Republic of the Philippines (ROP) to file the appropriate action or proceeding to determine the legal right of the Company to the 25,450,000 treasury shares of the 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 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 Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Company consisting of 27,580,000 common shares from the treasury shares of the 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 Company sold to overseas investors were simultaneously listed on 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 reissued from the treasury shares of the 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 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 Company were transacted and crossed on the PSE via a special block sale in relation to the issuance of common shares pursuant to the US\$600 exchangeable bonds of the 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 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 Company were transacted and crossed on the PSE on various dates via special block sales.

A total of 9,794,587 common shares were issued to the bondholders of the 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 Company's Employee Stock Purchase Plan (ESPP) were cancelled and held in treasury shares.
In 2016, the Company discontinued the ESPP.
6. On July 7, 2025, the SEC approved the reclassification of the 904,752,537 common shares held as treasury shares into Series "2" Preferred Shares held in treasury. Consequently, the P67,093 "Treasury stock - common" was reclassified to "Treasury stock - preferred", both under "Treasury stock" account in the separate statement of financial position as at December 31, 2025.

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 on the SGX-ST.

The Programme will be available for a medium term and will allow the 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 Company ready access to funding and will give the Company the flexibility to fund its contemplated investments and projects such as the Metro Rail Transit 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 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.

On July 29, 2025, the Company redeemed all the outstanding US\$500 SPCS at an amount equivalent to its face value.

The redemption of US\$500 SPCS was approved by the BOD of the Company on June 10, 2025. The Company recognized a loss of P4,444 on the redemption presented as part of "Retained earnings" account in the separate statement of changes in equity as at December 31, 2025.

RPS

On July 1, 2020, the Company issued P4,000 RPS to a related party, with a rate of distribution of 5% per annum, payable every January 1, April 1, July 1 and October 1 of each year. The RPS was purchased at an amount equivalent to its face value on May 25, 2023.

On August 4, 2020, the 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 Company has the right to defer this distribution under certain conditions.

The net proceeds of RPS were used by the Company for general corporate purposes.

e. Unappropriated Retained Earnings

The unappropriated retained earnings of the Company are restricted in the amount of P67,093 in 2024 representing the cost of common shares held in treasury.

18. Costs and Expenses

Costs and expenses consist of:

	Note	2025	2024
Contracted services		P12,596	P12,232
Personnel	20	1,938	1,447
Professional fees		699	640
Travel, entertainment and representation		340	574
Rent, repairs and maintenance, supplies and utilities	24	246	294
Depreciation and amortization	19	230	192
Taxes and licenses		199	63
Others		90	65
		P16,338	P15,507

Contracted services include cost incurred for services rendered in relation to the financing activities for the ongoing projects of subsidiaries (Note 15).

19. Depreciation and Amortization

Depreciation and amortization arise from the following accounts:

	Note	2025	2024
Property, plant and equipment	8	P113	P95
Right-of-use assets	9	81	80
Intangible assets	12	32	8
Investment property	10	4	9
	18	P230	P192

20. Personnel Expenses

Personnel expenses consist of:

	Note	2025	2024
Salaries and wages		P1,536	P1,115
Retirement costs	25	147	113
Other employee benefits		255	219
	18	P1,938	P1,447

21. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2025	2024
Interest expense		P37,775	P37,917
Other financing charges	13, 15, 25	3,011	2,725
		P40,786	P40,642

Amortization of debt issue costs, included as part of “Other financing charges”, amounted to P2,630 and P2,194 in 2025 and 2024, respectively (Notes 13 and 15).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	Note	2025	2024
Long-term debt	15	P33,657	P34,691
Loans payable	13	4,095	3,195
Lease liabilities	24	23	31
		P37,775	P37,917

The Company paid interest expense and other financing charges amounting to P37,733 and P37,876 in 2025 and 2024, respectively, presented as part of financing activities in the separate statements of cash flows.

22. Interest Income

Interest income consists of:

	Note	2025	2024
Interest from short-term investments, cash in banks and others	5	P3,225	P3,541
Interest on amounts owed by related parties	23, 25	589	633
		P3,814	P4,174

23. Related Party Disclosures

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

Amounts owed by/owed to related parties are expected to be collected/settled in cash. Annual assessment is undertaken by examining the financial position of the related parties and the economic conditions in the market in which they operate.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Related Parties and Advances for Investment	Amounts Owed by Related Parties Owed to	Terms	Conditions
Parent Company	11	2025 2024	P - -	P - -	P3,037 3,037	P - -	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing	Unsecured; no impairment
	26	2025 2024	- -	- -	- -	516 516	Settled on dividend payment date	Unsecured
Entities under Common Control		2025 2024	- -	- -	27 27	- -	On demand; non-interest bearing	Unsecured; no impairment
Subsidiaries	6, 7, 11, 14, 18, 22	2025 2024 2025 2024 2025 2024 2025 2024 2025 2024	16,398 15,824 220 220 167 224 - - - -	1,106 1,045 - - - - - - - -	86,482 82,394 7,496 7,375 817 3,067 4,395 6,828 - -	8,151 7,878 - - - - - - - -	On demand; non-interest bearing On demand and 90 days; interest bearing 5 years and 20 years; interest bearing Upon issuance of shares	Unsecured; no impairment Unsecured; no impairment Unsecured; no impairment To be applied against future stock subscription
Associates of Subsidiaries	6, 11, 14, 18	2025 2024	37 35	85 26	23 23	16 16	On demand; interest bearing and non-interest bearing	Unsecured; no impairment
	7	2025	-	-	6,344	-	Upon issuance of shares	To be applied against future stock subscription
Retirement Plan	6, 22, 25	2025 2024 2025 2024	33 30 182 189	- - - -	2,954 3,078 3,110 3,233	- - - -	On demand; non-interest bearing On demand; interest bearing	Unsecured; no impairment Unsecured; no impairment
Others		2025	19	-	22	-	On demand; non-interest bearing	Unsecured; no impairment
		2025	P17,076	P1,191	P114,707	P8,683		
		2024	P16,522	P1,071	P109,062	P8,410		

- Purchases consist of purchase of power, products and services from related parties.
- Amounts owed by related parties consist of receivables arising from management fees, share in expenses, royalty, rental and interest; non-interest bearing non-trade receivables; and advances for investment.
 - Amounts owed by related parties also include prepaid rent amounting to P5 and P4 as at December 31, 2025 and 2024, respectively, presented as part of "Prepaid expenses and other current assets" account in the separate statements of financial position.
 - Amounts owed by related parties include interest bearing receivable from the 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 Company amounting to P725.
 - Amounts owed by the Parent Company amounting to P2,312: On September 27, 2019, the parties 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.
 - Amounts owed by the Parent Company amounting to P725: On September 27, 2019, the parties agreed in writing that the amount plus 5.75% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, upon commencement of commercial operations of the Nonoc Project.

The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Philnico Industrial Corporation, Pacific Nickel Philippines, Inc., and Philnico Processing Corp., indirect subsidiaries of Clariden. As at December 31, 2025 and 2024, the Nonoc Project has not yet started commercial operations.

These amounts are included as part of amounts owed by related parties under "Noncurrent receivables - net" account in the separate statements of financial position as at December 31, 2025 and 2024 (Note 11).

- c) Amounts owed by related parties include interest bearing advances.
- d) Amounts owed by related parties include advances for investment which will be applied against future stock subscription.

Current Shareholder Advances:

- *Amounts owed by Atlantic Aurum Investments B.V. (AAIBV):* The Company provided interest bearing advances to AAIBV amounting to US\$128 in 2013. These amounts are subject to 3.00% interest rate per annum, payable upon maturity on May 28, 2018, or until the note is fully paid.

These amounts are included as part of amounts owed by related parties under "Receivable - net" account in the separate statements of financial position as at December 31, 2025 and 2024 (Note 6).

Noncurrent Shareholder Advances:

- *Amounts owed by SMILSI:* The Company provided interest bearing shareholder advances to SMILSI amounting to P2,250 in 2021. These amounts are subject to 3.00% interest rate per annum on the 1st 90 days. The interest rate is subject to a quarterly review by the Company and SMILSI based on the prevailing market rates. These amounts are payable upon maturity on various dates in 2026.

The amounts owed by SMILSI were fully paid in 2025.

- *Amounts owed by SMAI:* The Company provided interest bearing shareholder advances to SMAI amounting to P817 in 2020. These amounts are subject to 5.00% interest rate per annum for the initial interest period and interest rate based on 10-year PHP Bloomberg Valuation (on interest resetting date) plus 3.00% interest rate per annum (or such other applicable premium to be agreed upon between the Company and SMAI) for the second initial and final interest period. These amounts are payable upon maturity on various dates in 2040.

These amounts are included as part of "Noncurrent receivables - net" account in the separate statements of financial position as at December 31, 2025 and 2024 (Note 11).

Interest income earned from the advances amounted to P589 and P633 in 2025 and 2024, respectively (Note 22).

3. Amounts owed to related parties, consisting of payables, subscription of shares, insurance, advance rental, security deposits, lease liabilities, dividends and distributions payable and commodity hedges, follow:

	Note	2025	2024
Accounts payable and accrued expenses	14		
Amounts owed to related parties (excluding current lease liabilities)		P6,317	P6,193
Current lease liabilities		117	104
Derivative liabilities		-	17
Subscriptions payable	7	1,635	1,365
Dividends and distributions payable	26	516	516
Noncurrent lease liabilities (included under "Other noncurrent liabilities" account)	24	98	215
		P8,683	P8,410

4. The compensation of key management personnel of the Company, by benefit type, follows:

	Note	2025	2024
Short-term employee benefits		P231	P231
Retirement benefits	25	14	11
		P245	P242

24. Leasing Agreements

Company as Lessor

The Company has entered into various property leases. These non-cancellable leases will expire up to year 2050. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future undiscounted lease payments to be received under operating leases after the reporting date are as follows:

	2025	2024
Within one year	P206	P195
More than one to two years	205	192
More than two to three years	207	196
More than three to four years	216	204
More than four to five years	179	212
More than five years	438	437
	P1,451	P1,436

Rent income recognized in the separate statements of income amounted to P377 and P352 in 2025 and 2024, respectively (Notes 4 and 10).

Company as Lessee

The Company mainly leases building and improvements, which typically run for a period of 10 years. The Company has the option to renew the lease after the expiration of the lease term.

The Company recognized interest expense related to these leases amounting to P23 and P31 in 2025 and 2024, respectively (Note 21).

The Company also leases office facilities. The leases typically run for a period of one year. Some leases provide an option to renew the lease at the end of the lease term and are subjected to reviews to reflect current market rentals. The expenses relating to these short-term leases, recognized as rent expense and included as part of "Costs and expenses" account in the separate statements of income, amounted to P16 and P22 in 2025 and 2024, respectively (Note 18).

The Company's total cash outflows for the lease amounted to P121 and P115 in 2025 and 2024, respectively.

25. Retirement Plan

The Company has a funded, noncontributory, defined benefit retirement plan (Retirement Plan) covering all of its permanent employees. The Retirement Plan of the Company pays out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plan. Annual cost is determined by using the projected unit credit method. The latest actuarial valuation date is December 31, 2025. Valuations are obtained on a periodic basis.

The Retirement Plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended. The control and administration of the Retirement Plan is vested in the Board of Trustees. The Board of Trustees of the Retirement Plan who exercises voting rights over the shares and approves material transactions are employees and/or officers of the Company. The Retirement Plan's accounting and administrative functions are undertaken by the Retirement Funds Office of the Company.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Asset (Liability)	
	2025	2024	2025	2024	2025	2024	2025	2024
Balance at beginning of year	P2,652	P2,032	(P3,084)	(P2,422)	P -	P -	(P432)	(P390)
Recognized in Profit or Loss								
Service costs	-	-	(147)	(113)	-	-	(147)	(113)
Interest expense	-	-	(188)	(148)	-	-	(188)	(148)
Interest income	160	134	-	-	-	-	160	134
	160	134	(335)	(261)	-	-	(175)	(127)
Recognized in Other Comprehensive Income								
Remeasurements:								
Actuarial gains (losses) arising from:								
Experience adjustments	-	-	(300)	(491)	-	-	(300)	(491)
Changes in financial assumptions	-	-	59	(5)	-	-	59	(5)
Changes in demographic assumptions	-	-	(23)	19	-	-	(23)	19
Return on plan assets excluding interest income	2,296	168	-	-	-	-	2,296	168
Changes in the effect of asset ceiling	-	-	-	-	(544)	-	(544)	-
	2,296	168	(264)	(477)	(544)	-	1,488	(309)
Others								
Contributions	424	394	-	-	-	-	424	394
Benefits paid	(476)	(138)	476	138	-	-	-	-
Transfers from other plans	-	62	-	(62)	-	-	-	-
	(52)	318	476	76	-	-	424	394
Balance at end of year	P5,056	P2,652	(P3,207)	(P3,084)	(P544)	P -	P1,305	(P432)

The Company's annual contribution to the Retirement Plan consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized as part of "Personnel expenses" under "Cost and expenses" account in the separate statements of income amounted to P147 and P113 in 2025 and 2024, respectively (Note 20).

The net interest on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" account in the separate statements of income amounted to P28 and P14 in 2025 and 2024, respectively (Note 21).

The defined benefit retirement asset included as part of "Other noncurrent assets" account amounted to P1,305 as at December 31, 2025 (Note 12). The defined benefit retirement liability included as part of "Other noncurrent liabilities" account amounted to P432 as at December 31, 2024.

The carrying amounts of the Company's retirement fund approximate fair values as at December 31, 2025 and 2024.

The Company's plan assets consist of the following:

	In Percentages	
	2025	2024
Investments in marketable securities	81.87	83.74
Investments in pooled funds:		
Fixed income portfolio	0.46	0.50
Stock trading portfolio	0.55	0.58
Investments in real estate	7.86	7.61
Others	9.26	7.57

Investments in Marketable Securities

As at December 31, 2025, the plan assets include:

- 2,363,967 common shares of the Company with fair market value per share of P82.00;
- 1,917,608 common shares of Top Frontier with fair market value per share of P61.00;
- 5,817,380 common shares of SMFB with fair market value per share of P55.00;
- 5,085,800 common shares of San Miguel Brewery Inc. (SMB) with fair market value per share of P20.00;
- 11,200,601 common shares of Ginebra San Miguel Inc. (GSMI) with fair market value per share of P295.00;
- 273,580,000 common shares of Petron with fair market value per share of P2.48;
- 300 common shares of SMPI with fair market value per share of P134.12;
- 432,626,860 common shares of Bank of Commerce (BankCom) with fair market value per share of P9.20; and
- investment in shares of stock of the PSE, other equity securities and bonds which amounted to P1,728.

As at December 31, 2024, the plan assets include:

- 2,363,967 common shares of the Company with fair market value per share of P86.00;
- 1,917,608 common shares of Top Frontier with fair market value per share of P63.10;
- 5,817,380 common shares of SMFB with fair market value per share of P52.75;
- 5,085,800 common shares of SMB with fair market value per share of P20.00;
- 11,200,601 common shares of GSML with fair market value per share of P275.00;
- 273,580,000 common shares of Petron with fair market value per share of P2.43;
- 300 common shares of SMPI with fair market value per share of P134.12;
- 432,626,860 common shares of BankCom with fair market value per share of P6.75; and
- investment in shares of stock of the PSE, other equity securities and bonds which amounted to P1,495.

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 3).

The Company's Retirement Plan recognized a gain on the investment in marketable securities of the Company, its subsidiaries and Top Frontier amounting to P1,304 and P556 in 2025 and 2024, respectively.

Dividend income from the investment in shares of stock of the Company and its subsidiaries amounted to P430 and P305 in 2025 and 2024, respectively.

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 Company and its domestic subsidiaries 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 assets to be allocated to fixed income instruments and equities. The Retirement Plan has set maximum exposure limits for each type of permissible investment in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and considering existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plan based on its pro-rata share in net assets of the pooled funds. The Retirement Plan's interests in the net assets of the pooled funds were 6.49% and 3.88% of fixed income portfolio as at December 31, 2025 and 2024, respectively, and 23.40% and 22.08% of stock trading portfolio as at December 31, 2025 and 2024, respectively.

Approximately 2.10% and 2.24% of the Retirement Plan's investment in fixed income portfolio represents investment in shares of stock of the Company and its subsidiaries as at December 31, 2025 and 2024, respectively.

Approximately 19.75% and 19.00% of the Retirement Plan's investment in stock trading portfolio represents investment in shares of stock of the Company and its subsidiaries as at December 31, 2025 and 2024, respectively.

Investments in Real Estate

The Retirement Plan has investments in real estate properties as at December 31, 2025 and 2024. The fair value of investment property amounted to P1,000 and P808 as at December 31, 2025 and 2024, respectively.

Others

Others include the Retirement Plan's investment in a trust account, cash and cash equivalents and receivables which earn interest. Investment in a 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 Company's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Company monitors how the duration and expected yield of the investments match the expected cash outflows arising from the retirement benefit obligation.

The Company is not expected to contribute to its defined benefit retirement plan in 2026.

The Retirement Plan exposes the Company 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 Plan's investments and if the return on plan assets falls below this rate, it will create a deficit in the Retirement Plan. 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 Company to manage the Retirement Plan 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	
	2025	2024
Discount rate	6.45	6.09
Salary increase rate	5.00	5.00

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 is 5.0 years and 5.2 years as at December 31, 2025 and 2024, respectively.

As at December 31, 2025 and 2024, 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			
	2025		2024	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P150)	P169	(P133)	P150
Salary increase rate	170	(153)	150	(135)

The Company has advances to and receivables from the Retirement Plan amounting to P6,064 and P6,311 as at December 31, 2025 and 2024, respectively, included as part of "Amounts owed by related parties" under "Receivables" account in the separate statements of financial position (Notes 6 and 23). Portion of the advances are subject to 5.75% interest per annum in 2025 and 2024. Interest income earned from the advances amounted to P182 and P189 in 2025 and 2024, respectively (Notes 22 and 23).

Transactions with the Retirement Plan are made at normal market prices and terms. Outstanding balances as at December 31, 2025 and 2024 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivable. The Company has not made any provision for impairment losses relating to the receivables from the Retirement Plan in 2025 and 2024.

26. Dividends and Distributions

Dividends

The BOD of the Company approved the declaration and payment of the following cash dividends for common and preferred shares as follows:

2025

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 13, 2025	March 28, 2025	April 25, 2025	P0.35
	June 10, 2025	June 27, 2025	July 23, 2025	0.35
	September 11, 2025	October 3, 2025	October 24, 2025	0.35
	December 4, 2025	January 2, 2026	January 23, 2026	0.35
Preferred SMC2F	January 16, 2025	March 21, 2025	April 4, 2025	1.27635
	May 8, 2025	June 20, 2025	July 4, 2025	1.27635
	August 7, 2025	September 19, 2025	October 3, 2025	1.27635
SMC2I	January 16, 2025	March 21, 2025	April 4, 2025	1.18790625
	May 8, 2025	June 20, 2025	July 4, 2025	1.18790625
	August 7, 2025	September 19, 2025	October 3, 2025	1.18790625
	November 13, 2025	December 19, 2025	January 2, 2026	1.18790625

Forward

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
SMC2J	January 16, 2025	March 21, 2025	April 4, 2025	P0.890625
	May 8, 2025	June 20, 2025	July 4, 2025	0.890625
	August 7, 2025	September 19, 2025	October 3, 2025	0.890625
SMC2K	January 16, 2025	March 21, 2025	April 4, 2025	0.84375
	May 8, 2025	June 20, 2025	July 4, 2025	0.84375
	August 7, 2025	September 19, 2025	October 3, 2025	0.84375
	November 13, 2025	December 19, 2025	January 2, 2026	0.740625
	November 13, 2025	December 19, 2025	January 2, 2026	0.309375
SMC2L	January 16, 2025	March 21, 2025	April 4, 2025	1.48396875
	May 8, 2025	June 20, 2025	July 4, 2025	1.48396875
	August 7, 2025	September 19, 2025	October 3, 2025	1.48396875
	November 13, 2025	December 19, 2025	January 2, 2026	1.48396875
SMC2M	January 16, 2025	March 21, 2025	April 4, 2025	1.5703125
	May 8, 2025	June 20, 2025	July 4, 2025	1.5703125
	August 7, 2025	September 19, 2025	October 3, 2025	1.5703125
	November 13, 2025	December 19, 2025	January 2, 2026	1.5703125
SMC2N	January 16, 2025	March 21, 2025	April 4, 2025	1.5649875
	May 8, 2025	June 20, 2025	July 4, 2025	1.5649875
	August 7, 2025	September 19, 2025	October 3, 2025	1.5649875
	November 13, 2025	December 19, 2025	January 2, 2026	1.5649875
SMC2O	January 16, 2025	March 21, 2025	April 4, 2025	1.611300
	May 8, 2025	June 20, 2025	July 4, 2025	1.611300
	August 7, 2025	September 19, 2025	October 3, 2025	1.611300
	November 13, 2025	December 19, 2025	January 2, 2026	1.611300
SMC2P	November 13, 2025	December 19, 2025	January 2, 2026	0.82709375
SMC2Q	November 13, 2025	December 19, 2025	January 2, 2026	0.86165
SMC2R	November 13, 2025	December 19, 2025	January 2, 2026	0.8949
SMC2S	November 13, 2025	December 19, 2025	January 2, 2026	0.82709375
SMC2T	November 13, 2025	December 19, 2025	January 2, 2026	0.86165
SMC2U	November 13, 2025	December 19, 2025	January 2, 2026	0.8949

2024

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 11, 2024	March 27, 2024	April 26, 2024	P0.35
	June 11, 2024	June 28, 2024	July 26, 2024	0.35
	November 7, 2024	November 22, 2024	December 2, 2024	0.35
	December 5, 2024	January 3, 2025	January 24, 2025	0.35
Preferred SMC2F	January 18, 2024	March 21, 2024	April 4, 2024	1.27635
	May 14, 2024	June 21, 2024	July 4, 2024	1.27635
	August 8, 2024	September 20, 2024	October 4, 2024	1.27635
	November 7, 2024	December 20, 2024	January 3, 2025	1.27635
SMC2I	January 18, 2024	March 21, 2024	April 4, 2024	1.18790625
	May 14, 2024	June 21, 2024	July 4, 2024	1.18790625
	August 8, 2024	September 20, 2024	October 4, 2024	1.18790625
	November 7, 2024	December 20, 2024	January 3, 2025	1.18790625
SMC2J	January 18, 2024	March 21, 2024	April 4, 2024	0.890625
	May 14, 2024	June 21, 2024	July 4, 2024	0.890625
	August 8, 2024	September 20, 2024	October 4, 2024	0.890625
	November 7, 2024	December 20, 2024	January 3, 2025	0.890625
SMC2K	January 18, 2024	March 21, 2024	April 4, 2024	0.84375
	May 14, 2024	June 21, 2024	July 4, 2024	0.84375
	May 14, 2024	June 21, 2024	July 4, 2024	0.1031250
	August 8, 2024	September 20, 2024	October 4, 2024	0.84375
	November 7, 2024	December 20, 2024	January 3, 2025	0.84375

Forward

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
SMC2L	January 18, 2024	March 21, 2024	April 4, 2024	P1.48396875
	May 14, 2024	June 21, 2024	July 4, 2024	1.48396875
	May 14, 2024	June 21, 2024	July 4, 2024	0.3297708333333333
	August 8, 2024	September 20, 2024	October 4, 2024	1.48396875
	November 7, 2024	December 20, 2024	January 3, 2025	1.48396875
SMC2M	January 18, 2024	March 21, 2024	April 4, 2024	1.5703125
	May 14, 2024	June 21, 2024	July 4, 2024	1.5703125
	May 14, 2024	June 21, 2024	July 4, 2024	0.5059895833333333
	August 8, 2024	September 20, 2024	October 4, 2024	1.5703125
	November 7, 2024	December 20, 2024	January 3, 2025	1.5703125
SMC2N	January 18, 2024	March 21, 2024	April 4, 2024	1.5649875
	May 14, 2024	June 21, 2024	July 4, 2024	1.5649875
	May 14, 2024	June 21, 2024	July 4, 2024	0.347775
	August 8, 2024	September 20, 2024	October 4, 2024	1.5649875
	November 7, 2024	December 20, 2024	January 3, 2025	1.5649875
SMC2O	January 18, 2024	March 21, 2024	April 4, 2024	1.611300
	May 14, 2024	June 21, 2024	July 4, 2024	1.611300
	May 14, 2024	June 21, 2024	July 4, 2024	0.3580666666666667
	August 8, 2024	September 20, 2024	October 4, 2024	1.611300
	November 7, 2024	December 20, 2024	January 3, 2025	1.611300

On January 15, 2026, the BOD of the Company declared cash dividends to all preferred shareholders of record as at March 20, 2026 the following shares to be paid on March 30, 2026, as follows:

Class of Shares	Dividends Per Share
SMC2I	P1.18790625
SMC2L	1.48396875
SMC2M	1.5703125
SMC2N	1.5649875
SMC2O	1.6113
SMC2P	1.3059375
SMC2Q	1.3605
SMC2R	1.413
SMC2S	1.3059375
SMC2T	1.3605
SMC2U	1.413

On March 12, 2026, the BOD of the Company declared cash dividends at P0.35 per share to all common shareholders of record as at March 30, 2026 to be paid on April 17, 2026.

Distributions

The Company paid distributions of P192 in 2025 and 2024 to the holders of RPS. The Company also paid distributions of P2,122 and P2,102 in 2025 and 2024, respectively, to the holders of SPCS. Payment of distributions is in accordance with the terms and conditions of their respective separate subscription agreements with the Company.

27. Basic and Diluted Earnings Per Common Share

Basic and diluted EPS is computed as follows:

	2025	2024
Net loss	(P5,325)	(P14,798)
Dividends on preferred shares	(7,505)	(7,423)
Distributions to capital securities	(1,439)	(2,294)
Net loss attributable to common shareholders (a)	(P14,269)	(P24,515)
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	2,384	2,384
Basic and diluted loss per common share (a/b)	(P5.99)	(P10.28)

The loss per common share is computed based on amounts in nearest Peso.

As at December 31, 2025 and 2024, the Company has no dilutive debt or equity instruments.

28. Supplemental Cash Flow Information

Supplemental information with respect to the separate statements of cash flows is presented below:

- a. Changes in 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 separate statements of financial position):

	2025	2024
Receivables	(P8,134)	(P13,105)
Prepaid expenses and other current assets	796	538
Accounts payable and accrued expenses	601	3
Income and other taxes payable and others	434	346
	(P6,303)	(P12,218)

b. Changes in liabilities arising from financing activities:

	Loans Payable	Long-term Debt	Dividends and Distributions Payable	Lease Liabilities
Balance at January 1, 2025	P67,226	P626,294	P3,786	P332
Changes from Financing Cash Flows				
Proceeds of borrowings	400,056	66,960	-	-
Payments of borrowings	(401,815)	(8,675)	-	-
Dividends and distributions paid	-	-	(13,056)	-
Payments of lease liabilities	-	-	-	(105)
Total change from financing cash flows	(1,759)	58,285	(13,056)	(105)
Effect of changes in foreign exchange rates	885	7,965	-	-
Dividends and distributions declared	-	-	13,054	-
Other changes	236	2,387	-	-
	1,121	10,352	13,054	-
Balance at December 31, 2025	P66,588	P694,931	P3,784	P227

	Loans Payable	Long-term Debt	Dividends and Distributions Payable	Lease Liabilities
Balance at January 1, 2024	P21,300	P582,393	P3,068	P425
Changes from Financing Cash Flows				
Proceeds of borrowings	390,321	163,891	-	-
Payments of borrowings	(344,298)	(140,806)	-	-
Dividends and distributions paid	-	-	(12,600)	-
Payments of lease liabilities	-	-	-	(93)
Total change from financing cash flows	46,023	23,085	(12,600)	(93)
Effect of changes in foreign exchange rates	(129)	18,663	-	-
Dividends and distributions declared	-	-	13,318	-
Other changes	32	2,153	-	-
	(97)	20,816	13,318	-
Balance at December 31, 2024	P67,226	P626,294	P3,786	P332

29. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company 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 Company include cash and cash equivalents, financial assets at FVOCI, short-term and long-term loans, dividends and distributions payable, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Company such as receivables, accounts payable and accrued expenses and lease liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Company such as currency options, currency swaps and interest rate swap are intended mainly for risk management purposes. The Company uses derivatives to manage its exposures to foreign currency and interest rate risks arising from operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the separate financial statements.

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

The risk management policies of the Company are established to identify and analyze the risks faced by the Company, 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 Company, 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 Company's corporate governance process relating to the: a) quality and integrity of the separate 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 separate 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 maybe 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 Company 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 Company and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Company. 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 Company's exposure to changes in interest rates relates primarily to long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company 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 Company 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 Company invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Company 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 Company's financial instruments to various standard and non-standard interest rate scenarios.

The Company uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Company 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 Company 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 Company'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, 2025	<1 Year	1-2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P15,012	P42,275	P37,269	P27,212	P -	P43,187	P164,955
Interest rate	6.9375% - 7.4998%	5.2704% - 7.4998%	6.3000% - 7.4998%	5.8434% - 7.8467%	-	7.2584% - 8.4890%	
Foreign currency-denominated (expressed in Philippine Peso)	-	-	8,818	8,818	-	-	17,636
Interest rate	-	-	6.55%	6.68%	-	-	
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso)	70,456	58,701	140,082	132,189	66,869	52,340	520,637
Interest rate	SOFR + margin	SOFR + margin	SOFR/TONA + margin	SOFR + margin	SOFR/TONA + margin	SOFR + margin	
	P85,468	P100,976	P186,169	P168,219	P66,869	P95,527	P703,228
December 31, 2024	<1 Year	1-2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P2,650	P15,012	P42,275	P31,569	P27,212	P43,187	P161,905
Interest rate	6.6250% - 7.4998%	6.9375% - 7.4998%	5.2704% - 7.4998%	7.1250% - 7.4998%	5.8434% - 7.8467%	7.2584% - 8.4890%	
Foreign currency-denominated (expressed in Philippine Peso)	-	-	-	8,677	8,677	-	17,354
Interest rate	-	-	-	6.55%	6.68%	-	
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso)	5,501	68,855	57,285	134,221	129,592	60,528	455,982
Interest rate	SOFR + margin	SOFR + margin	SOFR + margin	SOFR + margin	SOFR + margin	SOFR + margin	
	P8,151	P83,867	P99,560	P174,467	P165,481	P103,715	P635,241

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Company's profit before tax (through the impact on floating rate borrowings) by P5,206 and P4,560 in 2025 and 2024, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Company's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine Peso, which is the denomination of the bulk of the Company's transactions. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Company. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Company 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 Company 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 Company 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 hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Company'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 Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine Peso equivalents is as follows:

	December 31, 2025		December 31, 2024	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$956	P56,180	US\$953	P55,143
Receivables	192	11,301	191	11,013
	1,148	67,481	1,144	66,156
Liabilities				
Loans payable	(700)	(41,153)	(300)	(17,354)
Accounts payable and accrued expenses	(121)	(7,088)	(111)	(6,435)
Long-term debt	(9,156)	(538,273)	(8,183)	(473,336)
	(9,977)	(586,514)	(8,594)	(497,125)
Net Foreign Currency- denominated Monetary Liabilities	(US\$8,829)	(P519,033)	(US\$7,450)	(P430,969)

The Company reported net loss on foreign exchange amounting to P6,764 and P15,327 in 2025 and 2024, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine Peso against the US Dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2025	58.790
December 31, 2024	57.845

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Company'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 Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's other comprehensive income.

	December 31, 2025		December 31, 2024	
	Effect on Income before		Effect on Income before	
	Income Tax		Income Tax	
	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate
Cash and cash equivalents	(P956)	P956	(P953)	P953
Receivables	(192)	192	(191)	191
	(1,148)	1,148	(1,144)	1,144
Loans payable	700	(700)	300	(300)
Accounts payable and accrued expenses	121	(121)	111	(111)
Long-term debt	9,156	(9,156)	8,183	(8,183)
	9,977	(9,977)	8,594	(8,594)
	P8,829	(P8,829)	P7,450	(P7,450)

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

Commodity Swaps and Options. Commodity swaps and options are used to manage the exposures of certain subsidiaries to volatility in prices of certain commodities such as aluminum, fuel oil and coal.

Liquidity Risk

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

The Company'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 Company constantly monitors and manages its liquidity position, liquidity gaps and surplus daily. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Company also uses derivative instruments such as forwards and swaps to manage liquidity.

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

December 31, 2025	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years
Financial Assets					
Cash and cash equivalents	P60,502	P60,502	P60,502	P -	P -
Receivables - net	123,693	123,693	123,693	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	2,521	2,521	226	104	2,191
Financial assets at FVOCI (included under "Investments and advances - net" account)	200,459	200,459	-	-	200,459
Noncurrent receivables - net (excluding lease receivable)	3,864	5,506	66	70	5,370
Financial Liabilities					
Loans payable	66,588	67,808	67,808	-	-
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent and lease liabilities)	17,784	17,784	17,784	-	-
Subscriptions payable	1,635	1,635	1,635	-	-
Dividends and distributions payable	3,784	3,784	3,784	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	817	817	33	-	784
Long-term debt - net of debt issue costs (including current maturities)	694,931	830,312	125,399	133,383	571,530
Lease liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	227	252	131	102	19
Other noncurrent liabilities (excluding lease liabilities and derivative liabilities)	1,061	1,061	-	5	1,056
December 31, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years
Financial Assets					
Cash and cash equivalents	P59,463	P59,463	P59,463	P -	P -
Receivables - net	118,551	118,551	118,551	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	1,601	1,601	17	275	1,309
Financial assets at FVOCI (included under "Investments and advances - net" account)	253,791	253,791	-	-	253,791
Noncurrent receivables - net (excluding lease receivable)	6,114	8,425	214	217	7,994
Financial Liabilities					
Loans payable	67,226	67,517	67,517	-	-
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent and lease liabilities)	17,314	17,314	17,314	-	-
Subscriptions payable	1,365	1,365	1,365	-	-
Dividends and distributions payable	3,786	3,786	3,786	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	150	150	22	-	128
Long-term debt - net of debt issue costs (including current maturities)	626,294	794,069	48,530	122,314	623,225
Lease liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	332	380	128	131	121
Other noncurrent liabilities (excluding noncurrent retirement liabilities, lease liabilities and derivative liabilities)	941	941	-	20	921

Credit Risk

Credit risk is the risk of financial loss to the Company when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables. The Company manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Company's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Company has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company 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 Company ensures that sales on account are made to customers with appropriate credit history. The Company 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 Company only on a prepayment basis.

The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of homogenous counterparties. The Company does not execute any credit guarantee in favor of any counterparty.

The table below presents the Company'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.

December 31, 2025						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash and cash equivalents (excluding cash on hand)	P60,498	P -	P -	P -	P -	P60,498
Receivables	-	123,693	7,431	-	-	131,124
Derivative assets	-	-	-	21	2,500	2,521
Noncurrent receivables (excluding lease receivable)	-	3,864	253	-	-	4,117
	P60,498	P127,557	P7,684	P226	P2,521	P198,260

December 31, 2024						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash and cash equivalents (excluding cash on hand)	P59,459	P -	P -	P -	P -	P59,459
Receivables	-	118,551	7,427	-	-	125,978
Derivative assets	-	-	-	49	1,552	1,601
Noncurrent receivables (excluding lease receivable)	-	6,114	253	-	-	6,367
	P59,459	P124,665	P7,680	P49	P1,552	P193,405

The aging of receivables is as follows:

	December 31, 2025			December 31, 2024		
	Amounts Owed by Related Parties	Non-trade Receivables	Total	Amounts Owed by Related Parties	Non-trade Receivables	Total
Current	P97,360	P26,333	P123,693	P93,385	P25,166	P118,551
Over 90 days past due	2,617	4,814	7,431	2,617	4,810	7,427
	P99,977	P31,147	P131,124	P96,002	P29,976	P125,978

Majority of the receivables pertain to related party accounts that are not impaired, and are collectible. The Company 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.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprise 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 Company.

The credit quality of financial assets is being managed by the Company using internal credit ratings. Credit quality of the financial assets was determined as follows:

High grade includes deposits or placements with reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents (excluding cash on hand) and derivative assets, collectively amounting to P63,019 and P61,060 as at December 31, 2025 and 2024, respectively.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Company's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include current and noncurrent receivables (excluding lease receivables), collectively amounting to P135,241 and P132,345 as at December 31, 2025 and 2024, respectively.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Other Market Price Risk

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

Capital Management

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

The Company 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 separate 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 Company's business, operation and industry.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirement.

30. Financial Assets and Financial Liabilities

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

	December 31, 2025		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P60,502	P60,502	P59,463	P59,463
Receivables - net	123,693	123,693	118,551	118,551
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	2,521	2,521	1,601	1,601
Financial assets at FVOCI (included under "Investments and advances - net" account)	200,459	200,459	253,791	253,791
Noncurrent receivables - net (excluding lease receivable)	3,864	3,864	6,114	6,114
Financial Liabilities				
Loans payable	66,588	66,588	67,226	67,226
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent and lease liabilities)	17,784	17,784	17,314	17,314
Subscriptions payable	1,635	1,635	1,365	1,365
Dividends and distributions payable	3,784	3,784	3,786	3,786
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	817	817	150	150
Long-term debt - net of debt issue costs (including current maturities)	694,931	705,449	626,294	635,708
Lease liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	227	227	332	332
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities and lease liabilities)	1,061	1,061	941	941

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Current and Noncurrent Receivables. The carrying amount of cash and cash equivalents and current receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables, 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 derivative instruments are based on quotes obtained from the counterparties.

Financial Assets at FVOCI. The fair values of publicly traded equity instruments are based on quoted market prices in an active market. For equity instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

Loans Payable, Accounts Payable and Accrued Expenses, Subscriptions Payable and Dividends and Distributions Payable. The carrying amount of loans payable, accounts payable and accrued expenses, subscriptions payable and dividends and distributions payable approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Lease 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 4.6% to 6.0% and 5.3% to 6.2% as at December 31, 2025 and 2024, respectively. The discount rates used for foreign currency-denominated loan ranges from 3.5% to 3.7% and 4.2% to 4.4% as at December 31, 2025 and 2024, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Company's derivative financial instruments according to the type of financial risk being managed and the details of freestanding 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 Company 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 Financial Instruments Accounted for as Cash Flow Hedges

The Company designated the following derivative financial instruments as cash flow hedges:

December 31, 2025	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Non-deliverable call spreads:				
Notional amount	US\$40	US\$40	US\$935	US\$1,015
Average strike rate	P51.35 to P55.40	P54.30 to P59.00	P55.35 to P61.845	-
Interest rate risk:				
Interest rate options:				
Notional amount	US\$225	US\$ -	US\$1,050	US\$1,275
Interest rate	0.39% to 2.91%	-	0.50% to 6.25%	-
Foreign currency and interest rate risk:				
Non-deliverable swap and options:				
Notional amount	JPY -	JPY -	JPY61,600	JPY61,600
Average strike rate	-	-	P0.3809 to P0.53326	-
Interest rate	-	-	6.25% to 6.40%	-

December 31, 2024	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Non-deliverable call spreads:				
Notional amount	US\$ -	US\$40	US\$515	US\$555
Average strike rate	-	P51.35 to P55.40	P54.30 to P61.62	-
Interest rate risk:				
Interest rate options:				
Notional amount	US\$ -	US\$225	US\$1,050	US\$1,275
Interest rate	-	0.39% to 2.91%	0.50% to 6.25%	-

The following are the amounts relating to hedged items:

December 31, 2025	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US Dollar-denominated borrowings	(P970)	P -	(P953)
Interest rate risk:			
US Dollar-denominated borrowings	79	200	(247)
Foreign currency and interest rate risks:			
Japanese Yen-denominated borrowings	400	-	(447)
December 31, 2024	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US Dollar-denominated borrowings	(P880)	P -	(P752)
Interest rate risk:			
US Dollar-denominated borrowings	(516)	380	(309)
Foreign currency and interest rate risks:			
US Dollar-denominated borrowings	(75)	-	-

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, 2025	Notional Amount	Carrying Amount		Line Item in the Separate 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 Separate Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Separate Statement of Income	Line Item in the Separate Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign currency risk: Non-deliverable call spreads	US\$1,015	P2,375	P -	Prepaid expenses and other current assets, and Other noncurrent assets	P970	(P747)	(P970)	P479	Interest expense and other financing charges, and Loss on foreign exchange - net
Interest rate risk: Interest rate options	US\$1,275	125	(187)	Prepaid expenses and other current assets, Other noncurrent assets, and Other noncurrent liabilities	(79)	84	(161)	-	Interest expense and other financing charges
Foreign currency and interest rate risks: Non-deliverable swap and options	JPY61,600	-	(597)	Other noncurrent liabilities	(400)	(597)	400	-	Interest expense and other financing charges
December 31, 2024	Notional Amount	Carrying Amount		Line Item in the Separate 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 Separate Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Separate Statement of Income	Line Item in the Separate Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign currency risk: Non-deliverable call spreads	US\$555	P1,297	P -	Other noncurrent assets	P880	(P892)	(P880)	P276	Interest expense and other financing charges, and Loss on foreign exchange - net
Interest rate risk: Interest rate options	US\$1,275	255	(127)	Other noncurrent assets, and Other noncurrent liabilities	516	(68)	(207)	-	Interest expense and other financing charges
Foreign currency and interest rate risks: Non-deliverable swap and options	-	-	-		75	(27)	(44)	-	Interest expense and other financing charges, and Loss on foreign exchange - net

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in 2025 and 2024 in the separate statements of income.

The table below provides a reconciliation, by risk category, of the components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

	2025		2024	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	P380	(P1,061)	P125	(P528)
Changes in fair value				
Foreign currency risk	970	(747)	880	(892)
Interest rate risk	(79)	84	516	(68)
Foreign currency risk and interest rate risks	(400)	(597)	75	(27)
Amount reclassified to profit or loss	(731)	479	(1,131)	276
Tax effect	60	195	(85)	178
Balance at end of year	P200	(P1,647)	P380	(P1,061)

Derivative Financial Instruments Not Designated as Hedges

The Company enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding derivatives which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the separate statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Company.

Interest Rate Swap

The Company has outstanding interest rate swap with notional amount of US\$75 as at December 31, 2025 and 2024. Under the agreement, the Company receives floating interest rate based on SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P15 and P32 as at December 31, 2025 and 2024, respectively.

Currency Options

The Company has outstanding currency options with an aggregate notional amount of US\$1,003 and US\$50 as at December 31, 2025 and 2024, respectively, and with various maturities in 2026 and 2025. The negative fair value of these currency options amounted to P27 and P5 as at December 31, 2025 and 2024, respectively.

Commodity Swaps

The Company has outstanding swap agreements covering the fuel oil requirements of subsidiaries, with various maturities in 2025. Under the agreement, payment is made either by the Company or its counterparty for the difference between the hedged fixed price and the relevant price index.

The Company has no outstanding commodity swaps on the purchase of fuel oil as at December 31, 2025.

The outstanding notional quantity of fuel oil was 13,200 metric tons as at December 31, 2024. The positive fair value of these swaps on fuel oil amounted to P17 as at December 31, 2024.

The Company recognized marked-to-market gain (loss) from freestanding derivatives amounting to P165 and (P332) in 2025 and 2024, respectively.

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2025	2024
Balance at beginning of year	P1,451	P808
Net change in fair value of derivatives:		
Designated as accounting hedges	52	1,751
Not designated as accounting hedges	165	(332)
	1,668	2,227
Less fair value of settled instruments	(36)	776
Balance at end of year	P1,704	P1,451

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the separate 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, 2025			December 31, 2024		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P2,521	P2,521	P -	P1,601	P1,601
Financial assets at FVOCI	1,194	199,265	200,459	1,215	252,576	253,791
Financial Liabilities						
Derivative liabilities	-	817	817	-	150	150

The Company has no financial instruments valued based on Level 3 as at December 31, 2025 and 2024. In 2025 and 2024, 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.

31. Event After the Reporting Date

Redemption of Preferred Shares

On March 30, 2026, the Company redeemed the 169,333,400 Subseries "2-I" Preferred Shares issued on March 30, 2016 at a redemption price of P75.00 per share. Unpaid cash dividends were also settled. The redemption was approved by the BOD of the Company on January 15, 2026.

The Subseries "2-I" Preferred Shares were redeemed using a portion of the proceeds from the US\$1,000 term loan drawn on March 11, 2026 under the US\$1,500 loan facility.

The redeemed shares were not retired and may be reissued by the Company at a price to be determined by the BOD. The trading of the listed shares is suspended until reissued by the Company, upon the approval of the application for lifting of trading suspension by the Company, in accordance with the listing rules of the PSE.

32. Other Matters

a. Contingencies

The Company 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 separate financial statements of the Company.

Excess Excise Tax Payments

In 2004, the 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 Company but nonetheless made the corresponding payments. Consequently, the 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 and went all the way to the Supreme Court which was resolved in favor of the Company. On September 8, 2020, the BIR issued Tax Credit Certificates (TCC) No. 121-20-00012 amounting to P782 and TCC No. 121-20-00013 amounting to P926 in favor of the Company which were applied in full to the Company's tax obligations as at December 31, 2024 and 2025, respectively.

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 Company had spun off its domestic beer business. The claim was also favorably resolved in favor of the Company and SMB. On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to P105 in favor of SMC which was applied in full to the Company's tax obligations as at December 31, 2021.

b. Tax-free Asset-for-share Agreements

The following are the tax-free asset-for-share agreements as confirmed by BIR:

▪ SMFB

On April 5, 2018, the Company and SMFB signed the Deed of Exchange of Shares pursuant to which the Company will transfer to SMFB, its 7,859,319,270 common shares of the capital stock of SMB and 216,972,000 common shares of the capital stock of GSML. As consideration for the acquisition by SMFB of the Exchange Shares, SMFB issued in favor of the Company 4,242,549,130 new common shares of the capital stock of SMFB on June 29, 2018, upon approval by the SEC of the increase in authorized capital stock of SMFB.

The tax-free exchange between SMFB and the Company was confirmed by the BIR in its Certification No. SN: 010-2019 dated October 12, 2019. On October 31, 2019, the BIR issued the Electronic Certificate Authorizing Registration covering this transaction. The Exchange Shares were issued and registered in the name of SMFB on November 5, 2019.

- SMFB [formerly San Miguel Pure Foods Company Inc. (SMPFC)]

In September 2007, the applications for the approval of the transfer and SMPFC's increase in its authorized capital stock and confirmation of valuation of shares of the Company in San Miguel Foods, Inc., Magnolia Inc. and Monterey Foods Corporation given by way of payment for the shares of SMPFC was approved by the SEC. Following SEC's approval, SMPFC issued 70,865,078 shares to the Company in November 2007 out of its unissued shares and increase in authorized capital stock. This resulted to an increase in the Company's ownership from 99.83% to 99.92%.

The tax-free exchange between SMPFC and the Company was confirmed by the BIR in its Certification No. SN: 029-2008 dated February 1, 2008.

- SMB

On September 27, 2007, the SEC approved the transfer of the domestic beer business net assets to SMB and the increase in the authorized capital stock from P100 to P25,000.

Shares totaling 15,308,416,960, were issued by SMB to the Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 300-2007 dated October 9, 2007.

- Iconic Beverages, Inc. (IBI)

On February 27, 2009, the SEC approved the transfer of the Company's IP rights to IBI and the increase in the authorized capital stock of IBI. Shares totaling 100,000,000 were issued by IBI to the Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 405-2008 dated December 24, 2008. On April 29, 2009, the Company sold its 100% interest in IBI to SMB for a total purchase price of P32,000. Following such sale, IBI became a wholly-owned subsidiary of SMB.

- Brewery Properties Inc. (BPI)

On September 10, 2009, the SEC approved the increase in the par value of BPI's common shares and the increase in its authorized capital stock. With such approval, the transfer of: (i) the certain parcels of land (used in the domestic beer business of SMB) of the Company to BPI in exchange for additional common shares from the existing unissued authorized capital stock of BPI and increase in authorized capital stock; and (ii) the common shares of San Miguel Brewery Inc. Retirement Plan (SMBRP) in Brewery Landholdings, Inc. to BPI as payment for SMBRP's subscription to BPI preferred shares were also approved by the SEC. The transfer was under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 121-2009.

- San Miguel Brewing International Limited (SMBIL)

On August 17, 2009, the Company assigned its international trademarks, trade dress, know-how, copyrights, patents and other intellectual property rights ("International IP Rights") used in connection with the international beer business of the Company and its international subsidiaries valued at US\$31.5 to SMIL. Common shares totaling 2,863,636 were issued to the Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its Certification No. SN: 233-2009.

On December 18, 2009, the BOD of SMB approved the purchase of the international beer and malt-based beverages business of the Company through the purchase of the shares of SMHL in SMBIL, comprising 100% of the issued and outstanding capital stock of SMBIL (SMBIL Shares), with an enterprise value of US\$300. The BOD of the Company likewise approved the sale of its international beer and malt-based beverage business to SMB, through the sale by SMHL, its wholly-owned subsidiary, of the SMBIL Shares to SMB, on the same day. On the same date, the Company, SMB and SMHL entered into a Share Purchase Agreement for the SMBIL Shares.

On December 21, 2009, the BOD of SMIL and SMHL approved the assignment of International IP Rights to SMHL in exchange for 286,363 SMHL common shares.

Also on the same date, the BOD of SMHL and SMBIL approved the assignment of International IP Rights to SMBIL in exchange for 2,863,636 SMBIL shares.

On January 29, 2010, SMB completed the acquisition of SMBIL shares from SMHL.

- Packaging Businesses

- a) Consolidation of Packaging Business through SMYPC

In December 2005, the Company started the consolidation of its packaging business through SMYPC [formerly San Miguel Packaging Specialists, Inc. (SMPSI)]. The Company assigned to SMPSI the property, plant and equipment of its Packaging Division, under a tax-free asset-for-share arrangement, as confirmed by the BIR in its Certification No. SN: 051-2006 dated March 14, 2006, with fair value totaling P1,633 and its shares of stock in Premium Packaging International, Inc., Rightpak International Corporation and San Miguel Yamamura Ball Corporation, in a tax-free equity-for-share basis, totaling P1,250. Advances of the Company to SMPSI amounting to P2,250 were converted to equity in October 2005.

- b) Merger of San Miguel Yamamura Asia Corporation (SMYAC) with SMYPC

On February 24, 2020, the SEC approved the merger of SMYAC with SMYPC whereby the entire assets and liabilities of SMYAC was transferred to and absorbed by SMYPC.

On March 1, 2020, the effective date of the merger of SMYAC with SMYPC, SMYPC issued 3,901,011 common shares to the Company as consideration for the share of the Company in the net assets of SMYAC pursuant to the terms of the Plan of Merger. With the completion of the merger, the Company retained its ownership in SMYPC of 65%.

The investment in 3,901,011 common shares of stock in SMYPC resulting from the exchange of investment in SMYAC were acquired for a total cost of P1,320 and a total fair market value amounting to P4,173 as at the date of exchange, pursuant to the merger between SMYAC and SMYPC.

On November 15, 2021, the BIR issued BIR Ruling No. S40M-426-2021 which confirmed the tax-free exchange of investment relative to the merger of SMYPC and SMYAC.

c. Impact of United States of America-Israel-Iran Conflict

The joint attack of the United States of America and Israel on Iran on February 28, 2026 has resulted in significant volatility in global oil markets. Dubai crude prices increased sharply and remained elevated. The market reaction was driven by concerns over global oil supply following the closure of the Strait of Hormuz, a key transit route through which about 20% of global oil and a significant share of liquefied natural gas supply pass. As a result, prices have remained volatile, with notable movements observed across refined products, particularly middle distillates such as kerosene, jet fuel and diesel.

The Company and its subsidiaries experienced financial market volatility, higher procurement and transportation costs, and emerging supply chain delays due to shipping disruptions and regional restrictions.

These developments represent non-adjusting events after the reporting date, as the conditions arose subsequent to December 31, 2025 and did not exist at the reporting date. Accordingly, these events do not affect the amounts recognized in the separate financial statements as at December 31, 2025. Considering the rapidly evolving nature of the situation, volatility in global oil prices, and uncertainty over the duration and extent of supply disruptions, the Company is currently unable to reliably estimate the potential financial impact on its financial position, financial performance, and cash flows for the subsequent reporting periods.

The Company and its subsidiaries remain focused on ensuring supply chain reliability, pursuing diversification of crude and product sourcing, optimizing inventory levels, and implementing cost management initiatives. The Company continues to adopt prudent risk management to mitigate the adverse effects of the war, and implement appropriate measures to ensure continuity of supply, operations, and cash flows, amid the oil market volatility and disruptions in 2026.

d. Commitments

The outstanding purchase commitments of the Company amounted to P146 and P170 as at December 31, 2025 and 2024, respectively.

e. Foreign Exchange Rates

The foreign exchange rates used in translating the US Dollar monetary assets and liabilities to Philippine Peso were closing rates of P58.790 and P57.845 as at December 31, 2025 and 2024, respectively, for separate statements of financial position 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.

33. Supplementary Information Required by the BIR

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.