

**ANNEX “B-1”**

**SAN MIGUEL CORPORATION**  
**SEC FORM -17Q**  
**(As of March 31, 2024)**

# COVER SHEET

|   |   |   |   |   |   |  |  |  |  |
|---|---|---|---|---|---|--|--|--|--|
| P | W | - | 2 | 7 | 7 |  |  |  |  |
|---|---|---|---|---|---|--|--|--|--|

S. E. C. Registration Number

|  |  |  |  |  |  |  |   |   |   |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|---|---|---|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  | S | A | N |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|---|---|---|--|--|--|--|--|--|--|--|--|

|  |  |  |  |  |  |  |   |   |   |   |   |   |  |  |  |  |  |  |
|--|--|--|--|--|--|--|---|---|---|---|---|---|--|--|--|--|--|--|
|  |  |  |  |  |  |  | M | I | G | U | E | L |  |  |  |  |  |  |
|--|--|--|--|--|--|--|---|---|---|---|---|---|--|--|--|--|--|--|

|  |  |  |   |   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |  |
|--|--|--|---|---|---|---|---|---|---|---|---|---|---|--|--|--|--|--|--|
|  |  |  | C | O | R | P | O | R | A | T | I | O | N |  |  |  |  |  |  |
|--|--|--|---|---|---|---|---|---|---|---|---|---|---|--|--|--|--|--|--|

(Company's Full Name)

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|
| N | O | . | 4 | 0 |   | S | A | N |   | M | I | G | U | E | L |  | A | V | E |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |   |   |   |
| M | A | N | D | A | L | U | Y | O | N | G |   | C | I | T | Y |  |   |   |   |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |   |   |   |
| M | E | T | R | O |   | M | A | N | I | L | A |   |   |   |   |  |   |   |   |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |   |   |   |
| P | H | I | L | I | P | P | I | N | E | S |   |   |   |   |   |  |   |   |   |

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

Atty. Mary Rose S. Tan

Contact Person

(632) 632-3000

Company Telephone Number

|   |   |
|---|---|
| 1 | 2 |
|---|---|

Month

|   |   |
|---|---|
| 3 | 1 |
|---|---|

Day

SEC FORM (1<sup>st</sup> Quarter-2024)

|  |  |   |   |   |   |  |  |
|--|--|---|---|---|---|--|--|
|  |  | 1 | 7 | - | Q |  |  |
|--|--|---|---|---|---|--|--|

FORM TYPE

2<sup>nd</sup> Tuesday of June

|  |  |
|--|--|
|  |  |
|--|--|

Month

|  |  |
|--|--|
|  |  |
|--|--|

Day

Annual Meeting

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

Secondary License Type, If Applicable

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

Dept. Requiring this Doc.

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

Amended Articles Number/Section

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

Total No. of Stockholders

Total Amount of Borrowings

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

Domestic

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

Foreign

-----  
To be accomplished by SEC Personnel concerned

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

File Number

\_\_\_\_\_  
LCU

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

Document I. D.

\_\_\_\_\_  
Cashier

-----  
S T A M P S

-----  
Remarks = pls. Use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-Q**  
**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES**  
**REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended March 31, 2024
2. Commission identification number PW00000227
3. BIR Tax Identification No. 000-060-741-000
4. Exact name of issuer as specified in its charter SAN MIGUEL CORPORATION
5. Philippines  
Province, country or other jurisdiction  
of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. No. 40 San Miguel Avenue,  
Mandaluyong City, Metro Manila  
Address of issuer's principal office 1550  
Postal Code
8. (632) 8632-3000  
Issuer's telephone number, including area code
9. N/A  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

|                                      | Number of Shares of Stock and<br>debt Outstanding as of<br><u>March 31, 2024</u> |
|--------------------------------------|----------------------------------------------------------------------------------|
| <b>Common Shares</b>                 | 2,383,896,588                                                                    |
| <b>Series "2-F" Preferred Shares</b> | 223,333,500                                                                      |
| <b>Series "2-I" Preferred Shares</b> | 169,333,400                                                                      |
| <b>Series "2-J" Preferred Shares</b> | 266,666,667                                                                      |
| <b>Series "2-K" Preferred Shares</b> | 183,904,900                                                                      |
| <b>Series "2-M" Preferred Shares</b> | 173,333,325                                                                      |
| <b>Series "2-L" Preferred Shares</b> | 165,358,600                                                                      |
| <b>Series "2-N" Preferred Shares</b> | 100,115,100                                                                      |
| <b>Series "2-O" Preferred Shares</b> | <u>187,859,700</u>                                                               |
| <b>TOTAL</b>                         | <b>3,853,801,780</b>                                                             |
| <br>Total Liabilities                | <br>P1,842,910 million                                                           |

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [☒] No [☐]

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

**Philippine Stock Exchange**

- (a) Common Shares
- (b) Series "2" Preferred Shares - 2-F
- (c) Series "2" Preferred Shares - 2-I
- (d) Series "2" Preferred Shares - 2-J
- (e) Series "2" Preferred Shares - 2-K
- (f) Series "2" Preferred Shares - 2-M
- (g) Series "2" Preferred Shares - 2-L
- (h) Series "2" Preferred Shares - 2-N
- (i) Series "2" Preferred Shares - 2-O

12. Indicate by check mark whether the registrant:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

## **PART I--FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2024 (with comparative figures as of December 31, 2023 and for the period ended March 31, 2023) and Selected Notes to the Consolidated Financial Statements is hereto attached as **Annex "A"**.

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

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

## **PART II--OTHER INFORMATION**

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

**NONE**

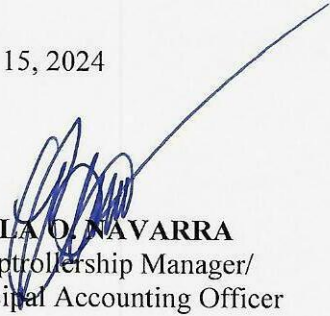
## SIGNATURES

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

Issuer **SAN MIGUEL CORPORATION**

Signature and Title   
**FERDINAND K. CONSTANTINO**  
Chief Finance Officer and Treasurer

Date May 15, 2024

Signature and Title   
**BELLA O. NAVARRA**  
Comptrollership Manager/  
Principal Accounting Officer

Date May 15, 2024

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2024 AND DECEMBER 31, 2023**  
(In Millions)

|                                                                 | <i>Note</i> | 2024<br>Unaudited | 2023<br>Audited   |
|-----------------------------------------------------------------|-------------|-------------------|-------------------|
| <b>ASSETS</b>                                                   |             |                   |                   |
| <b>Current Assets</b>                                           |             |                   |                   |
| Cash and cash equivalents                                       | 8, 9        | P270,341          | P261,358          |
| Trade and other receivables - net                               | 4, 8, 9     | 264,992           | 263,119           |
| Inventories                                                     |             | 149,937           | 161,986           |
| Current portion of biological assets - net                      |             | 3,307             | 3,515             |
| Prepaid expenses and other current assets                       | 4, 8, 9     | 148,287           | 141,424           |
| <b>Total Current Assets</b>                                     |             | <b>836,864</b>    | <b>831,402</b>    |
| <b>Noncurrent Assets</b>                                        |             |                   |                   |
| Investments and advances - net                                  |             | 43,321            | 37,089            |
| Investments in equity and debt instruments                      | 4, 8, 9     | 19,426            | 19,417            |
| Property, plant and equipment - net                             | 5           | 773,247           | 753,472           |
| Right-of-use assets - net                                       |             | 106,830           | 108,014           |
| Investment property - net                                       |             | 81,436            | 79,513            |
| Biological assets - net of current portion                      |             | 2,512             | 2,667             |
| Goodwill - net                                                  |             | 182,723           | 182,791           |
| Other intangible assets - net                                   |             | 312,878           | 306,638           |
| Deferred tax assets                                             |             | 21,124            | 19,633            |
| Other noncurrent assets - net                                   | 4, 8, 9     | 127,167           | 118,729           |
| <b>Total Noncurrent Assets</b>                                  |             | <b>1,670,664</b>  | <b>1,627,963</b>  |
|                                                                 |             | <b>P2,507,528</b> | <b>P2,459,365</b> |
| <b>LIABILITIES AND EQUITY</b>                                   |             |                   |                   |
| <b>Current Liabilities</b>                                      |             |                   |                   |
| Loans payable                                                   | 4, 8, 9     | P231,538          | P214,881          |
| Accounts payable and accrued expenses                           | 4, 8, 9     | 236,480           | 223,055           |
| Lease liabilities - current portion                             | 4, 8, 9     | 15,491            | 19,631            |
| Income and other taxes payable                                  |             | 49,335            | 46,254            |
| Dividends and distributions payable                             | 4, 7        | 5,607             | 4,605             |
| Current maturities of long-term debt - net of debt issue costs  | 4, 8, 9     | 266,626           | 236,798           |
| <b>Total Current Liabilities</b>                                |             | <b>805,077</b>    | <b>745,224</b>    |
| <b>Noncurrent Liabilities</b>                                   |             |                   |                   |
| Long-term debt - net of current maturities and debt issue costs | 4, 8, 9     | 943,186           | 953,786           |
| Lease liabilities - net of current portion                      | 4, 8, 9     | 35,515            | 36,941            |
| Deferred tax liabilities                                        |             | 30,219            | 29,503            |
| Other noncurrent liabilities                                    | 4, 8, 9     | 28,913            | 28,745            |
| <b>Total Noncurrent Liabilities</b>                             |             | <b>1,037,833</b>  | <b>1,048,975</b>  |

Forward

|                                                                    | 2024<br>Unaudited | 2023<br>Audited   |
|--------------------------------------------------------------------|-------------------|-------------------|
| <b>Equity</b>                                                      |                   |                   |
| <b>Equity Attributable to Equity Holders of the Parent Company</b> |                   |                   |
| Capital stock - common                                             | P16,443           | P16,443           |
| Capital stock - preferred                                          | 10,187            | 10,187            |
| Additional paid-in capital                                         | 177,442           | 177,468           |
| Capital securities                                                 | 24,211            | 24,211            |
| Equity reserves                                                    | 7,036             | 7,354             |
| Retained earnings:                                                 |                   |                   |
| Appropriated                                                       | 93,128            | 87,170            |
| Unappropriated                                                     | 93,950            | 103,151           |
| Treasury stock                                                     | (109,763)         | (109,763)         |
|                                                                    | 312,634           | 316,221           |
| <b>Non-controlling Interests</b>                                   | <b>351,984</b>    | <b>348,945</b>    |
| <b>Total Equity</b>                                                | <b>664,618</b>    | <b>665,166</b>    |
|                                                                    | <b>P2,507,528</b> | <b>P2,459,365</b> |

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

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**  
SVP, Corporate Finance - Comptrollership

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023**  
(In Millions, Except Per Share Data)

|                                                                                                         | <i>Note</i> | 2024<br>Unaudited | 2023<br>Unaudited |
|---------------------------------------------------------------------------------------------------------|-------------|-------------------|-------------------|
| SALES                                                                                                   | 2           | P392,713          | P346,725          |
| COST OF SALES                                                                                           |             | 328,363           | 290,182           |
| GROSS PROFIT                                                                                            |             | 64,350            | 56,543            |
| SELLING AND ADMINISTRATIVE EXPENSES                                                                     |             | (23,886)          | (21,490)          |
| INTEREST EXPENSE AND OTHER FINANCING CHARGES                                                            |             | (23,522)          | (21,803)          |
| INTEREST INCOME                                                                                         |             | 3,634             | 3,453             |
| EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES                                                 |             | 416               | 652               |
| GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT                                                           |             | 13                | (45)              |
| OTHER INCOME (CHARGES) - Net                                                                            | 3           | (6,847)           | 10,072            |
| INCOME BEFORE INCOME TAX                                                                                |             | 14,158            | 27,382            |
| INCOME TAX EXPENSE                                                                                      |             | 5,271             | 9,643             |
| NET INCOME                                                                                              |             | P8,887            | P17,739           |
| Attributable to:                                                                                        |             |                   |                   |
| Equity holders of the Parent Company                                                                    |             | P509              | P8,832            |
| Non-controlling interests                                                                               |             | 8,378             | 8,907             |
|                                                                                                         |             | P8,887            | P17,739           |
| Basic and Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company | 6           | (P0.78)           | P3.13             |
| Cash Dividends Declared Per Common Share                                                                | 7           | P0.35             | P0.35             |

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

CERTIFIED CORRECT:

BELLATO NAVARRA  
SVP, Corporate Finance - Comptrollership

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023**  
(In Millions)

|                                                                                      | 2024<br>Unaudited | 2023<br>Unaudited |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>NET INCOME</b>                                                                    | <b>P8,887</b>     | <b>P17,739</b>    |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                                             |                   |                   |
| <b>Items that will not be reclassified to profit or loss</b>                         |                   |                   |
| Remeasurement loss on net defined benefit retirement plan                            | (1)               | (6)               |
| Income tax benefit                                                                   | -                 | 1                 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | (7)               | 11                |
| Income tax benefit (expense)                                                         | 1                 | (7)               |
| Share in other comprehensive income of associates and joint ventures - net           | 1                 | -                 |
|                                                                                      | <b>(6)</b>        | <b>(1)</b>        |
| <b>Items that may be reclassified to profit or loss</b>                              |                   |                   |
| Net loss on exchange differences on translation of foreign operations                | (625)             | (1,495)           |
| Net gain on financial assets at fair value through other comprehensive income        | 9                 | 13                |
| Income tax expense                                                                   | (2)               | -                 |
| Net gain (loss) on cash flow hedges                                                  | 246               | (26)              |
| Income tax benefit (expense)                                                         | (61)              | 10                |
| Share in other comprehensive income (loss) of associates and joint ventures - net    | (51)              | 47                |
|                                                                                      | <b>(484)</b>      | <b>(1,451)</b>    |
| <b>OTHER COMPREHENSIVE LOSS - Net of tax</b>                                         | <b>(490)</b>      | <b>(1,452)</b>    |
| <b>TOTAL COMPREHENSIVE INCOME - Net of tax</b>                                       | <b>P8,397</b>     | <b>P16,287</b>    |
| <b>Attributable to:</b>                                                              |                   |                   |
| Equity holders of the Parent Company                                                 | <b>P197</b>       | <b>P8,249</b>     |
| Non-controlling interests                                                            | <b>8,200</b>      | <b>8,038</b>      |
|                                                                                      | <b>P8,397</b>     | <b>P16,287</b>    |

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

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**  
**SVP, Corporate Finance - Comptrollership**

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023**  
(In Millions)

|                                                                                      | Note | Equity Attributable to Equity Holders of the Parent Company |           |                            |                                     |                             |                 |                    |                     |                      |                   |                |           |           |          | Non-Controlling Interests | Total Equity |
|--------------------------------------------------------------------------------------|------|-------------------------------------------------------------|-----------|----------------------------|-------------------------------------|-----------------------------|-----------------|--------------------|---------------------|----------------------|-------------------|----------------|-----------|-----------|----------|---------------------------|--------------|
|                                                                                      |      | Equity Reserves                                             |           |                            |                                     |                             |                 |                    |                     |                      |                   | Treasury Stock |           |           |          |                           |              |
|                                                                                      |      | Capital Stock                                               |           | Additional Paid-in Capital | Senior Perpetual Capital Securities | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Retained Earnings |                |           |           |          |                           |              |
|                                                                                      |      | Common                                                      | Preferred |                            |                                     |                             |                 |                    |                     |                      | Appropriated      | Unappropriated |           |           |          |                           |              |
|                                                                                      |      |                                                             |           |                            |                                     |                             |                 |                    |                     |                      |                   |                |           |           | Total    |                           |              |
| As at January 1, 2024 (Audited)                                                      |      | P16,443                                                     | P10,187   | P177,468                   | P24,211                             | (P10,465)                   | (P403)          | P330               | P2,974              | P14,918              | P87,170           | P103,151       | (P67,093) | (P42,670) | P316,221 | P348,945                  | P665,166     |
| Net loss on exchange differences on translation of foreign operations                |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | (443)               | -                    | -                 | -              | -         | -         | (443)    | (182)                     | (625)        |
| Share in other comprehensive income (loss) of associates and joint venture - net     |      | -                                                           | -         | -                          | -                                   | -                           | -               | (50)               | (2)                 | -                    | -                 | -              | -         | -         | (52)     | 2                         | (50)         |
| Net gain on cash flow hedges                                                         |      | -                                                           | -         | -                          | -                                   | -                           | 185             | -                  | -                   | -                    | -                 | -              | -         | -         | 185      | -                         | 185          |
| Net gain (loss) on financial assets at fair value through other comprehensive income |      | -                                                           | -         | -                          | -                                   | -                           | -               | (1)                | -                   | -                    | -                 | -              | -         | -         | (1)      | 2                         | 1            |
| Remeasurement loss on defined benefit retirement plan                                |      | -                                                           | -         | -                          | -                                   | (1)                         | -               | -                  | -                   | -                    | -                 | -              | -         | -         | (1)      | -                         | (1)          |
| Other comprehensive income (loss)                                                    |      | -                                                           | -         | -                          | -                                   | (1)                         | 185             | (51)               | (445)               | -                    | -                 | -              | -         | -         | (312)    | (178)                     | (490)        |
| Net income                                                                           |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | 509            | -         | -         | 509      | 8,378                     | 8,887        |
| Total comprehensive income (loss)                                                    |      | -                                                           | -         | -                          | -                                   | (1)                         | 185             | (51)               | (445)               | -                    | -                 | 509            | -         | -         | 197      | 8,200                     | 8,397        |
| Share issuance costs from re-issuance of treasury shares                             |      | -                                                           | -         | (26)                       | -                                   | -                           | -               | -                  | -                   | -                    | -                 | -              | -         | -         | (26)     | -                         | (26)         |
| Net reduction to non-controlling interests and others                                |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | (6)                  | -                 | (32)           | -         | -         | (38)     | (1)                       | (39)         |
| Appropriations - net                                                                 |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | 5,958             | (5,958)        | -         | -         | -        | -                         | -            |
| Cash dividends and distributions:                                                    | 7    | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | -              | -         | -         | -        | -                         | -            |
| Common                                                                               |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | (834)          | -         | -         | (834)    | (3,798)                   | (4,632)      |
| Preferred                                                                            |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | (1,854)        | -         | -         | (1,854)  | (100)                     | (1,954)      |
| Senior perpetual capital securities                                                  |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | (1,032)        | -         | -         | (1,032)  | (1,262)                   | (2,294)      |
| As at March 31, 2024 (Unaudited)                                                     |      | P16,443                                                     | P10,187   | P177,442                   | P24,211                             | (P10,466)                   | (P218)          | P279               | P2,529              | P14,912              | P93,128           | P93,950        | (P67,093) | (P42,670) | P312,634 | P351,984                  | P664,618     |

Forward

|                                                                                  | Note | Equity Attributable to Equity Holders of the Parent Company |           |                            |                                     |                             |                 |                    |                     |                      |                   |                |                |           |          | Non-Controlling Interests | Total Equity |
|----------------------------------------------------------------------------------|------|-------------------------------------------------------------|-----------|----------------------------|-------------------------------------|-----------------------------|-----------------|--------------------|---------------------|----------------------|-------------------|----------------|----------------|-----------|----------|---------------------------|--------------|
|                                                                                  |      | Equity Reserves                                             |           |                            |                                     |                             |                 |                    |                     |                      |                   |                |                |           |          |                           |              |
|                                                                                  |      | Capital Stock                                               |           | Additional Paid-in Capital | Senior Perpetual Capital Securities | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Retained Earnings |                | Treasury Stock |           | Total    |                           |              |
|                                                                                  |      | Common                                                      | Preferred |                            |                                     |                             |                 |                    |                     |                      | Appropriated      | Unappropriated | Common         | Preferred |          |                           |              |
| As at January 1, 2023 (Audited)                                                  |      | P16,443                                                     | P10,187   | P177,719                   | P24,211                             | (P9,256)                    | (P274)          | P114               | P5,641              | P16,528              | P71,004           | P129,239       | (P67,093)      | (P89,670) | P284,793 | P354,359                  | P639,152     |
| Net loss on exchange differences on translation of foreign operations            |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | (632)               | -                    | -                 | -              | -              | -         | (632)    | (863)                     | (1,495)      |
| Share in other comprehensive income (loss) of associates and joint venture - net |      | -                                                           | -         | -                          | -                                   | -                           | -               | 50                 | -                   | -                    | -                 | -              | -              | -         | 50       | (3)                       | 47           |
| Net loss on cash flow hedges                                                     |      | -                                                           | -         | -                          | -                                   | -                           | (12)            | -                  | -                   | -                    | -                 | -              | -              | -         | (12)     | (4)                       | (16)         |
| Net gain on financial assets at fair value through other comprehensive income    |      | -                                                           | -         | -                          | -                                   | -                           | -               | 15                 | -                   | -                    | -                 | -              | -              | -         | 15       | 2                         | 17           |
| Remeasurement loss on defined benefit retirement plan                            |      | -                                                           | -         | -                          | -                                   | (4)                         | -               | -                  | -                   | -                    | -                 | -              | -              | -         | (4)      | (1)                       | (5)          |
| Other comprehensive income (loss)                                                |      | -                                                           | -         | -                          | -                                   | (4)                         | (12)            | 65                 | (632)               | -                    | -                 | -              | -              | -         | (583)    | (869)                     | (1,452)      |
| Net income                                                                       |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | 8,832          | -              | -         | 8,832    | 8,907                     | 17,739       |
| Total comprehensive income (loss)                                                |      | -                                                           | -         | -                          | -                                   | (4)                         | (12)            | 65                 | (632)               | -                    | -                 | 8,832          | -              | -         | 8,249    | 8,038                     | 16,287       |
| Net addition (reduction) to non-controlling interests and others                 |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | (309)               | 11                   | -                 | (260)          | -              | -         | (558)    | (849)                     | (1,407)      |
| Appropriations - net                                                             |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | 9,423             | (9,423)        | -              | -         | -        | -                         | -            |
| Cash dividends and distributions:                                                | 7    |                                                             |           |                            |                                     |                             |                 |                    |                     |                      |                   |                |                |           |          |                           |              |
| Common                                                                           |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | (835)          | -              | -         | (835)    | (3,466)                   | (4,301)      |
| Preferred                                                                        |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | (877)          | -              | -         | (877)    | (125)                     | (1,002)      |
| Senior perpetual capital securities                                              |      | -                                                           | -         | -                          | -                                   | -                           | -               | -                  | -                   | -                    | -                 | (1,000)        | -              | -         | (1,000)  | (2,072)                   | (3,072)      |
| As at March 31, 2023 (Unaudited)                                                 |      | P16,443                                                     | P10,187   | P177,719                   | P24,211                             | (P9,260)                    | (P286)          | P179               | P4,700              | P16,539              | P80,427           | P125,676       | (P67,093)      | (P89,670) | P289,772 | P355,885                  | P645,657     |

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

CERTIFIED CORRECT:

BELLA G. NAVARRA  
SVP, Corporate Finance - Comptrollership

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023**  
(In Millions)

|                                                                           | <i>Note</i> | 2024<br>Unaudited | 2023<br>Unaudited |
|---------------------------------------------------------------------------|-------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |             |                   |                   |
| Income before income tax                                                  |             | P14,158           | P27,382           |
| Adjustments for:                                                          |             |                   |                   |
| Interest expense and other financing charges                              |             | 23,522            | 21,803            |
| Depreciation, amortization and others - net                               | 3, 5        | 22,434            | 4,255             |
| Interest income                                                           |             | (3,634)           | (3,453)           |
| Equity in net earnings of associates and joint ventures                   |             | (416)             | (652)             |
| Loss (gain) on sale of property and equipment                             |             | (13)              | 45                |
| Operating income before working capital changes                           |             | 56,051            | 49,380            |
| Changes in noncash current assets, certain current liabilities and others |             | 16,745            | 19,786            |
| Cash generated from operations                                            |             | 72,796            | 69,166            |
| Interest and other financing charges paid                                 |             | (22,676)          | (21,706)          |
| Income taxes paid                                                         |             | (2,943)           | (1,925)           |
| Net cash flows provided by operating activities                           |             | 47,177            | 45,535            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                               |             |                   |                   |
| Additions to:                                                             |             |                   |                   |
| Property, plant and equipment                                             | 5           | (27,866)          | (16,113)          |
| Intangible assets                                                         |             | (8,282)           | (11,850)          |
| Investments and advances                                                  |             | (6,216)           | (998)             |
| Advances to contractors and suppliers                                     |             | (3,778)           | (2,290)           |
| Investment property                                                       |             | (2,490)           | (934)             |
| Investments in debt instruments                                           |             | (174)             | (130)             |
| Increase in other noncurrent assets and others                            |             | (7,150)           | (7,201)           |
| Interest received                                                         |             | 3,713             | 2,776             |
| Dividends received                                                        |             | 350               | 14                |
| Proceeds from:                                                            |             |                   |                   |
| Disposal of investments in debt instruments                               |             | 179               | 125               |
| Sale of property and equipment                                            |             | 68                | 82                |
| Net cash flows used in investing activities                               |             | (51,646)          | (36,519)          |

Forward

|                                                                                           | Note | 2024<br>Unaudited | 2023<br>Unaudited |
|-------------------------------------------------------------------------------------------|------|-------------------|-------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                               |      |                   |                   |
| Proceeds from:                                                                            |      |                   |                   |
| Short-term borrowings                                                                     |      | P287,274          | P250,199          |
| Long-term borrowings                                                                      |      | 24,181            | 65,352            |
| Payments of:                                                                              |      |                   |                   |
| Short-term borrowings                                                                     |      | (270,526)         | (300,920)         |
| Long-term borrowings                                                                      |      | (14,402)          | (79,041)          |
| Payments of lease liabilities                                                             |      | (5,923)           | (5,356)           |
| Cash dividends and distributions paid to non-controlling shareholders                     |      | (4,843)           | (5,273)           |
| Cash dividends and distributions paid                                                     | 7    | (3,035)           | (2,892)           |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others |      | (32)              | (265)             |
| Share issuance costs from re-issuance of treasury shares                                  |      | (26)              | -                 |
| Repurchase of capital securities of a subsidiary                                          |      | -                 | (1,142)           |
| Net cash flows provided by (used in) financing activities                                 |      | 12,668            | (79,338)          |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>                       |      |                   |                   |
|                                                                                           |      | 784               | (4,276)           |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                               |      |                   |                   |
|                                                                                           |      | 8,983             | (74,598)          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                     |      |                   |                   |
|                                                                                           |      | 261,358           | 318,214           |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                         |      |                   |                   |
|                                                                                           |      | P270,341          | P243,616          |

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

CERTIFIED CORRECT:

BELLA O. NAVARRA  
SVP, Corporate Finance - Comptrollership

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**  
**TRADE AND OTHER RECEIVABLES**  
**MARCH 31, 2024**  
*(In Millions)*

|                                      |   |                |                  | Past Due        |                |                |                 |
|--------------------------------------|---|----------------|------------------|-----------------|----------------|----------------|-----------------|
|                                      |   | Total          | Current          | 1 - 30 Days     | 31 - 60 Days   | 61 - 90 Days   | Over 90 Days    |
| Trade                                | P | 188,565        | P 130,365        | P 13,837        | P 4,973        | P 2,527        | P 36,863        |
| Non-trade                            |   | 78,890         | 44,884           | 304             | 464            | 592            | 32,646          |
| Others                               |   | 10,578         | 9,790            | 90              | 20             | 7              | 671             |
| Total                                |   | 278,033        | P <b>185,039</b> | P <b>14,231</b> | P <b>5,457</b> | P <b>3,126</b> | P <b>70,180</b> |
| Less allowance for impairment losses |   | 13,041         |                  |                 |                |                |                 |
| Net                                  | P | <b>264,992</b> |                  |                 |                |                |                 |

**San Miguel Corporation****Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares****March 31, 2024****(Amounts in Millions)****i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement <sup>a</sup>**

|                                                                 |          |     |          |               |
|-----------------------------------------------------------------|----------|-----|----------|---------------|
| Gross proceeds                                                  |          |     | <b>P</b> | 50,000        |
| Estimated fees, commissions and expenses relating to the issue: |          |     |          |               |
| Underwriting fees                                               | <b>P</b> | 275 |          |               |
| PSE filing fee (inclusive of VAT)                               |          | 56  |          |               |
| Taxes                                                           |          | 25  |          |               |
| Philippine SEC filing and legal research fee                    |          | 13  |          |               |
| Estimated legal and other professional fees                     |          | 6   |          |               |
| Estimated other expenses                                        |          | 4   |          | 379           |
| Net proceeds                                                    |          |     | <b>P</b> | <u>49,621</u> |

**ii) Actual Gross and Net Proceeds <sup>b</sup>**

|                                              |          |     |          |               |
|----------------------------------------------|----------|-----|----------|---------------|
| Gross proceeds                               |          |     | <b>P</b> | 34,000        |
| Underwriting fees                            | <b>P</b> | 218 |          |               |
| PSE filing fee (inclusive of VAT)            |          | 56  |          |               |
| Taxes                                        |          | 17  |          |               |
| Philippine SEC filing and legal research fee |          | 13  |          |               |
| Legal and other professional fees            |          | 5   |          |               |
| Other expenses                               |          | 1   |          | 310           |
| Net proceeds/balance of the proceeds         |          |     | <b>P</b> | <u>33,690</u> |

**iii) Each Expenditure Item Where the Proceeds were Used**

|                                                           |          |              |          |        |
|-----------------------------------------------------------|----------|--------------|----------|--------|
| Repayment of Philippine Peso-denominated short-term loans | <b>P</b> | 16,530       |          |        |
| Repayment of the Series B Bonds                           |          | <u>7,294</u> | <b>P</b> | 23,824 |

**iv) Balance of the Proceeds as of End of Reporting Period****P** 9,866

*a The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.*

*b The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.*

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**  
**SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Millions, Except Per Share Data)**

---

**1. Material Accounting Policy Information**

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2023.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 14, 2024.

The interim consolidated financial statements are presented in Philippine peso and all financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

The principal accounting policies adopted in the preparation of the interim consolidated financial statements of the Group are consistent with those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of new and amendments to standards as part of Philippine Financial Reporting Standards (PFRS).

*Adoption of Amendments to Standards*

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

- clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- **Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*).** The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

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

#### *New and Amendments to Standards Not Yet Adopted*

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- **PFRS 17, *Insurance Contracts*,** replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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

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

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

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

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

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

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

---

## **2. Segment Information**

### Operating Segments

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

The Group's reportable segments are food and beverage, packaging, energy, fuel and oil, infrastructure and cement.

The food and beverage segment is engaged in: (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"), (ii) the production and sale of feeds ("Animal Nutrition and Health"), (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"), and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations. It is also engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets; and production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other liquor variants which are available nationwide, while some are exported to select countries.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Manila Electric Company, electric cooperatives and industrial customers), or through the Philippine Wholesale Electricity Spot Market.

The fuel and oil segment is engaged in refining crude oil and marketing and distribution of refined petroleum products.

The infrastructure segment has investments in companies which hold long-term concessions in the infrastructure sector in the Philippines. It is engaged in the management and operation, as well as, construction and development of various infrastructure projects such as major toll roads, airports, railways and bulk water.

The cement segment is primarily engaged in the manufacturing, marketing and distribution of cement products.

Inter-segment Transactions

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

## Operating Segments

Financial information about reportable segments as at and for the periods ended March 31, 2024, December 31, 2023 and March 31, 2023 follows:

|                                                              | Food and Beverage |               | Packaging  |               | Energy     |               | Fuel and Oil |               | Infrastructure |               | Cement     |               | Real Estate and Others |               | Eliminations |               | Consolidated |               |
|--------------------------------------------------------------|-------------------|---------------|------------|---------------|------------|---------------|--------------|---------------|----------------|---------------|------------|---------------|------------------------|---------------|--------------|---------------|--------------|---------------|
|                                                              | March 2024        | March 2023    | March 2024 | March 2023    | March 2024 | March 2023    | March 2024   | March 2023    | March 2024     | March 2023    | March 2024 | March 2023    | March 2024             | March 2023    | March 2024   | March 2023    | March 2024   | March 2023    |
| <b>Sales</b>                                                 |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               |              |               |
| External sales                                               | P95,414           | P93,165       | P6,320     | P6,644        | P42,126    | P37,751       | P225,016     | P184,652      | P8,884         | P8,169        | P9,082     | P10,170       | P5,871                 | P6,174        | P -          | P -           | P392,713     | P346,725      |
| Inter-segment sales                                          | 18                | 21            | 2,087      | 3,551         | 1,997      | 3,373         | 2,621        | 4,101         | 2              | 1             | 194        | 170           | 9,037                  | 9,148         | (15,956)     | (20,365)      | -            | -             |
| Total sales                                                  | P95,432           | P93,186       | P8,407     | P10,195       | P44,123    | P41,124       | P227,637     | P188,753      | P8,886         | P8,170        | P9,276     | P10,340       | P14,908                | P15,322       | (P15,956)    | (P20,365)     | P392,713     | P346,725      |
| <b>Result</b>                                                |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               |              |               |
| Segment result                                               | P13,119           | P11,581       | P696       | P803          | P8,840     | P7,575        | P10,171      | P8,418        | P4,768         | P4,484        | P1,811     | P1,333        | P604                   | P684          | P455         | P175          | P40,464      | P35,053       |
| Interest expense and other financing charges                 |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | (23,522)     | (21,803)      |
| Interest income                                              |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 3,634        | 3,453         |
| Equity in net earnings of associates and joint ventures      |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 416          | 652           |
| Gain (loss) on sale of property and equipment                |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 13           | (45)          |
| Other income (charges) - net                                 |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | (6,847)      | 10,072        |
| Income tax expense                                           |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | (5,271)      | (9,643)       |
| <b>Net Income</b>                                            |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | P8,887       | P17,739       |
|                                                              | March 2024        | December 2023 | March 2024 | December 2023 | March 2024 | December 2023 | March 2024   | December 2023 | March 2024     | December 2023 | March 2024 | December 2023 | March 2024             | December 2023 | March 2024   | December 2023 | March 2024   | December 2023 |
| <b>Other Information</b>                                     |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               |              |               |
| Segment assets                                               | P303,581          | P297,032      | P48,470    | P50,431       | P720,651   | P702,778      | P436,285     | P432,972      | P447,560       | P440,455      | P117,683   | P116,185      | P343,883               | P339,296      | (P178,441)   | (P180,120)    | P2,239,672   | P2,199,029    |
| Investments in and advances to associates and joint ventures | -                 | -             | -          | -             | 12,061     | 10,953        | 7            | 6             | 7,409          | 5,184         | 2,458      | 2,358         | 21,386                 | 18,588        | -            | -             | 43,321       | 37,089        |
| Goodwill and trademarks                                      |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 182,940      | 183,008       |
| Other assets                                                 |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 20,471       | 20,606        |
| Deferred tax assets                                          |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 21,124       | 19,633        |
| <b>Consolidated Total Assets</b>                             |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | P2,507,528   | P2,459,365    |
| Forward                                                      |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               |              |               |

|                                                | Food and Beverage |               | Packaging  |               | Energy     |               | Fuel and Oil |               | Infrastructure |               | Cement     |               | Real Estate and Others |               | Eliminations |               | Consolidated      |                   |
|------------------------------------------------|-------------------|---------------|------------|---------------|------------|---------------|--------------|---------------|----------------|---------------|------------|---------------|------------------------|---------------|--------------|---------------|-------------------|-------------------|
|                                                | March 2024        | December 2023 | March 2024 | December 2023 | March 2024 | December 2023 | March 2024   | December 2023 | March 2024     | December 2023 | March 2024 | December 2023 | March 2024             | December 2023 | March 2024   | December 2023 | March 2024        | December 2023     |
| Segment liabilities                            | P71,547           | P73,742       | P8,494     | P9,603        | P92,957    | P81,870       | P74,611      | P66,707       | P53,665        | P53,317       | P7,223     | P6,974        | P101,499               | P102,371      | (P151,327)   | (P148,456)    | P258,669          | P246,128          |
| Loans payable                                  |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 231,538           | 214,881           |
| Long-term debt                                 |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 1,209,812         | 1,190,584         |
| Lease liabilities                              |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 51,006            | 56,572            |
| Income and other taxes payable                 |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 49,335            | 46,254            |
| Dividends and distributions payable and others |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 12,331            | 10,277            |
| Deferred tax liabilities                       |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | 30,219            | 29,503            |
| <b>Consolidated Total Liabilities</b>          |                   |               |            |               |            |               |              |               |                |               |            |               |                        |               |              |               | <b>P1,842,910</b> | <b>P1,794,199</b> |

### Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments for the periods ended March 31, 2024 and 2023:

|                                   | Food and Beverage |                | Packaging     |               | Energy         |                | Fuel and Oil    |                 | Infrastructure |               | Cement        |                | Real Estate and Others |               | Consolidated    |                 |
|-----------------------------------|-------------------|----------------|---------------|---------------|----------------|----------------|-----------------|-----------------|----------------|---------------|---------------|----------------|------------------------|---------------|-----------------|-----------------|
|                                   | March 2024        | March 2023     | March 2024    | March 2023    | March 2024     | March 2023     | March 2024      | March 2023      | March 2024     | March 2023    | March 2024    | March 2023     | March 2024             | March 2023    | March 2024      | March 2023      |
| <b>Timing of recognition</b>      |                   |                |               |               |                |                |                 |                 |                |               |               |                |                        |               |                 |                 |
| Sales recognized at point in time | P95,411           | P93,162        | P6,139        | P6,419        | P -            | P -            | P225,016        | P184,652        | P -            | P -           | P9,082        | P10,170        | P4,772                 | P5,304        | P340,420        | P299,707        |
| Sales recognized over time        | 3                 | 3              | 181           | 225           | 42,126         | 37,751         | -               | -               | 8,884          | 8,169         | -             | -              | 1,099                  | 870           | 52,293          | 47,018          |
| <b>Total external sales</b>       | <b>P95,414</b>    | <b>P93,165</b> | <b>P6,320</b> | <b>P6,644</b> | <b>P42,126</b> | <b>P37,751</b> | <b>P225,016</b> | <b>P184,652</b> | <b>P8,884</b>  | <b>P8,169</b> | <b>P9,082</b> | <b>P10,170</b> | <b>P5,871</b>          | <b>P6,174</b> | <b>P392,713</b> | <b>P346,725</b> |

---

### 3. Other Income (Charges) - Net

Other income (charges) - net consists of:

|                                       | <i>Note</i> | <b>March 31</b> |             |
|---------------------------------------|-------------|-----------------|-------------|
|                                       |             | <b>2024</b>     | <b>2023</b> |
| Gain (loss) on foreign exchange - net | 8           | <b>(P7,581)</b> | P10,452     |
| Construction costs                    |             | <b>(6,453)</b>  | (12,613)    |
| Construction revenue                  |             | <b>6,453</b>    | 12,613      |
| Gain (loss) on derivatives - net      | 9           | <b>358</b>      | (2,177)     |
| Dividend income                       |             | <b>12</b>       | 14          |
| Miscellaneous gain                    |             | -               | 1,530       |
| Others                                |             | <b>364</b>      | 253         |
|                                       |             | <b>(P6,847)</b> | P10,072     |

---

The construction revenue recognized in profit or loss approximates the construction costs recognized. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs are recognized by reference to the stage of completion of the construction activity of toll road, airport, water concession rights as at reporting date.

Miscellaneous gain represents the income recognized in 2023 by Ginebra San Miguel Inc. from the assignment of product rights amounting to P1,530.

“Others” consist of rent income, commission income, insurance claims, changes in fair value of financial assets at fair value through profit or loss (FVPL), reversal of impairment, casualty loss and expenses of closed facilities.

---

### 4. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at March 31, 2024 and December 31, 2023:

|                                            | Year                     | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms                                                                             | Conditions             |
|--------------------------------------------|--------------------------|------------------------------|--------------------------------|---------------------------------|---------------------------------|-----------------------------------------------------------------------------------|------------------------|
| Ultimate Parent Company                    | <b>March 31, 2024</b>    | <b>P1</b>                    | <b>P -</b>                     | <b>P -</b>                      | <b>P515</b>                     | On demand;                                                                        | Unsecured              |
|                                            | December 31, 2023        | 8                            | -                              | -                               | 515                             | non-interest bearing                                                              |                        |
|                                            | <b>March 31, 2024</b>    | <b>-</b>                     | <b>-</b>                       | <b>3,037</b>                    | <b>-</b>                        | To be settled on the                                                              | Unsecured;             |
|                                            | December 31, 2023        | -                            | -                              | 3,037                           | -                               | first anniversary of commercial operations of the Nonoc Project; interest bearing | no impairment          |
| Retirement Plans                           | <b>March 31, 2024</b>    | <b>6</b>                     | <b>-</b>                       | <b>2,992</b>                    | <b>-</b>                        | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | 29                           | -                              | 3,332                           | -                               | non-interest bearing                                                              | no impairment          |
|                                            | <b>March 31, 2024</b>    | <b>58</b>                    | <b>-</b>                       | <b>4,127</b>                    | <b>46</b>                       | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | 239                          | -                              | 4,129                           | 9                               | interest bearing                                                                  | no impairment          |
| Associates                                 | <b>March 31, 2024</b>    | <b>411</b>                   | <b>1</b>                       | <b>3,260</b>                    | <b>80</b>                       | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | 2,466                        | -                              | 1,119                           | 73                              | non-interest bearing                                                              | no impairment          |
|                                            | <b>March 31, 2024</b>    | <b>93</b>                    | <b>-</b>                       | <b>4,297</b>                    | <b>27,881</b>                   | Less than 1                                                                       | Unsecured and          |
|                                            | December 31, 2023        | 469                          | -                              | 4,288                           | 25,076                          | to 15 years; interest bearing                                                     | secured; no impairment |
| Joint Ventures                             | <b>March 31, 2024</b>    | <b>23</b>                    | <b>14</b>                      | <b>219</b>                      | <b>14</b>                       | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | 74                           | 65                             | 197                             | 18                              | non-interest bearing                                                              | no impairment          |
|                                            | <b>March 31, 2024</b>    | <b>13</b>                    | <b>-</b>                       | <b>621</b>                      | <b>-</b>                        | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | 40                           | -                              | 621                             | -                               | interest bearing                                                                  | with impairment        |
|                                            | <b>March 31, 2024</b>    | <b>20</b>                    | <b>-</b>                       | <b>1,475</b>                    | <b>-</b>                        | Less than 1                                                                       | Unsecured;             |
|                                            | December 31, 2023        | 77                           | -                              | 1,479                           | -                               | to 10.5 years; interest bearing                                                   | no impairment          |
| Shareholder of the Ultimate Parent Company | <b>March 31, 2024</b>    | <b>-</b>                     | <b>-</b>                       | <b>1,300</b>                    | <b>-</b>                        | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | -                            | -                              | 1,300                           | -                               | non-interest bearing                                                              | no impairment          |
| Shareholders in Subsidiaries               | <b>March 31, 2024</b>    | <b>13</b>                    | <b>266</b>                     | <b>95</b>                       | <b>1,324</b>                    | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | 30                           | 990                            | 100                             | 1,304                           | non-interest bearing                                                              | no impairment          |
| Others                                     | <b>March 31, 2024</b>    | <b>96</b>                    | <b>31</b>                      | <b>140</b>                      | <b>327</b>                      | On demand;                                                                        | Unsecured;             |
|                                            | December 31, 2023        | 451                          | 2,965                          | 157                             | 162                             | non-interest bearing                                                              | no impairment          |
| <b>Total</b>                               | <b>March 31, 2024</b>    | <b>P734</b>                  | <b>P312</b>                    | <b>P21,563</b>                  | <b>P30,187</b>                  |                                                                                   |                        |
| <b>Total</b>                               | <b>December 31, 2023</b> | <b>P3,883</b>                | <b>P4,020</b>                  | <b>P19,759</b>                  | <b>P27,157</b>                  |                                                                                   |                        |

- 1) Revenue consists of sale of power, fuel and other products and services to related parties.
- 2) Purchases consist of purchase of inventories, power and other products and services from related parties.
- 3) Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.
  - a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.
    - (i) *Amounts owed by the Ultimate Parent Company amounting to P2,312:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at March 31, 2024 and December 31, 2023, the Nonoc

Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under “Other noncurrent assets - net” account in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at March 31, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under “Other noncurrent assets - net” account in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

- b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P6,171 and P6,522 as at March 31, 2024 and December 31, 2023, respectively, included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5.75% per annum in 2024 and 2023. Interest income earned from the advances amounted to P47 in 2024 and 2023.
- c) Petron has advances to Petron Corporation Employee Retirement Plan amounting to P948 and P937 as at March 31, 2024 and December 31, 2023, respectively, included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position. The advances are subject to interest of 5% per annum in 2024 and 2023. Interest income earned from the advances amounted to P11 in 2024 and 2023.
- d) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BankCom) for a total amount of P4,297 and P4,288 as at March 31, 2024 and December 31, 2023, respectively, presented as part of “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts in the consolidated statements of financial position.
- e) Amounts owed by related parties include non-interest-bearing receivable from joint ventures included as part of “Trade and other receivables - net” account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 as at March 31, 2024 and December 31, 2023.
- f) Amounts owed by joint ventures include the interest-bearing loans granted by PowerOne Ventures Energy Inc. to Angat Hydropower Corporation amounting to P1,475 and P1,479 as at March 31, 2024 and December 31, 2023, respectively, presented as part of “Trade and other receivables - net” and “Other noncurrent assets - net” accounts in the consolidated statements of financial position.
- g) Amounts owed by related parties include the receivable from the assignment by Eagle Cement Corporation to Far East Holdings Inc. of the advances for future investment in KB Space Holdings Inc. amounting to P1,300, presented as part of “Trade and other receivables - net” account in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

- 4) Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" amounted to P5 and P4 as at March 31, 2024 and December 31, 2023, respectively, and as part of "Lease liabilities - net of current portion" amounted to P3 and P5 as at March 31, 2024 and December 31, 2023, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.
- 5) The amounts owed to associates include interest bearing loans payable to BankCom presented as part of "Loans payable" account amounting to P7,653 and P6,382 and "Long-term debt" account amounting to P20,228 and P18,694 in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P14,019 and P12,375 as at March 31, 2024 and December 31, 2023, respectively, which were secured by certain property, plant and equipment and other intangible assets.

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

## 5. Property, Plant and Equipment

Property, plant and equipment consist of:

### March 31, 2024 and December 31, 2023

|                                      | Land<br>and Land<br>Improvements | Buildings and<br>Improvements | Power<br>Plants | Refinery<br>and Plant<br>Equipment | Service Stations<br>and Other<br>Equipment | Equipment,<br>Furniture and<br>Fixtures | Leasehold<br>Improvements | Capital Projects in<br>Progress | Total            |
|--------------------------------------|----------------------------------|-------------------------------|-----------------|------------------------------------|--------------------------------------------|-----------------------------------------|---------------------------|---------------------------------|------------------|
| <b>Cost</b>                          |                                  |                               |                 |                                    |                                            |                                         |                           |                                 |                  |
| January 1, 2023 (Audited)            | P53,863                          | P80,797                       | P203,466        | P194,444                           | P20,482                                    | P233,513                                | P9,971                    | P194,022                        | P990,558         |
| Additions                            | 320                              | 734                           | 1,728           | 394                                | 514                                        | 7,698                                   | 173                       | 59,612                          | 71,173           |
| Acquisition of a subsidiary          | 448                              | -                             | -               | -                                  | -                                          | -                                       | -                         | -                               | 448              |
| Disposals/retirement                 | (6)                              | (168)                         | (76)            | (1)                                | (918)                                      | (2,943)                                 | (14)                      | (14)                            | (4,140)          |
| Reclassifications and others         | 3,801                            | 12,365                        | 20,251          | 948                                | 261                                        | 23,101                                  | 2,549                     | (55,165)                        | 8,111            |
| Currency translation adjustments     | (102)                            | (276)                         | -               | (1,278)                            | (494)                                      | (773)                                   | 2                         | (38)                            | (2,959)          |
| December 31, 2023 (Audited)          | 58,324                           | 93,452                        | 225,369         | 194,507                            | 19,845                                     | 260,596                                 | 12,681                    | 198,417                         | 1,063,191        |
| Additions                            | 85                               | 25                            | 488             | 68                                 | 344                                        | 1,511                                   | 56                        | 25,289                          | 27,866           |
| Disposals/retirement                 | -                                | (17)                          | -               | -                                  | (476)                                      | (279)                                   | (1)                       | -                               | (773)            |
| Reclassifications and others         | 152                              | 1,838                         | 19,335          | 1                                  | (6)                                        | 2,569                                   | 3,934                     | (26,988)                        | 835              |
| Currency translation adjustments     | (80)                             | 39                            | -               | (258)                              | (102)                                      | 71                                      | (18)                      | (8)                             | (356)            |
| <b>March 31, 2024 (Unaudited)</b>    | <b>58,481</b>                    | <b>95,337</b>                 | <b>245,192</b>  | <b>194,318</b>                     | <b>19,605</b>                              | <b>264,468</b>                          | <b>16,652</b>             | <b>196,710</b>                  | <b>1,090,763</b> |
| <b>Accumulated Depreciation</b>      |                                  |                               |                 |                                    |                                            |                                         |                           |                                 |                  |
| January 1, 2023 (Audited)            | 4,418                            | 22,994                        | 31,561          | 70,405                             | 15,550                                     | 119,783                                 | 2,817                     | -                               | 267,528          |
| Depreciation                         | 560                              | 2,518                         | 8,760           | 6,336                              | 950                                        | 12,496                                  | 547                       | -                               | 32,167           |
| Disposals/retirement                 | (6)                              | (117)                         | (13)            | (1)                                | (818)                                      | (1,980)                                 | (14)                      | -                               | (2,949)          |
| Reclassifications                    | (11)                             | (477)                         | -               | 31                                 | 14                                         | 467                                     | (8)                       | -                               | 16               |
| Currency translation adjustments     | 1                                | (129)                         | -               | (553)                              | (320)                                      | (444)                                   | -                         | -                               | (1,445)          |
| December 31, 2023 (Audited)          | 4,962                            | 24,789                        | 40,308          | 76,218                             | 15,376                                     | 130,322                                 | 3,342                     | -                               | 295,317          |
| Depreciation                         | 141                              | 664                           | 2,365           | 1,838                              | 194                                        | 3,458                                   | 157                       | -                               | 8,817            |
| Disposals/retirement                 | -                                | (17)                          | -               | -                                  | (451)                                      | (222)                                   | (1)                       | -                               | (691)            |
| Reclassifications                    | (11)                             | (295)                         | -               | -                                  | 2                                          | 16                                      | -                         | -                               | (288)            |
| Currency translation adjustments     | (3)                              | 4                             | -               | (116)                              | (60)                                       | (43)                                    | (4)                       | -                               | (222)            |
| <b>March 31, 2024 (Unaudited)</b>    | <b>5,089</b>                     | <b>25,145</b>                 | <b>42,673</b>   | <b>77,940</b>                      | <b>15,061</b>                              | <b>133,531</b>                          | <b>3,494</b>              | <b>-</b>                        | <b>302,933</b>   |
| <b>Accumulated Impairment Losses</b> |                                  |                               |                 |                                    |                                            |                                         |                           |                                 |                  |
| January 1, 2023 (Audited)            | -                                | 3,417                         | -               | -                                  | -                                          | 11,395                                  | 26                        | -                               | 14,838           |
| Impairment                           | -                                | -                             | -               | -                                  | -                                          | 15                                      | -                         | 65                              | 80               |
| Disposals/retirement                 | -                                | (42)                          | -               | -                                  | -                                          | (84)                                    | -                         | -                               | (126)            |
| Reclassifications                    | -                                | -                             | -               | -                                  | -                                          | (122)                                   | -                         | -                               | (122)            |
| Currency translation adjustments     | -                                | (72)                          | -               | -                                  | -                                          | (196)                                   | -                         | -                               | (268)            |
| December 31, 2023 (Audited)          | -                                | 3,303                         | -               | -                                  | -                                          | 11,008                                  | 26                        | 65                              | 14,402           |
| Reversal of impairment               | -                                | -                             | -               | -                                  | -                                          | (5)                                     | -                         | -                               | (5)              |
| Currency translation adjustments     | -                                | 46                            | -               | -                                  | -                                          | 141                                     | (1)                       | -                               | 186              |
| <b>March 31, 2024 (Unaudited)</b>    | <b>-</b>                         | <b>3,349</b>                  | <b>-</b>        | <b>-</b>                           | <b>-</b>                                   | <b>11,144</b>                           | <b>25</b>                 | <b>65</b>                       | <b>14,583</b>    |
| <b>Carrying Amount</b>               |                                  |                               |                 |                                    |                                            |                                         |                           |                                 |                  |
| December 31, 2023 (Audited)          | P53,362                          | P65,360                       | P185,061        | P118,289                           | P4,469                                     | P119,266                                | P9,313                    | P198,352                        | P753,472         |
| <b>March 31, 2024 (Unaudited)</b>    | <b>P53,392</b>                   | <b>P66,843</b>                | <b>P202,519</b> | <b>P116,378</b>                    | <b>P4,544</b>                              | <b>P119,793</b>                         | <b>P13,133</b>            | <b>P196,645</b>                 | <b>P773,247</b>  |

### **March 31, 2023**

|                                  | Land<br>and Land<br>Improvements | Buildings and<br>Improvements | Power<br>Plants | Refinery<br>and Plant<br>Equipment | Service Stations<br>and Other<br>Equipment | Equipment, Furniture<br>and Fixtures | Leasehold<br>Improvements | Capital Projects in<br>Progress | Total     |
|----------------------------------|----------------------------------|-------------------------------|-----------------|------------------------------------|--------------------------------------------|--------------------------------------|---------------------------|---------------------------------|-----------|
| Cost                             |                                  |                               |                 |                                    |                                            |                                      |                           |                                 |           |
| January 1, 2023 (Audited)        | P53,863                          | P80,797                       | P203,466        | P194,444                           | P20,482                                    | P233,513                             | P9,971                    | P194,022                        | P990,558  |
| Additions                        | 93                               | 97                            | 61              | 45                                 | 32                                         | 1,326                                | 9                         | 14,450                          | 16,113    |
| Disposals/retirement             | -                                | (3)                           | (76)            | -                                  | (80)                                       | (151)                                | -                         | -                               | (310)     |
| Reclassifications and others     | 815                              | 1,272                         | 2               | 275                                | 77                                         | 2,321                                | 9                         | (692)                           | 4,079     |
| Currency translation adjustments | (66)                             | (244)                         | -               | (644)                              | (253)                                      | (762)                                | (17)                      | (17)                            | (2,003)   |
| March 31, 2023 (Unaudited)       | 54,705                           | 81,919                        | 203,453         | 194,120                            | 20,258                                     | 236,247                              | 9,972                     | 207,763                         | 1,008,437 |
| Accumulated Depreciation         |                                  |                               |                 |                                    |                                            |                                      |                           |                                 |           |
| January 1, 2023 (Audited)        | 4,418                            | 22,994                        | 31,561          | 70,405                             | 15,550                                     | 119,783                              | 2,817                     | -                               | 267,528   |
| Depreciation                     | 128                              | 560                           | 2,077           | 1,412                              | 252                                        | 2,931                                | 116                       | -                               | 7,476     |
| Disposals/retirement             | -                                | (3)                           | (13)            | -                                  | (76)                                       | (122)                                | -                         | -                               | (214)     |
| Reclassifications                | (21)                             | (172)                         | -               | -                                  | 4                                          | 59                                   | -                         | -                               | (130)     |
| Currency translation adjustments | 1                                | (118)                         | -               | (277)                              | (157)                                      | (456)                                | (3)                       | -                               | (1,010)   |
| March 31, 2023 (Unaudited)       | 4,526                            | 23,261                        | 33,625          | 71,540                             | 15,573                                     | 122,195                              | 2,930                     | -                               | 273,650   |
| Accumulated Impairment Losses    |                                  |                               |                 |                                    |                                            |                                      |                           |                                 |           |
| January 1, 2023 (Audited)        | -                                | 3,417                         | -               | -                                  | -                                          | 11,395                               | 26                        | -                               | 14,838    |
| Reversal of impairment           | -                                | -                             | -               | -                                  | -                                          | (5)                                  | -                         | -                               | (5)       |
| Currency translation adjustments | -                                | (47)                          | -               | -                                  | -                                          | (184)                                | (1)                       | -                               | (232)     |
| March 31, 2023 (Unaudited)       | -                                | 3,370                         | -               | -                                  | -                                          | 11,206                               | 25                        | -                               | 14,601    |
| Carrying Amount                  |                                  |                               |                 |                                    |                                            |                                      |                           |                                 |           |
| March 31, 2023 (Unaudited)       | P50,179                          | P55,288                       | P169,828        | P122,580                           | P4,685                                     | P102,846                             | P7,017                    | P207,763                        | P720,186  |

Depreciation charged to operations amounted to P8,817 and P7,476 for the periods ended March 31, 2024 and 2023, respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party and reclassifications from capital projects in progress account to specific property, plant and equipment accounts.

As at March 31, 2024 and December 31, 2023, certain property, plant and equipment amounting to P176,124 and P165,263, respectively, are pledged as security for syndicated project finance loans.

## 6. Basic and Diluted Earnings Per Common Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

|                                                                                                               | <b>March 31</b> |             |
|---------------------------------------------------------------------------------------------------------------|-----------------|-------------|
|                                                                                                               | <b>2024</b>     | <b>2023</b> |
| Net income attributable to equity holders of the Parent Company                                               | <b>P509</b>     | P8,832      |
| Less: Dividends on preferred shares for the period                                                            | <b>1,854</b>    | 877         |
| Distributions to capital securities for the period                                                            | <b>516</b>      | 500         |
| Net income (loss) attributable to common shareholders of the Parent Company (a)                               | <b>(P1,861)</b> | P7,455      |
| Weighted average number of common shares outstanding (in millions) - basic and diluted (b)                    | <b>2,384</b>    | 2,384       |
| Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b) | <b>(P0.78)</b>  | P3.13       |

*Earnings (loss) per share is computed based on amounts in nearest Peso.*

As at March 31, 2024 and 2023, the Parent Company has no dilutive debt or equity instruments.

## 7. Dividends and Distributions

### Dividends

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

### 2024

| <b>Class of Shares</b> | <b>Date of Declaration</b> | <b>Date of Record</b> | <b>Date of Payment</b> | <b>Dividend per Share</b> |
|------------------------|----------------------------|-----------------------|------------------------|---------------------------|
| <b>Common</b>          | March 11, 2024             | March 27, 2024        | April 26, 2024         | <b>P0.35</b>              |
| <b>Preferred</b>       |                            |                       |                        |                           |
| SMC2F                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>1.27635</b>            |
| SMC2I                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>1.18790625</b>         |
| SMC2J                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>0.890625</b>           |
| SMC2K                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>0.84375</b>            |
| SMC2L                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>1.48396875</b>         |
| SMC2M                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>1.5703125</b>          |
| SMC2N                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>1.5649875</b>          |
| SMC2O                  | January 18, 2024           | March 21, 2024        | April 4, 2024          | <b>1.611300</b>           |

## 2023

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|-----------------|---------------------|----------------|-----------------|--------------------|
| Common          | March 9, 2023       | March 31, 2023 | April 28, 2023  | P0.35              |
| Preferred       |                     |                |                 |                    |
| SMC2F           | January 26, 2023    | March 21, 2023 | April 4, 2023   | 1.27635            |
| SMC2I           | January 26, 2023    | March 21, 2023 | April 4, 2023   | 1.18790625         |
| SMC2J           | January 26, 2023    | March 21, 2023 | April 4, 2023   | 0.890625           |
| SMC2K           | January 26, 2023    | March 21, 2023 | April 4, 2023   | 0.84375            |

On May 14, 2024, the BOD of the Parent Company declared regular and one-time cash dividends to all preferred shareholders of record as at June 21, 2024 on the following shares to be paid on July 4, 2024, as follows:

### Regular Dividend

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

### One-Time Dividend

| Class of Shares | Dividend Per Share |
|-----------------|--------------------|
| SMC2K           | P0.1031250         |
| SMC2L           | 0.3297708333333333 |
| SMC2M           | 0.5059895833333333 |
| SMC2N           | 0.347775           |
| SMC2O           | 0.3580666666666667 |

The foregoing one-time dividend shall be paid for the purpose of synchronization and alignment of dividend payments on the outstanding Series 2 Preferred Shares, in accordance with the respective terms and conditions of the Series 2 Preferred Shares issuances.

### Distributions

The Parent Company paid P1,032 to the holders of Senior Perpetual Capital Securities in 2024, and P1,000 in 2023, as distributions in accordance with the terms and conditions of subscription agreements with the Parent Company.

---

## 8. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, dividends and distributions payable, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

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

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

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

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: (a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; (b) performance of the internal auditors; (c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (d) compliance with tax, legal and regulatory requirements; (e) evaluation of management's process to assess and manage the enterprise risk issues; and (f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the Securities and Exchange Commission (SEC) and/or the Philippine Stock Exchange, Inc.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

#### Interest Rate Risk

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

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

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

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

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

The Group uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Group assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

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

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- changes in the timing of the hedged transactions.

## Interest Rate Risk Table

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

| March 31, 2024                                                            | <1 Year                                                                                         | 1-2 Years                                                                 | >2-3 Years                                                               | >3-4 Years                                                               | >4-5 Years                                                               | >5 Years                                                                  | Total             |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------|
| <b>Fixed Rate</b>                                                         |                                                                                                 |                                                                           |                                                                          |                                                                          |                                                                          |                                                                           |                   |
| Philippine Peso-denominated Interest rate                                 | P104,341<br>3.2837% - 9.635%                                                                    | P72,896<br>3.2837% - 9.635%                                               | P99,407<br>3.2837% - 9.635%                                              | P121,301<br>3.5483% - 9.635%                                             | P68,704<br>3.5483% - 9.635%                                              | P134,656<br>3.5483% - 9.635%                                              | P601,305          |
| Foreign currency-denominated (expressed in Philippine Peso) Interest rate | 1,351<br>8.331%                                                                                 | 1,413<br>8.331%                                                           | 1,477<br>8.331%                                                          | 1,544<br>8.331%                                                          | 10,051<br>6.55% - 8.331%                                                 | 10,123<br>8.331%                                                          | 25,959            |
| <b>Floating Rate</b>                                                      |                                                                                                 |                                                                           |                                                                          |                                                                          |                                                                          |                                                                           |                   |
| Philippine Peso-denominated Interest rate                                 | 22,140<br>Bloomberg Valuation (BVAL) + margin or applicable reference rate, whichever is higher | 1,950<br>BVAL + margin or applicable reference rate, whichever is higher  | 2,031<br>BVAL + margin or applicable reference rate, whichever is higher | 2,276<br>BVAL + margin or applicable reference rate, whichever is higher | 2,562<br>BVAL + margin or applicable reference rate, whichever is higher | 23,879<br>BVAL + margin or applicable reference rate, whichever is higher | 54,838            |
| Foreign currency-denominated (expressed in Philippine Peso) Interest rate | 140,273<br>Secured Overnight Financing Rate (SOFR)/ applicable reference rate + margin          | 41,997<br>SOFR/ applicable reference rate + margin                        | 108,762<br>SOFR/ applicable reference rate + margin                      | 112,279<br>SOFR/ applicable reference rate + margin                      | 45,610<br>SOFR/ applicable reference rate + margin                       | 91,180<br>SOFR/ applicable reference rate + margin                        | 540,101           |
|                                                                           | <b>P268,105</b>                                                                                 | <b>P118,256</b>                                                           | <b>P211,677</b>                                                          | <b>P237,400</b>                                                          | <b>P126,927</b>                                                          | <b>P259,838</b>                                                           | <b>P1,222,203</b> |
| <b>December 31, 2023</b>                                                  | <b>&lt;1 Year</b>                                                                               | <b>1-2 Years</b>                                                          | <b>&gt;2-3 Years</b>                                                     | <b>&gt;3-4 Years</b>                                                     | <b>&gt;4-5 Years</b>                                                     | <b>&gt;5 Years</b>                                                        | <b>Total</b>      |
| <b>Fixed Rate</b>                                                         |                                                                                                 |                                                                           |                                                                          |                                                                          |                                                                          |                                                                           |                   |
| Philippine Peso-denominated Interest rate                                 | P98,099<br>3.2837% - 9.635%                                                                     | P73,303<br>3.2837% - 9.635%                                               | P75,000<br>3.2837% - 9.635%                                              | P118,771<br>3.3832% - 9.635%                                             | P87,199<br>3.5483% - 9.635%                                              | P142,861<br>3.5483% - 9.635%                                              | P595,233          |
| Foreign currency-denominated (expressed in Philippine peso) Interest rate | 1,330<br>8.331%                                                                                 | 1,391<br>8.331%                                                           | 1,454<br>8.331%                                                          | 1,520<br>8.331%                                                          | 9,895<br>6.55% - 8.331%                                                  | 9,967<br>8.331%                                                           | 25,557            |
| <b>Floating Rate</b>                                                      |                                                                                                 |                                                                           |                                                                          |                                                                          |                                                                          |                                                                           |                   |
| Philippine Peso-denominated Interest rate                                 | 2,286<br>BVAL + margin or applicable reference rate, whichever is higher                        | 21,819<br>BVAL + margin or applicable reference rate, whichever is higher | 1,938<br>BVAL + margin or applicable reference rate, whichever is higher | 1,938<br>BVAL + margin or applicable reference rate, whichever is higher | 2,398<br>BVAL + margin or applicable reference rate, whichever is higher | 23,561<br>BVAL + margin or applicable reference rate, whichever is higher | 53,940            |
| Foreign currency-denominated (expressed in Philippine peso) Interest rate | 136,617<br>SOFR/ applicable reference rate + margin                                             | 23,802<br>SOFR/ applicable reference rate + margin                        | 88,505<br>SOFR/ applicable reference rate + margin                       | 73,884<br>SOFR/ applicable reference rate + margin                       | 120,336<br>SOFR/ applicable reference rate + margin                      | 85,960<br>SOFR/ applicable reference rate + margin                        | 529,104           |
|                                                                           | <b>P238,332</b>                                                                                 | <b>P120,315</b>                                                           | <b>P166,897</b>                                                          | <b>P196,113</b>                                                          | <b>P219,828</b>                                                          | <b>P262,349</b>                                                           | <b>P1,203,834</b> |

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P1,487 and P5,830 for the period ended March 31, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

#### Foreign Currency Risk

The functional currency is the Philippine Peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

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

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and
- changes in the timing of the hedged transactions.

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

|                                                       | March 31, 2024    |                 | December 31, 2023 |                 |
|-------------------------------------------------------|-------------------|-----------------|-------------------|-----------------|
|                                                       | US Dollar         | Peso Equivalent | US Dollar         | Peso Equivalent |
| <b>Assets</b>                                         |                   |                 |                   |                 |
| Cash and cash equivalents                             | <b>US\$1,742</b>  | <b>P98,004</b>  | US\$1,720         | P95,227         |
| Trade and other receivables                           | <b>1,309</b>      | <b>73,810</b>   | 1,322             | 73,163          |
| Prepaid expenses and other current assets             | <b>23</b>         | <b>1,283</b>    | 21                | 1,165           |
| Noncurrent receivables                                | <b>35</b>         | <b>1,974</b>    | 33                | 1,857           |
|                                                       | <b>3,109</b>      | <b>175,071</b>  | 3,096             | 171,412         |
| <b>Liabilities</b>                                    |                   |                 |                   |                 |
| Loans payable                                         | <b>275</b>        | <b>15,442</b>   | 243               | 13,458          |
| Accounts payable and accrued expenses                 | <b>2,703</b>      | <b>152,110</b>  | 2,497             | 138,309         |
| Long-term debt (including current maturities)         | <b>10,065</b>     | <b>566,060</b>  | 10,018            | 554,661         |
| Lease liabilities (including current portion)         | <b>386</b>        | <b>21,705</b>   | 434               | 24,066          |
| Other noncurrent liabilities                          | <b>106</b>        | <b>5,973</b>    | 25                | 1,447           |
|                                                       | <b>13,535</b>     | <b>761,290</b>  | 13,217            | 731,941         |
| Net foreign currency-denominated monetary liabilities | <b>US\$10,426</b> | <b>P586,219</b> | US\$10,121        | P560,529        |

The Group reported net gain (loss) on foreign exchange amounting to (P7,581) and P10,452 for the periods ended March 31, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). These mainly resulted from the movements of the Philippine Peso against the US dollar as shown in the following table:

|                       | US Dollar<br>to Philippine Peso |
|-----------------------|---------------------------------|
| <b>March 31, 2024</b> | <b>P56.240</b>                  |
| December 31, 2023     | 55.370                          |
| March 31, 2023        | 54.360                          |
| December 31, 2022     | 55.755                          |

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

|                                               | P1 Decrease in the<br>US Dollar Exchange Rate |                     | P1 Increase in the<br>US Dollar Exchange Rate |                     |
|-----------------------------------------------|-----------------------------------------------|---------------------|-----------------------------------------------|---------------------|
|                                               | Effect on<br>Income<br>before<br>Income Tax   | Effect on<br>Equity | Effect on<br>Income<br>before<br>Income Tax   | Effect on<br>Equity |
| <b>March 31, 2024</b>                         |                                               |                     |                                               |                     |
| Cash and cash equivalents                     | (P1,237)                                      | (P1,442)            | P1,237                                        | P1,442              |
| Trade and other receivables                   | (391)                                         | (1,016)             | 391                                           | 1,016               |
| Prepaid expenses and other current assets     | (10)                                          | (21)                | 10                                            | 21                  |
| Noncurrent receivables                        | (33)                                          | (27)                | 33                                            | 27                  |
|                                               | (1,671)                                       | (2,506)             | 1,671                                         | 2,506               |
| Loans payable                                 | 100                                           | 249                 | (100)                                         | (249)               |
| Accounts payable and accrued expenses         | 2,524                                         | 2,110               | (2,524)                                       | (2,110)             |
| Long-term debt (including current maturities) | 10,028                                        | 7,801               | (10,028)                                      | (7,801)             |
| Lease liabilities (including current portion) | 300                                           | 311                 | (300)                                         | (311)               |
| Other noncurrent liabilities                  | 19                                            | 63                  | (19)                                          | (63)                |
|                                               | 12,971                                        | 10,534              | (12,971)                                      | (10,534)            |
|                                               | P11,300                                       | P8,028              | (P11,300)                                     | (P8,028)            |
|                                               |                                               |                     |                                               |                     |
|                                               | P1 Decrease in the<br>US Dollar Exchange Rate |                     | P1 Increase in the<br>US Dollar Exchange Rate |                     |
|                                               | Effect on<br>Income before<br>Income Tax      | Effect on<br>Equity | Effect on<br>Income before<br>Income Tax      | Effect on<br>Equity |
| <b>December 31, 2023</b>                      |                                               |                     |                                               |                     |
| Cash and cash equivalents                     | (P1,238)                                      | (P1,425)            | P1,238                                        | P1,425              |
| Trade and other receivables                   | (429)                                         | (1,076)             | 429                                           | 1,076               |
| Prepaid expenses and other current assets     | (10)                                          | (19)                | 10                                            | 19                  |
| Noncurrent receivables                        | (31)                                          | (25)                | 31                                            | 25                  |
|                                               | (1,708)                                       | (2,545)             | 1,708                                         | 2,545               |
| Loans payable                                 | -                                             | 242                 | -                                             | (242)               |
| Accounts payable and accrued expenses         | 1,338                                         | 2,054               | (1,338)                                       | (2,054)             |
| Long-term debt (including current maturities) | 9,977                                         | 7,775               | (9,977)                                       | (7,775)             |
| Lease liabilities (including current portion) | 341                                           | 349                 | (341)                                         | (349)               |
| Other noncurrent liabilities                  | 16                                            | 21                  | (16)                                          | (21)                |
|                                               | 11,672                                        | 10,441              | (11,672)                                      | (10,441)            |
|                                               | P9,964                                        | P7,896              | (P9,964)                                      | (P7,896)            |

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

#### Commodity Price Risk

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

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

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

*Commodity Swaps, Futures and Options.* Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, coal, aluminum, soybean meal and wheat.

*Commodity Forwards.* The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

#### Liquidity Risk

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

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

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

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

| March 31, 2024                                                                                                                                                                                                     | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------|----------------|--------------------|---------------------|--------------|
| <b>Financial Assets</b>                                                                                                                                                                                            |                 |                       |                |                    |                     |              |
| Cash and cash equivalents                                                                                                                                                                                          | P270,341        | P270,341              | P270,341       | P -                | P -                 | P -          |
| Trade and other receivables - net                                                                                                                                                                                  | 264,992         | 264,992               | 264,992        | -                  | -                   | -            |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)                                                                                        | 2,356           | 2,356                 | 2,013          | -                  | 343                 | -            |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)                                                                    | 904             | 904                   | 509            | -                  | -                   | 395          |
| Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)                                                                    | 7,427           | 7,813                 | 139            | 54                 | 1,957               | 5,663        |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)                                                          | 12,159          | 15,853                | 1,385          | 846                | 11,185              | 2,437        |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)                                                                                                                 | 9,166           | 9,982                 | -              | 1,736              | 2,184               | 6,062        |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)                                                                                          | 19,251          | 19,251                | 14,808         | 3,094              | -                   | 1,349        |
| <b>Financial Liabilities</b>                                                                                                                                                                                       |                 |                       |                |                    |                     |              |
| Loans payable                                                                                                                                                                                                      | 231,538         | 233,643               | 233,643        | -                  | -                   | -            |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO), and deferred income)      | 233,445         | 233,445               | 233,445        | -                  | -                   | -            |
| Dividends and distributions payable                                                                                                                                                                                | 5,607           | 5,607                 | 5,607          | -                  | -                   | -            |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)                                                                                        | 948             | 948                   | 823            | -                  | 125                 | -            |
| Long-term debt (including current maturities)                                                                                                                                                                      | 1,209,812       | 1,533,016             | 339,363        | 178,372            | 688,824             | 326,457      |
| Lease liabilities (including current portion)                                                                                                                                                                      | 51,006          | 63,371                | 15,614         | 6,619              | 22,499              | 18,639       |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities) | 11,600          | 11,600                | -              | 5,694              | 3,827               | 2,079        |

| December 31, 2023                                                                                                                                                                 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------|----------------|--------------------|---------------------|--------------|
| Financial Assets                                                                                                                                                                  |                 |                       |                |                    |                     |              |
| Cash and cash equivalents                                                                                                                                                         | P261,358        | P261,358              | P261,358       | P -                | P -                 | P -          |
| Trade and other receivables - net                                                                                                                                                 | 263,119         | 263,119               | 263,119        | -                  | -                   | -            |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)                                                       | 2,364           | 2,364                 | 2,063          | -                  | 301                 | -            |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)                                   | 1,401           | 1,401                 | 1,012          | -                  | -                   | 389          |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)                                                                                   | 7,424           | 7,738                 | 54             | 54                 | 1,970               | 5,660        |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)                         | 12,158          | 16,822                | 1,333          | 846                | 2,636               | 12,007       |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)                                                                                | 9,181           | 10,613                | 843            | 1,541              | 2,156               | 6,073        |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)                                                         | 18,519          | 18,519                | 14,076         | 3,111              | -                   | 1,332        |
| Financial Liabilities                                                                                                                                                             |                 |                       |                |                    |                     |              |
| Loans payable                                                                                                                                                                     | 214,881         | 217,073               | 217,073        | -                  | -                   | -            |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)                                           | 220,205         | 220,205               | 220,205        | -                  | -                   | -            |
| Dividends and distributions payable                                                                                                                                               | 4,605           | 4,605                 | 4,605          | -                  | -                   | -            |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)                                                       | 1,177           | 1,177                 | 908            | -                  | 269                 | -            |
| Long-term debt (including current maturities)                                                                                                                                     | 1,190,584       | 1,521,481             | 312,675        | 181,041            | 699,563             | 328,202      |
| Lease liabilities (including current portion)                                                                                                                                     | 56,572          | 69,146                | 20,878         | 6,467              | 22,334              | 19,467       |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | 11,023          | 11,023                | -              | 5,577              | 3,671               | 1,775        |

### Credit Risk

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

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

#### Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

#### Investment in Debt Instruments

The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

#### Credit Quality

In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

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

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

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

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

|                                                    | March 31, 2024  | December 31, 2023 |
|----------------------------------------------------|-----------------|-------------------|
| Cash and cash equivalents (excluding cash on hand) | <b>P266,608</b> | P256,366          |
| Trade and other receivables - net                  | <b>264,992</b>  | 263,119           |
| Derivative assets                                  | <b>2,356</b>    | 2,364             |
| Investment in debt instruments at FVPL             | <b>509</b>      | 1,012             |
| Investment in debt instruments at FVOCI            | <b>676</b>      | 667               |
| Investment in debt instruments at amortized cost   | <b>12,159</b>   | 12,158            |
| Noncurrent receivables and deposits - net          | <b>9,166</b>    | 9,181             |
| Restricted cash                                    | <b>19,251</b>   | 18,519            |
|                                                    | <b>P575,717</b> | P563,386          |

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

|                                                    | March 31, 2024                     |                                  |                              |                          |                           |          |
|----------------------------------------------------|------------------------------------|----------------------------------|------------------------------|--------------------------|---------------------------|----------|
|                                                    | Financial Assets at Amortized Cost |                                  |                              | 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) | P266,608                           | P -                              | P -                          | P -                      | P -                       | P266,608 |
| Trade and other receivables                        | -                                  | 264,992                          | 13,041                       | -                        | -                         | 278,033  |
| Derivative assets                                  | -                                  | -                                | -                            | 1,168                    | 1,188                     | 2,356    |
| Investment in debt instruments at FVPL             | -                                  | -                                | -                            | 509                      | -                         | 509      |
| Investment in debt instruments at FVOCI            | -                                  | -                                | -                            | -                        | 676                       | 676      |
| Investment in debt instruments at amortized cost   | 12,159                             | -                                | -                            | -                        | -                         | 12,159   |
| Noncurrent receivables and deposits                | -                                  | 9,166                            | 563                          | -                        | -                         | 9,729    |
| Restricted cash                                    | 19,251                             | -                                | -                            | -                        | -                         | 19,251   |

|                                                       | December 31, 2023                  |                                        |                                    |                                |                                 |          |
|-------------------------------------------------------|------------------------------------|----------------------------------------|------------------------------------|--------------------------------|---------------------------------|----------|
|                                                       | Financial Assets at Amortized Cost |                                        |                                    |                                |                                 |          |
|                                                       | 12-Month<br>ECL                    | Lifetime ECL<br>not Credit<br>Impaired | Lifetime ECL<br>Credit<br>Impaired | Financial<br>Assets at<br>FVPL | Financial<br>Assets at<br>FVOCI | Total    |
| Cash and cash equivalents<br>(excluding cash on hand) | P256,366                           | P -                                    | P -                                | P -                            | P -                             | P256,366 |
| Trade and other receivables                           | -                                  | 263,119                                | 13,120                             | -                              | -                               | 276,239  |
| Derivative assets                                     | -                                  | -                                      | -                                  | 1,270                          | 1,094                           | 2,364    |
| Investment in debt instruments<br>at FVPL             | -                                  | -                                      | -                                  | 1,012                          | -                               | 1,012    |
| Investment in debt instruments<br>at FVOCI            | -                                  | -                                      | -                                  | -                              | 667                             | 667      |
| Investment in debt instruments at<br>amortized cost   | 12,158                             | -                                      | -                                  | -                              | -                               | 12,158   |
| Noncurrent receivables and<br>deposits                | -                                  | 9,181                                  | 567                                | -                              | -                               | 9,748    |
| Restricted cash                                       | 18,519                             | -                                      | -                                  | -                              | -                               | 18,519   |

The aging of receivables is as follows:

| <b>March 31, 2024</b> | <b>Trade</b>    | <b>Non-trade</b> | <b>Amounts Owed<br/>by Related<br/>Parties</b> | <b>Total</b>    |
|-----------------------|-----------------|------------------|------------------------------------------------|-----------------|
| Current               | <b>P130,365</b> | <b>P44,884</b>   | <b>P9,790</b>                                  | <b>P185,039</b> |
| Past due:             |                 |                  |                                                |                 |
| 1 - 30 days           | <b>13,837</b>   | <b>304</b>       | <b>90</b>                                      | <b>14,231</b>   |
| 31 - 60 days          | <b>4,973</b>    | <b>464</b>       | <b>20</b>                                      | <b>5,457</b>    |
| 61 - 90 days          | <b>2,527</b>    | <b>592</b>       | <b>7</b>                                       | <b>3,126</b>    |
| Over 90 days          | <b>36,863</b>   | <b>32,646</b>    | <b>671</b>                                     | <b>70,180</b>   |
|                       | <b>P188,565</b> | <b>P78,890</b>   | <b>P10,578</b>                                 | <b>P278,033</b> |

| <b>December 31, 2023</b> | <b>Trade</b> | <b>Non-trade</b> | <b>Amounts Owed<br/>by Related<br/>Parties</b> | <b>Total</b> |
|--------------------------|--------------|------------------|------------------------------------------------|--------------|
| Current                  | P127,332     | P42,108          | P8,709                                         | P178,149     |
| Past due:                |              |                  |                                                |              |
| 1 - 30 days              | 17,482       | 8,071            | 66                                             | 25,619       |
| 31 - 60 days             | 5,049        | 282              | 14                                             | 5,345        |
| 61 - 90 days             | 3,322        | 1,331            | 14                                             | 4,667        |
| Over 90 days             | 35,262       | 24,939           | 2,258                                          | 62,459       |
|                          | P188,447     | P76,731          | P11,061                                        | P276,239     |

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period. There are no significant changes in the credit quality of the counterparties during the period.

The Group's cash and cash equivalents, derivative assets, investments in debt instruments and restricted cash are placed with reputable entities with high quality external credit ratings.

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

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

#### Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

#### Other Market Price Risk

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

#### Capital Management

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

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

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

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

The Group, except for BankCom which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

---

## 9. Financial Assets and Financial Liabilities

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

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

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

### Financial Assets

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

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

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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

#### Financial Liabilities

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

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

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

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

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

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

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

#### Derecognition of Financial Assets and Financial Liabilities

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

#### Impairment of Financial Assets

The Group recognizes allowance for ECL on investments in debt instruments at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

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

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

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

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

#### Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

|                                                                                                                                                           | March 31, 2024  |                 | December 31, 2023 |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-------------------|------------|
|                                                                                                                                                           | Carrying Amount | Fair Value      | Carrying Amount   | Fair Value |
| <b>Financial Assets</b>                                                                                                                                   |                 |                 |                   |            |
| Cash and cash equivalents                                                                                                                                 | <b>P270,341</b> | <b>P270,341</b> | P261,358          | P261,358   |
| Trade and other receivables - net                                                                                                                         | <b>264,992</b>  | <b>264,992</b>  | 263,119           | 263,119    |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)                               | <b>2,356</b>    | <b>2,356</b>    | 2,364             | 2,364      |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)           | <b>904</b>      | <b>904</b>      | 1,401             | 1,401      |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)                                                           | <b>7,427</b>    | <b>7,427</b>    | 7,424             | 7,424      |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | <b>12,159</b>   | <b>12,159</b>   | 12,158            | 12,158     |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)                                                        | <b>9,166</b>    | <b>9,166</b>    | 9,181             | 9,181      |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)                                 | <b>19,251</b>   | <b>19,251</b>   | 18,519            | 18,519     |
| <i>Forward</i>                                                                                                                                            |                 |                 |                   |            |

|                                                                                                                                                                                   | March 31, 2024  |            | December 31, 2023 |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|-------------------|------------|
|                                                                                                                                                                                   | Carrying Amount | Fair Value | Carrying Amount   | Fair Value |
| <b>Financial Liabilities</b>                                                                                                                                                      |                 |            |                   |            |
| Loans payable                                                                                                                                                                     | P231,538        | P231,538   | P214,881          | P214,881   |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)                                           | 233,445         | 233,445    | 220,205           | 220,205    |
| Dividends and distributions payable                                                                                                                                               | 5,607           | 5,607      | 4,605             | 4,605      |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)                                                       | 948             | 948        | 1,177             | 1,177      |
| Long-term debt (including current maturities)                                                                                                                                     | 1,209,812       | 1,226,014  | 1,190,584         | 1,211,878  |
| Lease liabilities (including current portion)                                                                                                                                     | 51,006          | 51,006     | 56,572            | 56,572     |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | 11,600          | 11,600     | 11,023            | 11,023     |

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

*Cash and Cash Equivalents, Trade and Other Receivables, Financial Assets at Amortized Cost, Noncurrent Receivables and Deposits and Restricted Cash.* The carrying amount of cash and cash equivalents, and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of financial assets at amortized cost, noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

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

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

*Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities.* The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.7% to 6.2% and 5.1% to 6.0% as at March 31, 2024 and December 31, 2023, respectively. The discount rates used for foreign currency-denominated loans range from 4.2% to 5.3% and 3.9% to 5.3% as at March 31, 2024 and December 31, 2023, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

#### Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

#### *Freestanding Derivatives*

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

*Cash Flow Hedge.* When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the "Hedging reserve" account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

### *Embedded Derivatives*

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

### Derivative Instruments Accounted for as Cash Flow Hedges

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

| March 31, 2024                               | Maturity         |                       |                        | Total   |
|----------------------------------------------|------------------|-----------------------|------------------------|---------|
|                                              | 1 Year or Less   | > 1 Year -<br>2 Years | > 2 Years -<br>5 Years |         |
| Foreign currency risk:                       |                  |                       |                        |         |
| Call spread swaps:                           |                  |                       |                        |         |
| Notional amount                              | US\$190          | US\$ -                | US\$80                 | US\$270 |
| Average strike rate                          | P48.00 to P53.70 | -                     | P51.35 to P59.00       |         |
| Foreign currency and interest<br>rate risks: |                  |                       |                        |         |
| Cross currency swap:                         |                  |                       |                        |         |
| Notional amount                              | US\$30           | US\$ -                | US\$ -                 | US\$30  |
| Average strike rate                          | P50.635          | -                     | -                      |         |
| Fixed interest rate                          | 3.60% to 4.01%   | -                     | -                      |         |
| Interest rate risk:                          |                  |                       |                        |         |
| Interest rate collar:                        |                  |                       |                        |         |
| Notional amount                              | US\$ -           | US\$ -                | US\$775                | US\$775 |
| Interest rate                                | -                | -                     | 0.39% to 6.35%         |         |

| December 31, 2023                            | Maturity         |                       |                        | Total   |
|----------------------------------------------|------------------|-----------------------|------------------------|---------|
|                                              | 1 Year or Less   | > 1 Year -<br>2 Years | > 2 Years -<br>5 Years |         |
| Foreign currency risk:                       |                  |                       |                        |         |
| Call spread swaps:                           |                  |                       |                        |         |
| Notional amount                              | US\$190          | US\$ -                | US\$80                 | US\$270 |
| Average strike rate                          | P48.00 to P53.70 | -                     | P51.35 to P59.00       |         |
| Foreign currency and interest<br>rate risks: |                  |                       |                        |         |
| Cross currency swap:                         |                  |                       |                        |         |
| Notional amount                              | US\$30           | US\$ -                | US\$ -                 | US\$30  |
| Average strike rate                          | P50.635          | -                     | -                      |         |
| Fixed interest rate                          | 3.60% to 4.01%   | -                     | -                      |         |
| Interest rate risk:                          |                  |                       |                        |         |
| Interest rate collar:                        |                  |                       |                        |         |
| Notional amount                              | US\$ -           | US\$ -                | US\$525                | US\$525 |
| Interest rate                                | -                | -                     | 0.39% to 6.35%         |         |

The following are the amounts relating to hedged items:

| <b>March 31, 2024</b>                     | <b>Change in Fair<br/>Value Used for<br/>Measuring Hedge<br/>Ineffectiveness</b> | <b>Hedging<br/>Reserve</b> | <b>Cost of<br/>Hedging<br/>Reserve</b> |
|-------------------------------------------|----------------------------------------------------------------------------------|----------------------------|----------------------------------------|
| Foreign currency risk:                    |                                                                                  |                            |                                        |
| US dollar-denominated borrowings          | (P35)                                                                            | P -                        | (P238)                                 |
| Foreign currency and interest rate risks: |                                                                                  |                            |                                        |
| US dollar-denominated borrowings          | (27)                                                                             | (15)                       | 21                                     |
| Interest rate risk:                       |                                                                                  |                            |                                        |
| US dollar-denominated borrowings          | (414)                                                                            | 428                        | (414)                                  |
| <hr/>                                     |                                                                                  |                            |                                        |
| <b>December 31, 2023</b>                  | <b>Change in Fair<br/>Value Used for<br/>Measuring Hedge<br/>Ineffectiveness</b> | <b>Hedging<br/>Reserve</b> | <b>Cost of<br/>Hedging<br/>Reserve</b> |
| Foreign currency risk:                    |                                                                                  |                            |                                        |
| US dollar-denominated borrowings          | P4                                                                               | P -                        | (P290)                                 |
| Foreign currency and interest rate risks: |                                                                                  |                            |                                        |
| US dollar-denominated borrowings          | (142)                                                                            | (23)                       | 20                                     |
| Interest rate risk:                       |                                                                                  |                            |                                        |
| US dollar-denominated borrowings          | 59                                                                               | 148                        | (258)                                  |

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

|                                                                  | Notional Amount | Carrying Amount |             | Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included | Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income | Cost of Hedging Recognized in Other Comprehensive Income | Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income | Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income | Line Item in the Consolidated Statement of Income Affected by the Reclassification |
|------------------------------------------------------------------|-----------------|-----------------|-------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| March 31, 2024                                                   |                 | Assets          | Liabilities |                                                                                                        |                                                                                              |                                                          |                                                                                  |                                                                                          |                                                                                    |
| Foreign currency risk:<br>Call spread swaps                      | US\$270         | P889            | P -         | Prepaid expenses and other current assets, and Other noncurrent assets - net                           | P35                                                                                          | P22                                                      | (P35)                                                                            | P47                                                                                      | Interest expense and other financing charges, and Other income (charges) - net     |
| Foreign currency and interest rate risks:<br>Cross currency swap | 30              | 153             | -           | Prepaid expenses and other current assets                                                              | 27                                                                                           | 1                                                        | (16)                                                                             | -                                                                                        | Interest expense and other financing charges, and Other income (charges) - net     |
| Interest rate risk:<br>Interest rate collar                      | 775             | 146             | (125)       | Other noncurrent assets - net, and Other noncurrent liabilities                                        | 414                                                                                          | (208)                                                    | (41)                                                                             | -                                                                                        | Interest expense and other financing charges                                       |
| December 31, 2023                                                | Notional Amount | Carrying Amount |             | Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included | Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income | Cost of Hedging Recognized in Other Comprehensive Income | Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income | Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income | Line Item in the Consolidated Statement of Income Affected by the Reclassification |
| Foreign currency risk:<br>Call spread swaps                      | US\$270         | P832            | P -         | Prepaid expenses and other current assets, and Other noncurrent assets - net                           | (P4)                                                                                         | P10                                                      | P4                                                                               | P197                                                                                     | Interest expense and other financing charges, and Other income - net               |
| Foreign currency and interest rate risks:<br>Cross currency swap | 30              | 137             | -           | Prepaid expenses and other current assets                                                              | 142                                                                                          | 105                                                      | (291)                                                                            | (9)                                                                                      | Interest expense and other financing charges, and Other income - net               |
| Interest rate risk:<br>Interest rate collar                      | 525             | 125             | (269)       | Other noncurrent assets - net, and Other noncurrent liabilities                                        | (59)                                                                                         | (202)                                                    | (77)                                                                             | (21)                                                                                     | Interest expense and other financing charges                                       |

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the 2024 and 2023 consolidated statements of income.

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

|                                               | March 31, 2024  |                         | December 31, 2023 |                         |
|-----------------------------------------------|-----------------|-------------------------|-------------------|-------------------------|
|                                               | Hedging Reserve | Cost of Hedging Reserve | Hedging Reserve   | Cost of Hedging Reserve |
| Beginning balance                             | P125            | (P528)                  | P339              | (P595)                  |
| Changes in fair value:                        |                 |                         |                   |                         |
| Foreign currency risk                         | 35              | 22                      | (4)               | 10                      |
| Foreign currency risk and interest rate risks | 27              | 1                       | 142               | 105                     |
| Interest rate risk                            | 414             | (208)                   | (59)              | (202)                   |
| Amount reclassified to profit or loss         | (92)            | 47                      | (364)             | 167                     |
| Tax effect                                    | (96)            | 35                      | 71                | (13)                    |
| Ending balance                                | P413            | (P631)                  | P125              | (P528)                  |

#### Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

#### *Freestanding Derivatives*

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

#### *Interest Rate Swap*

The Group has outstanding interest rate swap with notional amount of US\$90 as at March 31, 2024 and December 31, 2023. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P45 and P47 as at March 31, 2024 and December 31, 2023, respectively.

#### *Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$758 and US\$978 as at March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net positive (negative) fair value of these currency forwards amounted to P201 and (P385) as at March 31, 2024 and December 31, 2023, respectively.

#### *Currency Options*

The Group has outstanding currency options with an aggregate notional amount of US\$1,165 and US\$200 as at March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net negative fair value of these currency options amounted to P11 and P18 as at March 31, 2024 and December 31, 2023, respectively.

#### *Commodity Swaps*

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2024 and 2025. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant price index.

The outstanding notional quantity of fuel oil were 33.6 million barrels and 51.1 million barrels as at March 31, 2024 and December 31, 2023, respectively. The net positive fair value of these swaps amounted to P196 and P738 as at March 31, 2024 and December 31, 2023, respectively.

#### Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

#### *Embedded Currency Forwards*

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$166 and US\$145 as at March 31, 2024 and December 31, 2023, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P86 and P20 as at March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to P358, (P2,177) and (P1,379) for the periods ended March 31, 2024 and 2023, and December 31, 2023, respectively (Note 3).

#### Fair Value Changes on Derivatives

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

|                                          | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|------------------------------------------|-----------------------|--------------------------|
| Balance at beginning of year             | <b>P1,187</b>         | P792                     |
| Net change in fair value of derivatives: |                       |                          |
| Designated as accounting hedge           | <b>291</b>            | 43                       |
| Not designated as accounting hedge       | <b>358</b>            | (1,379)                  |
|                                          | <b>1,836</b>          | (544)                    |
| Less fair value of settled instruments   | <b>428</b>            | (1,731)                  |
| Balance at end of period                 | <b>P1,408</b>         | P1,187                   |

#### Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The table below analyzes financial instruments carried at fair value by valuation method:

|                              | March 31, 2024 |         |        | December 31, 2023 |         |        |
|------------------------------|----------------|---------|--------|-------------------|---------|--------|
|                              | Level 1        | Level 2 | Total  | Level 1           | Level 2 | Total  |
| <b>Financial Assets</b>      |                |         |        |                   |         |        |
| Derivative assets            | P -            | P2,356  | P2,356 | P -               | P2,364  | P2,364 |
| Financial assets at FVPL     | 509            | 395     | 904    | 1,012             | 389     | 1,401  |
| Financial assets at FVOCI    | 1,408          | 6,019   | 7,427  | 1,407             | 6,017   | 7,424  |
| <b>Financial Liabilities</b> |                |         |        |                   |         |        |
| Derivative liabilities       | -              | 948     | 948    | -                 | 1,177   | 1,177  |

The Group has no financial instruments valued based on Level 3 as at March 31, 2024 and December 31, 2023. For the period ended March 31, 2024 and for the year ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

## **10. Events After the Reporting Date**

### **a) Approval of the Issuance of P20,000 Fixed Rate Peso-denominated Bonds by the BOD of SMC**

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000, consisting of a Base Offer of P15,000 and an Oversubscription Option of P5,000, out of the remainder of the existing P50,000 bonds shelf-registered fixed rate bonds with the SEC.

### **b) Payment of P13,200 Series C Fixed Rate Peso-denominated Bonds by Petron**

On April 19, 2024, Petron paid the P13,200 Series C fixed rate Peso-denominated Bonds issued in 2019.

---

**11. Other Matters****a. Commitments**

The outstanding purchase commitments of the Group amounted to P248,851 and P248,484 as at March 31, 2024 and December 31, 2023, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b.** There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- c.** There were no material changes in estimates of amounts reported in prior financial years.
- d.** Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

## SAN MIGUEL CORPORATION AND SUBSIDIARIES

### FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of March 31, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ending March 31, 2024 and 2023 for operating efficiency ratios.

|                                                                               | March 2024     | December 2023 |
|-------------------------------------------------------------------------------|----------------|---------------|
| <u>Liquidity:</u>                                                             |                |               |
| Current Ratio                                                                 | <b>1.04</b>    | 1.12          |
| Quick Ratio                                                                   | <b>0.66</b>    | 0.70          |
| <u>Solvency:</u>                                                              |                |               |
| Debt to Equity Ratio                                                          | <b>2.77</b>    | 2.70          |
| Asset to Equity Ratio                                                         | <b>3.77</b>    | 3.70          |
| <u>Profitability:</u>                                                         |                |               |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | <b>(2.58%)</b> | 0.07%         |
| Interest Rate Coverage Ratio                                                  | <b>1.60</b>    | 1.80          |
| Return on Assets                                                              | <b>1.44%</b>   | 1.84%         |
| <u>Operating Efficiency:</u>                                                  |                |               |
| Volume Growth                                                                 | <b>21%</b>     | 7%            |
| Revenue Growth                                                                | <b>13%</b>     | 9%            |
| Operating Margin                                                              | <b>10%</b>     | 10%           |

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

| KPI                      | Formula                                                                                                                                                      |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Ratio            | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$                                                                                                   |
| Quick Ratio              | $\frac{\text{Current Assets} - \text{Inventory} - \text{Current Portion of Biological Assets} - \text{Prepayments}}{\text{Current Liabilities}}$             |
| Debt to Equity Ratio     | $\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$                                                                                      |
| Asset to Equity Ratio    | $\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$                                                                                           |
| Return on Average Equity | $\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$ |

*Forward*

| KPI                          | Formula                                                                                                                 |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Interest Rate Coverage Ratio | $\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$                |
| Return on Assets             | $\frac{\text{Net Income}^*}{\text{Average Total Assets}}$                                                               |
| Volume Growth                | $\left( \frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$ |
| Revenue Growth               | $\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$                              |
| Operating Margin             | $\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$                                                      |

\* Annualized for quarterly reporting.



**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE**

**INTRODUCTION**

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation (“SMC” or “Parent Company”) and its subsidiaries (collectively referred to as the “Group”) as at and for the period ended March 31, 2024 (with comparative figures as at December 31, 2023 and for the period ended March 31, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2024, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

**I. 2024 SIGNIFICANT TRANSACTIONS**

**INVESTING ACTIVITIES**

▪ **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the “Consortium”), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country’s main international gateway.

On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, and Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan avancement and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are on-going which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in San Miguel Global Power's gas-fired power plants, namely: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of preparing filings with the relevant regulatory agencies in relation to the joint investment by San Miguel Global Power and CGHI.

#### **AVAILMENT OF LONG-TERM DEBT**

##### **PESO TERM LOANS**

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) projects, and for payment of transaction costs.

- **Petron Corporation (Petron)**

On March 6, 2024, Petron availed of a P7,000 million term loan with a term of five years. The loan is subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years. The proceeds of the loan will be used for payment of existing indebtedness.

- **Infrastructure**

- **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

On January 15, 2024, SMC MRT 7 availed a total of P1,000 million term loans, subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

- **SMC NAIAX Corporation (SMC NAIAX)**

On March 4, 2024, SMC NAIAX drew a total of P469 million term loans from the P5,656 million OLSA with various banks executed on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

▪ **SMC**

On various dates in the first quarter of 2024, SMC drew a total of US\$69 million term loans from the US\$2,165 million loan facility executed on March 31, 2022. The loans are subject to floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.

**PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS BY SMC**

On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by SMC in 2017.

The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the first quarter of 2024, the Group paid a total of P7,108 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

The Infrastructure business, Petron, the Energy, Packaging, Food and Beverage businesses, SMC and Cement business paid a total of P2,877 million, P2,270 million, P1,375 million, P436 million, P85 million, P40 million and P25 million, respectively, of their maturing obligations.

**EVENTS AFTER THE REPORTING DATE**

**a. Approval of the Issuance of P20,000 Million Fixed Rate Peso-denominated Bonds by the Board of Directors (BOD) of SMC**

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000 million, consisting of a Base Offer of P15,000 million and an Oversubscription Option of P5,000 million, out of the remainder of the existing P50,000 million shelf-registered fixed rate bonds with the Securities and Exchange Commission.

**b. Payment of P13,200 Million Series C Fixed Rate Peso-denominated Bonds by Petron**

On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds issued in 2019.

## II. FINANCIAL PERFORMANCE

### 2024 vs. 2023

|                                                                       | March            |           | Horizontal Analysis<br>Increase (Decrease) |        | Vertical<br>Analysis |       |
|-----------------------------------------------------------------------|------------------|-----------|--------------------------------------------|--------|----------------------|-------|
|                                                                       | 2024             | 2023      | Amount                                     | %      | 2024                 | 2023  |
| <i>(In Millions)</i>                                                  |                  |           |                                            |        |                      |       |
| Sales                                                                 | <b>P392,713</b>  | P346,725  | P45,988                                    | 13%    | <b>100%</b>          | 100%  |
| Cost of Sales                                                         | <b>(328,363)</b> | (290,182) | 38,181                                     | 13%    | <b>(84%)</b>         | (84%) |
| Gross Profit                                                          | <b>64,350</b>    | 56,543    | 7,807                                      | 14%    | <b>16%</b>           | 16%   |
| Selling and Administrative<br>Expenses                                | <b>(23,886)</b>  | (21,490)  | 2,396                                      | 11%    | <b>(6%)</b>          | (6%)  |
| Operating Income                                                      | <b>40,464</b>    | 35,053    | 5,411                                      | 15%    | <b>10%</b>           | 10%   |
| Interest Expense and<br>Other Financing<br>Charges                    | <b>(23,522)</b>  | (21,803)  | 1,719                                      | 8%     | <b>(6%)</b>          | (6%)  |
| Interest Income                                                       | <b>3,634</b>     | 3,453     | 181                                        | 5%     | <b>1%</b>            | 1%    |
| Equity in Net Earnings of<br>Associates and Joint<br>Ventures         | <b>416</b>       | 652       | (236)                                      | (36%)  | <b>0%</b>            | 0%    |
| Gain (Loss) on Sale of<br>Property and Equipment                      | <b>13</b>        | (45)      | 58                                         | 129%   | <b>0%</b>            | 0%    |
| Other Income (Charges)<br>- Net                                       | <b>(6,847)</b>   | 10,072    | (16,919)                                   | (168%) | <b>(2%)</b>          | 3%    |
| Income Before Income<br>Tax                                           | <b>14,158</b>    | 27,382    | (13,224)                                   | (48%)  | <b>3%</b>            | 8%    |
| Income Tax Expense                                                    | <b>(5,271)</b>   | (9,643)   | (4,372)                                    | (45%)  | <b>(1%)</b>          | (3%)  |
| <b>Net Income</b>                                                     | <b>P8,887</b>    | P17,739   | (P8,852)                                   | (50%)  | <b>2%</b>            | 5%    |
| Net Income Attributable<br>to Equity Holders of<br>the Parent Company | <b>P509</b>      | P8,832    | (P8,323)                                   | (94%)  | <b>0%</b>            | 2%    |
| Net Income Attributable<br>to Non-controlling<br>Interests            | <b>8,378</b>     | 8,907     | (529)                                      | (6%)   | <b>2%</b>            | 3%    |
| <b>Net Income</b>                                                     | <b>P8,887</b>    | P17,739   | (P8,852)                                   | (50%)  | <b>2%</b>            | 5%    |

Consolidated sales of P392,713 million for the first quarter of 2024 increased by 13% compared to last year, mainly on account of higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), and the higher average selling prices of San Miguel Brewery Inc. (SMB) and GSMI.

The Group's cost of sales increased by P38,181 million or 13%, mainly due to: (a) higher volume sold reduced by the lower cost per liter of petroleum products of Petron; and (b) higher LNG and coal consumption resulting from the resumption of operations of the Ilijan Power Plant in June 2023 and commissioning activities of the Mariveles Power Plant starting April 2023 and higher volume of power purchases in 2024 due to the increased demand from bilateral customers and the spot market, partly offset by lower cost of coal due to the decline in Newcastle coal price indices of the Energy business.

The increase in selling and administrative expenses by P2,396 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, distribution costs, and advertising and promotion expenses primarily from the Food and Beverage business and higher real property taxes paid by the Energy business.

Consolidated operating income increased by P5,411 million or 15% from the same period last year, mainly driven by the: (a) growth in volume from effective volume strategy and efficiency measures implemented by Petron; (b) higher sales volume of the Food division and GSML; (c) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services; (d) strong margins focusing on cost control initiatives implemented by the Cement business; and (e) sustained growth in traffic volumes backed by continued cost management initiatives of the Infrastructure business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and increased average level of loans of Petron and the Energy business.

The increase in interest income was primarily due to higher interest rates and average balance of short-term investments of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC and lower average interest rates on short-term investments of the Energy business.

The decrease in equity in net earnings of associates and joint ventures was mainly due to the share on the lower net income of Angat Hydropower Corporation (Angat Hydro), partly offset by the share in higher net income of Bank of Commerce (BankCom) for the first quarter in 2024 compared to the same period last year.

The gain on sale of property and equipment in 2024 pertains mainly to the sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P6,847 million was a turnaround from last year's other income - net of P10,072 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC and the Energy business resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSML in 2023. In March 2024, the Philippine Peso depreciated by P0.870 against the US Dollar, while in 2023, the Philippine Peso appreciated by P1.395 against the US Dollar.

The decrease in income tax expense was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in 2024 compared to unrealized foreign exchange gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 50% to P8,887 million, from P17,739 million last year, mainly on account of the loss on foreign exchange in the first quarter of 2024, a turnaround from the gain recognized in 2023 resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents mainly of SMC and the Energy business, partly offset by the improved operations of most businesses mainly Petron, the Energy and Infrastructure businesses, the Food division and GSML.

The net income attributable to equity holders of the Parent Company decreased mainly due to lower net income on account of the foreign exchange loss as compared to foreign exchange gain in the same period in 2023.

The decrease in the share of non-controlling interests (NCI) on the Group's net income was mainly due to the distribution on Senior Perpetual Capital Securities of Petron in 2023, partly offset by the higher net income of Petron in 2024.

The following are the highlights of the performance of the individual business segments:

## **1) FOOD AND BEVERAGE**

San Miguel Food and Beverage, Inc. (SMFB) sustained its steady performance in the first quarter of 2024, posting a 2% growth in consolidated revenues from the same period last year at P95,432 million on the back of robust volume growth from GSMI and the Food division.

Consolidated income from operations amounted to P13,119 million, up 13% from last year, while net income reflected a 1% increase to P9,974 million from last year's level.

### **a) Beer and Non-Alcoholic Beverages (NAB) Division**

SMB reported first quarter of 2024 consolidated sales volume at 58.9 million cases, 6% lower than the comparable period in 2023 due to last year's higher base and trade build-up from price adjustments. As a result, SMB's consolidated sales amounted to P37,367 million, slightly down 3% from the same period in 2023.

Similarly, consolidated operating income and net income ended slightly lower than last year at P8,131 million and P6,514 million, respectively.

#### **Domestic Operations**

SMB's domestic beer and NAB sales amounted to P33,055 million, down 3% compared to last year due to the aforementioned trade build-up for the March 2023 price adjustment slowing down the sales volume growth of beer by 7% to 51.3 million cases.

#### **International Operations**

SMB's international sales volume reported a slight decline of 1% in volumes due to market mix changes. However, global San Miguel brands continued to deliver strong volumes, growing 4% in first quarter of 2024.

### **b) Spirits Division**

GSMI continued its growth momentum in the first quarter of 2024, delivering a robust 17% growth in consolidated revenues to P15,117 million against the comparable period a year ago, primarily brought by the sustained volume growth of 8% to 12.5 million cases compared to the previous year.

GSMI's strong volume growth was secured by the strength of its core brands and its implemented initiatives to sustain strong brand equity, coupled with supply chain improvements developed over the years.

Income from operations, likewise, surged 40% to P2,278 million, on the back of operating efficiencies in imported alcohol purchase, second-hand bottle use and biogas generation at the distillery.

Meanwhile, consolidated net income stood at P1,907 million.

### **c) Food Division**

The Food division delivered P42,950 million in revenues, 2% higher than the previous year. This was mainly driven by higher volumes across most segments, resulting from aggressive marketing efforts to boost demand.

The Prepared and Packaged Food segment which consists of processed meats, dairy, spreads, and coffee businesses, led topline growth, with a 9% revenue increase, attributed to better selling prices and sustained volume growth.

The Protein segment, which includes the Poultry and Fresh Meats businesses, saw a 2% revenue improvement, fueled by strong chicken volume growth, which offset the impact of lower chicken prices caused by the proliferation of imported frozen chicken, and the lingering effects of African Swine Fever (ASF) on the hog industry.

The Animal Nutrition and Health segment experienced a 3% decline in revenue as it strategically aligned prices with lower raw material costs, maintaining a competitive edge amidst continuing challenges in the hog industry due to ASF.

The Flour segment revenue showed a slight 1% decrease due to strategic competitive pricing aimed at increasing volume.

Operating income recorded a 78% improvement to P2,730 million versus last year, buoyed by higher gross profits as key raw material prices eased and efficiencies from company-owned facilities were optimized.

Similarly, net income surged 139% to P1,771 million versus the relative period in the previous year.

## **2) PACKAGING**

The Packaging business recorded consolidated revenues of P8,407 million in the first quarter of 2024. The 18% decline was on account of the record-high volume requirements mainly from the Beer division reported in the comparable period last year.

Consequently, consolidated operating income saw a 13% decrease to P696 million versus last year.

## **3) ENERGY**

San Miguel Global Power reported a remarkable 7% rebound in first quarter of 2024 consolidated revenues amounting to P44,123 million from P41,124 million in first quarter of 2023. This was mainly attributable to the 71% increase in offtake volume brought by higher bilateral volumes from SPPC's emergency power supply agreements with Manila Electric Company and new retail supply customers of Limay Power Plant.

Moreover, ancillary services rendered by ten BESS facilities of San Miguel Global Power, with a combined capacity of 330 MW and commencing operations on various dates from August 2023 up to March 2024, contributed to the revenue growth.

In addition, the Energy business has successfully transitioned to fuel passthrough arrangements for most of its bilateral customers.

Net income ended lower at P1,547 million, dragged by the net loss on foreign exchange of P1,436 million, a turnaround from last year's gain of P3,695 million.

Operating income, however, reached P8,840 million a significant 17% increase from last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MW, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024.

The remaining BESS capacities of 630 MW are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of National Grid Corporation of the Philippines as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

On February 26, 2024, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) in favor of Mariveles Power Generation Corporation's (MPGC) Unit 1. Following the receipt of the PAO from the ERC, MPGC declared the commercial operations of its 150 MW Unit 1 with the IEMOP starting March 28, 2024.

#### **4) FUEL AND OIL**

Petron marked a robust performance for the first three months of the year, posting consolidated revenues of P227,637 million, 21% higher than last year's level primarily driven by its strong volume growth.

Petron's consolidated volumes reached 35.3 million barrels, up 23% versus the previous year backed by the recorded broad-based growth across all its business segments. This was also attributable to the higher production at Petron's refineries in Bataan and Port Dickson in Malaysia.

Consolidated operating income amounted to P10,171 million, up 21% from the same period last year on the back of its efficiency measures and volume strategies, as well as its resilience and response to macroeconomic volatility. Benchmark Dubai crude climbed 9% to US\$84.15 per barrel by March this year compared to \$77.33 per barrel in December 2023.

Moreover, consolidated net income jumped 16% versus last year to P3,933 million.

#### **5) INFRASTRUCTURE**

The Infrastructure business sustained its strong performance in the first quarter of 2024, posting consolidated revenues of P8,886 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 3% from last year's level to 1,022,521 vehicles complemented by the continued increase in travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted in a 6% increase in operating income to P4,768 million versus the same quarter last year.

Net income rose by 38% to P3,590 million driven by its higher interest income.

The Land Development Works of the MIA Project are ongoing and progressing well. Overall progress for the land development works is at 79.49% while airport development works is estimated to commence in 2025.

The Railway Component percentage accomplishment for the MRT 7 is at 72.82% while the Detailed Engineering Design and site development for the depot is still ongoing. In addition, 17 out of 36 trainsets were delivered on-site.

## **6) CEMENT**

The Cement business which includes Eagle Cement Corporation (ECC), Northern Cement Corporation and Southern Concrete Industries, Inc., recorded consolidated revenues of P9,276 million, down 10% from last year. The Cement business was able to maintain its volume versus last year, however, revenue declined due to market constriction coupled with the influx of cheaper imports resulting in declining prices of local cement.

Operating income, despite a challenging market environment, leaped by 36% versus last year to P1,811 million due to lower cost of inputs on the back of the business' cost containment initiatives and operating efficiencies.

The Cement business nearly doubled its net income to P1,199 million from P631 million in the comparable quarter in 2023 supported by lower net financing charges.

**2023 vs. 2022**

|                                                                 | March                |           | Horizontal Analysis<br>Increase (Decrease) |         | Vertical<br>Analysis |       |
|-----------------------------------------------------------------|----------------------|-----------|--------------------------------------------|---------|----------------------|-------|
|                                                                 | 2023                 | 2022      | Amount                                     | %       | 2023                 | 2022  |
|                                                                 | <i>(In Millions)</i> |           |                                            |         |                      |       |
| Sales                                                           | <b>P346,725</b>      | P316,765  | P29,960                                    | 9%      | <b>100%</b>          | 100%  |
| Cost of Sales                                                   | <b>(290,182)</b>     | (264,531) | 25,651                                     | 10%     | <b>(84%)</b>         | (84%) |
| Gross Profit                                                    | <b>56,543</b>        | 52,234    | 4,309                                      | 8%      | <b>16%</b>           | 16%   |
| Selling and Administrative Expenses                             | <b>(21,490)</b>      | (19,767)  | 1,723                                      | 9%      | <b>(6%)</b>          | (6%)  |
| Operating Income                                                | <b>35,053</b>        | 32,467    | 2,586                                      | 8%      | <b>10%</b>           | 10%   |
| Interest Expense and Other Financing Charges                    | <b>(21,803)</b>      | (12,365)  | 9,438                                      | 76%     | <b>(6%)</b>          | (4%)  |
| Interest Income                                                 | <b>3,453</b>         | 1,037     | 2,416                                      | 233%    | <b>1%</b>            | 0%    |
| Equity in Net Earnings of Associates and Joint Ventures         | <b>652</b>           | 448       | 204                                        | 46%     | <b>0%</b>            | 0%    |
| Gain (Loss) on Sale of Property and Equipment                   | <b>(45)</b>          | 2         | (47)                                       | (2350%) | <b>(0%)</b>          | 0%    |
| Other Income (Charges) - Net                                    | <b>10,072</b>        | (1,465)   | 11,537                                     | 788%    | <b>3%</b>            | (0%)  |
| Income Before Income Tax                                        | <b>27,382</b>        | 20,124    | 7,258                                      | 36%     | <b>8%</b>            | 6%    |
| Income Tax Expense                                              | <b>(9,643)</b>       | (6,181)   | 3,462                                      | 56%     | <b>(3%)</b>          | (2%)  |
| <b>Net Income</b>                                               | <b>P17,739</b>       | P13,943   | P3,796                                     | 27%     | <b>5%</b>            | 4%    |
| Net Income Attributable to Equity Holders of the Parent Company | <b>P8,832</b>        | P6,336    | P2,496                                     | 39%     | <b>2%</b>            | 2%    |
| Net Income Attributable to Non-controlling Interests            | <b>8,907</b>         | 7,607     | 1,300                                      | 17%     | <b>3%</b>            | 2%    |
| <b>Net Income</b>                                               | <b>P17,739</b>       | P13,943   | P3,796                                     | 27%     | <b>5%</b>            | 4%    |

The Group recorded consolidated sales of P346,725 million for the first quarter of 2023, 9% higher than the same period in 2022 mainly on account of higher sales volume of Petron and SMB and the sales contribution of ECC which was consolidated effective December 2022. This was partly offset by the lower sales from the Energy business.

The Group's cost of sales increased by 10% mainly due to: (a) increase in sales volume partly offset by the lower cost per liter of fuel products of Petron; (b) higher sales volume of SMB; and (c) the cost of sales of ECC for the first quarter in 2023. This was partly offset by the lower overall power purchases of the Energy business relative to the decline in sales volume.

The increase in selling and administrative expenses of 9% is attributable mainly to higher distribution costs and amortization of deferred containers of SMB and the additional operating expenses of ECC.

Consolidated operating income rose 8% to P35,053 million driven by the sustained performance improvements of SMB and the Infrastructure business and the contribution of ECC in 2023. This was however softened by the effect of rising raw material prices which continues to challenge the businesses, particularly the Food division and the Energy business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and average loan balance of SMC and Petron.

The increase in interest income was mainly due to higher interest rates and average balance of short-term placements of the Infrastructure business, SMC, SMB and Petron and the higher balance of investment in debt securities of SMB, GSML, and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of BankCom and Angat Hydro in the first quarter of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net in 2023 mainly represents the net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt. Other charges - net in 2022 mainly represents the net loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In March 2023, the Philippine Peso appreciated by P1.395 against the US Dollar, while in 2022, the Philippine Peso depreciated by P0.741 against the US Dollar.

The higher income tax expense of the Group was primarily due to SMC's turnaround from income tax benefit in 2022 to income tax expense in 2023, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to unrealized loss in the same period in 2022 and the higher unrealized gain on derivatives.

Consolidated net income rose 27% to P17,739 million, from P13,943 million in 2022, mainly on account of the significant gain on foreign exchange recognized in the first quarter of 2023, as a result of the appreciation of the Philippine Peso against the US Dollar in March 2023, compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,496 million mainly due to higher net income on account of the gain on foreign exchange in 2023 as compared to the loss on foreign exchange in the same period in 2022.

The increase in share of NCI on the Group's net income was mainly due to the higher net income of SMFB.

The following are the highlights of the performance of the individual business segments:

## **1) FOOD AND BEVERAGE**

SMFB posted consolidated sales of P93,186 million during the first three months of 2023, 12% higher than the same period in 2022, brought about by the volume growth from the Beer division combined with higher selling prices across the Beer, Spirits and Food divisions.

However, while the Beer division posted strong operating income growth in the first quarter of 2023, the impact of rising cost of raw materials that affected the Food and Spirits divisions resulted in the decline in operating income of SMFB by 9% at P11,581 million.

SMFB's consolidated net income was up 8% ending at P9,875 million, mainly due to SMB's strong performance, including the gain recognized by GSML from the assignment of product rights.

**a) Beer and NAB Division**

SMB's consolidated sales rose 29% to P38,335 million from P29,659 million in 2022, mainly due to volume growth and price adjustments implemented by both the domestic and international operations. Consolidated volumes reached 62.6 million cases, up 26% from 2022.

SMB's operating income grew 25% to P8,438 million from 2022 while consolidated net income reached P6,819 million, up 38% from P4,935 million in 2022.

**Domestic Operations**

SMB's domestic operations delivered beer volumes of 54.9 million cases for the first three months of 2023, 26% higher compared to the same period in 2022. The continued uptrend in volumes were mainly driven by the full return of business operations, on-premise recovery, and resumption of tourism activities complemented by new brand campaigns and offtake generating programs. Along with the impact of the price increase implementation, SMB domestic revenues grew 28% to P33,988 million from the same period in 2022.

NAB's volume sustained its growth momentum surpassing the 2022 level by 73%.

Combined with cost management and efficiency improvements, operating income and net income amounted to P7,309 million and P5,740 million, 17% and 29% growth, respectively.

To support its robust performance and further strengthen value proposition and consumption in key channels, SMB domestic launched new thematic brand campaigns namely: San Miguel Pale Pilsen's "*Samaritan*" advertisement and "*Sarap ng Beermen Predictions*" digital promotions; Red Horse' "*Magneto*" advertisement; and San Mig Light's ongoing "*Yass*" and "*Sweet Street*" thematic campaign. NAB also launched the new Magnolia Fruit Drink Mango in 250ml bottle last April 2023, affordably priced at P10.00 per bottle.

**International Operations**

SMB's international operations posted increase in volumes and sales of 29% and 27%, respectively, in the first three months of 2023. This was primarily driven by the strong performance from Hong Kong, Thailand, and exports.

**b) Spirits Division**

GSMI recorded sales volumes of 11.5 million cases, down by 5% from 2022, reflecting the effect of a temporary volume slowdown in February 2023 due to the price increase implementation on February 1, 2023, this was 15 days earlier compared to the 2022 price increase implementation. Nevertheless, the launching in March 2023 of the nationwide "*Ngiting Instanalo*" consumer promo drove the quick rebound in volumes posting a 10% growth in March 2023 compared to the same period in 2022. GSM Blue volumes, in particular, posted a year-to-date growth of 32% against 2022.

Sales reached P12,945 million, 3% higher from the P12,620 million reported in the same period in 2022. Operating income, however, was down 9% to P1,631 million mainly brought by lower volumes and higher input costs.

Net income amounted to P2,532 million, 81% higher than in 2022 mainly on account of the income from the assignment of product rights recognized in March 2023.

### **c) Food Division**

The Food division posted consolidated sales of P41,908 million during the first quarter of 2023, 3% higher than the same period in 2022. The Food division had a rough start as persistent high inflation rates started to impact consumer spending and limited poultry capacity curbed sales of the Poultry business. However, price increases implemented since 2022 across products categories to cope with rising raw material costs helped sustain topline growth.

While commodity prices have generally trended lower during the first quarter of 2023, absolute price levels remained elevated compared to 2022. The price gap between the first quarter of 2023 and the same period in 2022 is also heightened as inventories during the early part of 2022 were priced lower.

The continued escalation of raw material costs and other inputs squeezed operating income to P1,531 million, 63% lower compared to 2022. Consequently, net income ended at P740 million, 76% lower than same period in 2022.

The Food division is committed to recover from this temporary setback, seeing second quarter of 2023 improvements with prices of raw materials starting to stabilize. Better growing efficiencies in poultry is also expected with the recovery of some contract growers and addition of new capacities that will come onstream for the balance of 2023.

Revenues from the Animal Nutrition and Health segment grew by 8%, on account of higher selling prices. Volumes were behind in 2022 as ASF and avian flu persisted, dampening demand for feeds. At least half of the towns within the country remain affected by the ASF which has cut total hog population by almost one-fourth since its onset in 2018. Meanwhile, around 2.2 million birds were lost due to avian flu.

The Protein segment, consisting of Poultry and Meats businesses, posted sales 8% lower than in 2022, which has been affected by the aggressive capacity grabbing by other industry players which constricted volumes. Fresh Meats' lower volumes, on the other hand, reflected the deliberate strategy to downsize the hog operations.

The Prepared and Packaged Food segment's consolidated sales was 14% higher than in 2022. Demand for Tender Juicy Hotdogs and Purefoods Chicken Nuggets held steady despite price increases while sales of butter, margarine, cheese, and coffee registered growth. Purefoods luncheon meat, in particular, has been emerging as a viable alternative for SPAM.

The Flour segment posted a 13% growth in consolidated sales on the back of better selling prices combined with volume growth after regaining market share.

## **2) PACKAGING**

The Packaging business' consolidated sales for the first quarter of 2023 grew 27% to P10,195 million compared to the same period in 2022, sustaining its growth momentum since end of 2022. This was mainly driven by strong demand from glass, plastics, flexibles and beverage filling which continue to increase, together with the stable growth from Australia operations.

Operating income amounted to P803 million, 31% higher than same period in 2022.

### 3) ENERGY

San Miguel Global Power's offtake volumes for the first quarter in 2023 ended at 4,657 gigawatt hours, 33% lower than in 2022, mainly due to the absence of natural gas supply to the Ilijan Power Plant.

Consolidated sales amounted to P41,124 million, slightly lower than the P43,036 million registered in 2022. Volume decline was mitigated by the overall higher average tariff rate adjustments for pass-on fuel costs.

With better margins on its available net capacity, operating income reached P7,575 million, up 12% from P6,790 million in 2022.

Net income grew 177% to P5,345 million, which includes the impact of net foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

San Miguel Global Power recently accomplished several key milestones in its two landmark and game changing projects in the local power industry.

The 1,000 MW BESS project was inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

San Miguel Global Power also launched its foray into LNG power generation with the first ever shipment of LNG to the country which happened in the last week of April 2023. The LNG transfer was made to a Floating Storage Unit which eventually berthed on the first ever LNG terminal in the country strategically located between San Miguel Global Power's 1,200 MW Ilijan Power Plant and the new 1,313 MW Batangas Combined Cycled Power Plant. The LNG terminal is expected to provide LNG fuel to the Ilijan Power Plant in May 2023 and reintegrate its valuable baseload capacity to the Grid.

### 4) FUEL AND OIL

Petron sustained its recovery momentum in the first quarter of 2023, delivering significant growth across the business, registering consolidated sales of P188,753 million, 10% higher from P172,331 million in 2022. This was mainly boosted by growth in fuel demand from both Philippine and Malaysian operations registering 28.6 million barrels, up 11% from 25.7 million barrels in 2022.

Consolidated commercial sales grew 13% owing to higher demand from the aviation sector. Retail sales from both the Philippine and Malaysian markets similarly increased by 12% due to increased mobility. Polypropylene sales likewise expanded by 68%.

Despite the price movements of Dubai crude oil, which dipped by 16% to US\$80.32 per barrel in the first quarter of 2023 from US\$95.56 in 2022, operating income ended at P8,418 million, at par with 2022 while net income amounted to P3,399 million, slightly behind same period in 2022 of P3,598 million by 6%.

## 5) INFRASTRUCTURE

The Infrastructure business sustained its growth momentum since end of 2022 recording combined average daily traffic volumes of 996,805 for the first quarter in 2023, 23% higher compared to the same period in 2022. This was mainly driven by the resumption of onsite work and face to face classes along with the increase in tourism-related travel. Correspondingly, consolidated revenues reached P8,170 million, 31% higher than 2022 level.

Operating income soared by 82% to P4,484 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The construction of MRT 7, South Luzon Expressway - Toll Road 4 (SLEX-TR4) and Skyway Stage 4 are all on track. The awarding of the Independent Contractor contract is in progress for the Pasig River Expressway, Northern Access Link Expressway, Southern Access Link Expressway, and South Luzon Expressway - Toll Road 5 projects. As at March 2023, the overall completion of the Land Development Works for the MIA Project was at 55.33%. The MIA project team continues to work on the Airport Masterplan along with the critical components of the Airport.

## 6) CEMENT

The Cement business registered consolidated sales of P10,340 million for the first quarter of 2023 from P3,222 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P1,333 million from P293 million in 2022.

The current portfolio of the Cement business is expected to further solidify SMC's strong position in the domestic cement industry, which greatly complements and enhances its nation-building-through-infrastructure development agenda across multiple industries.

### III. FINANCIAL POSITION

#### 2024 vs. 2023

| (In Millions)                                                         | March             | December   | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                       | 2024              | 2023       | Amount                                     | %     | 2024                 | 2023 |
| Cash and cash equivalents                                             | <b>P270,341</b>   | P261,358   | P8,983                                     | 3%    | <b>11%</b>           | 11%  |
| Trade and other<br>receivables - net                                  | <b>264,992</b>    | 263,119    | 1,873                                      | 1%    | <b>10%</b>           | 11%  |
| Inventories                                                           | <b>149,937</b>    | 161,986    | (12,049)                                   | (7%)  | <b>6%</b>            | 6%   |
| Current portion of biological<br>assets - net                         | <b>3,307</b>      | 3,515      | (208)                                      | (6%)  | <b>0%</b>            | 0%   |
| Prepaid expenses and<br>other current assets                          | <b>148,287</b>    | 141,424    | 6,863                                      | 5%    | <b>6%</b>            | 6%   |
| <b>Total Current Assets</b>                                           | <b>836,864</b>    | 831,402    | 5,462                                      | 1%    | <b>33%</b>           | 34%  |
| Investments and advances -<br>net                                     | <b>43,321</b>     | 37,089     | 6,232                                      | 17%   | <b>2%</b>            | 2%   |
| Investments in equity and<br>debt instruments                         | <b>19,426</b>     | 19,417     | 9                                          | 0%    | <b>1%</b>            | 1%   |
| Property, plant and<br>equipment - net                                | <b>773,247</b>    | 753,472    | 19,775                                     | 3%    | <b>31%</b>           | 31%  |
| Right-of-use assets - net                                             | <b>106,830</b>    | 108,014    | (1,184)                                    | (1%)  | <b>4%</b>            | 4%   |
| Investment property - net                                             | <b>81,436</b>     | 79,513     | 1,923                                      | 2%    | <b>3%</b>            | 3%   |
| Biological assets - net of<br>current portion                         | <b>2,512</b>      | 2,667      | (155)                                      | (6%)  | <b>0%</b>            | 0%   |
| Goodwill - net                                                        | <b>182,723</b>    | 182,791    | (68)                                       | (0%)  | <b>7%</b>            | 7%   |
| Other intangible assets - net                                         | <b>312,878</b>    | 306,638    | 6,240                                      | 2%    | <b>13%</b>           | 12%  |
| Deferred tax assets                                                   | <b>21,124</b>     | 19,633     | 1,491                                      | 8%    | <b>1%</b>            | 1%   |
| Other noncurrent assets - net                                         | <b>127,167</b>    | 118,729    | 8,438                                      | 7%    | <b>5%</b>            | 5%   |
| <b>Total Noncurrent Assets</b>                                        | <b>1,670,664</b>  | 1,627,963  | 42,701                                     | 3%    | <b>67%</b>           | 66%  |
| <b>Total Assets</b>                                                   | <b>P2,507,528</b> | P2,459,365 | P48,163                                    | 2%    | <b>100%</b>          | 100% |
| Loans payable                                                         | <b>P231,538</b>   | P214,881   | P16,657                                    | 8%    | <b>9%</b>            | 9%   |
| Accounts payable and<br>accrued expenses                              | <b>236,480</b>    | 223,055    | 13,425                                     | 6%    | <b>9%</b>            | 9%   |
| Lease liabilities - current<br>portion                                | <b>15,491</b>     | 19,631     | (4,140)                                    | (21%) | <b>1%</b>            | 1%   |
| Income and other taxes<br>payable                                     | <b>49,335</b>     | 46,254     | 3,081                                      | 7%    | <b>2%</b>            | 2%   |
| Dividends and distributions<br>payable                                | <b>5,607</b>      | 4,605      | 1,002                                      | 22%   | <b>0%</b>            | 0%   |
| Current maturities of long-<br>term debt - net of debt<br>issue costs | <b>266,626</b>    | 236,798    | 29,828                                     | 13%   | <b>11%</b>           | 9%   |
| <b>Total Current Liabilities</b>                                      | <b>805,077</b>    | 745,224    | 59,853                                     | 8%    | <b>32%</b>           | 30%  |
| Long-term debt - net of<br>current maturities and<br>debt issue costs | <b>943,186</b>    | 953,786    | (10,600)                                   | (1%)  | <b>38%</b>           | 39%  |
| Lease liabilities - net of<br>current portion                         | <b>35,515</b>     | 36,941     | (1,426)                                    | (4%)  | <b>1%</b>            | 2%   |
| Deferred tax liabilities                                              | <b>30,219</b>     | 29,503     | 716                                        | 2%    | <b>1%</b>            | 1%   |
| Other noncurrent liabilities                                          | <b>28,913</b>     | 28,745     | 168                                        | 1%    | <b>1%</b>            | 1%   |
| <b>Total Noncurrent<br/>Liabilities</b>                               | <b>1,037,833</b>  | 1,048,975  | (11,142)                                   | (1%)  | <b>41%</b>           | 43%  |

Forward

| (In Millions)                 |                   |                  | Horizontal Analysis |      | Vertical Analysis |      |
|-------------------------------|-------------------|------------------|---------------------|------|-------------------|------|
|                               | March<br>2024     | December<br>2023 | Increase (Decrease) |      | 2024              | 2023 |
|                               |                   |                  | Amount              | %    |                   |      |
| Capital stock - common        | <b>P16,443</b>    | P16,443          | P -                 | 0%   | <b>1%</b>         | 1%   |
| Capital stock - preferred     | <b>10,187</b>     | 10,187           | -                   | 0%   | <b>0%</b>         | 0%   |
| Additional paid-in capital    | <b>177,442</b>    | 177,468          | (26)                | (0%) | <b>7%</b>         | 7%   |
| Capital securities            | <b>24,211</b>     | 24,211           | -                   | 0%   | <b>1%</b>         | 1%   |
| Equity reserves               | <b>7,036</b>      | 7,354            | (318)               | (4%) | <b>0%</b>         | 0%   |
| Retained earnings:            |                   |                  |                     |      |                   |      |
| Appropriated                  | <b>93,128</b>     | 87,170           | 5,958               | 7%   | <b>4%</b>         | 4%   |
| Unappropriated                | <b>93,950</b>     | 103,151          | (9,201)             | (9%) | <b>4%</b>         | 4%   |
| Treasury stock                | <b>(109,763)</b>  | (109,763)        | -                   | 0%   | <b>(4%)</b>       | (4%) |
| <b>Equity Attributable to</b> |                   |                  |                     |      |                   |      |
| Equity Holders of             |                   |                  |                     |      |                   |      |
| the Parent Company            | <b>312,634</b>    | 316,221          | (3,587)             | (1%) | <b>13%</b>        | 13%  |
| Non-controlling Interests     | <b>351,984</b>    | 348,945          | 3,039               | 1%   | <b>14%</b>        | 14%  |
| <b>Total Equity</b>           | <b>664,618</b>    | 665,166          | (548)               | (0%) | <b>27%</b>        | 27%  |
| <b>Total Liabilities and</b>  |                   |                  |                     |      |                   |      |
| <b>Equity</b>                 | <b>P2,507,528</b> | P2,459,365       | P48,163             | 2%   | <b>100%</b>       | 100% |

Consolidated total assets as at March 31, 2024 amounted to P2,507,528 million, P48,163 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets and other noncurrent assets, offset by the decrease in inventories.

The decrease in inventories by P12,049 million was attributable mainly to: (a) Petron's lower volume of crude oil, partly offset by higher volume of finished products and higher prices of both crude oil and finished products; (b) utilization of spare parts for combustor and turbine inspection conducted during the quarter and decline in LNG stockpile of Ilijan Power Plant; and (c) decline in coal inventory of the Sual, Masinloc, Limay and Malita Power Plants as a result of higher consumption.

The decrease in total biological assets of P363 million was mainly due to lower feed costs and decrease in volume of flocks loaded as compared to December 31, 2023 balances.

The increase in prepaid expenses and other current assets by P6,863 million was primarily due to: (a) higher input taxes of Petron, SMC Shipping and Lighterage Corporation and the Energy business; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron. The increase was partly offset by the application of fixed fee reduction credits by Sual Power Inc.

The increase in investments and advances - net by P6,232 million was mainly due to the: (a) advances for future investment to certain companies by SMC and the Energy business; (b) investment in NNIC by SMHC; and (c) Group's share in the net income of BankCom and Manila North Harbour Port, Inc. (MNHPI) in first quarter of 2024. The increase was partly offset by the dividend received from MNHPI.

The increase in deferred tax assets by P1,491 million was primarily due to the recognition by SMC of deferred tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P8,438 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project; (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses; and (c) transaction costs incurred by SMC for the US\$2,000 million term loan facility but not yet drawn as at March 31, 2024.

The increase in loans payable by P16,657 million was mainly due to the net availment made by SMC and the Food division, reduced by the net payment made by Petron.

The increase in accounts payable and accrued expenses by P13,425 million was mainly due to higher payables for capital expenditures of the Energy business and higher outstanding liabilities to the contractors and vendors of Petron, partly offset by the settlements made for fuel supplies, energy fees and power purchases of the Energy business.

The increase in income and other taxes payable by P3,081 million was mainly due to the higher: (a) income tax payable of SMB, GSMI and Petron; and (b) excise duties on the inventory of Petron.

The increase in dividends and distributions payable by P1,002 million was mainly due to the: (a) declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on January 19, 2024, which were paid on April 4, 2024; and (b) declaration by The Purefoods-Hormel Company, Inc. (PF-Hormel) of dividends to common shareholders in March 2024, payable in July and December 2024.

The increase in total long-term debt, net of debt issue costs of P19,228 million was primarily due to the availment of Peso term loans mainly by the Energy business and Petron and foreign currency-denominated term loan by SMC, and translation adjustments for the period. The increase was partly offset by the payment of Series B Bonds by SMC and other maturing obligations of the Group.

The decrease in total lease liabilities by P5,566 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the Independent Power Producer Administration (IPPA) Agreements.

The increase in appropriated retained earnings by P5,958 million was mainly due to the net appropriations made by: (a) SMC SLEX, Inc. (SMC SLEX) for the capital expenditures of SLEX-TR4 Project in 2024 and 2025; and (b) PF-Hormel for the expansion of the Battered, Breaded and Fried capacity, storage and distribution capability and Plant 3 line automation.

The decrease in unappropriated retained earnings by P9,201 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

**2023 vs. 2022**

| (In millions)                                                   | March             | December   | Horizontal Analysis |       | Vertical Analysis |      |
|-----------------------------------------------------------------|-------------------|------------|---------------------|-------|-------------------|------|
|                                                                 | 2023              | 2022       | Amount              | %     | 2023              | 2022 |
| Cash and cash equivalents                                       | <b>P243,616</b>   | P318,214   | (P74,598)           | (23%) | <b>10%</b>        | 13%  |
| Trade and other receivables - net                               | <b>225,762</b>    | 238,782    | (13,020)            | (5%)  | <b>10%</b>        | 10%  |
| Inventories                                                     | <b>182,606</b>    | 190,193    | (7,587)             | (4%)  | <b>8%</b>         | 8%   |
| Current portion of biological assets - net                      | <b>3,674</b>      | 3,418      | 256                 | 7%    | <b>0%</b>         | 0%   |
| Prepaid expenses and other current assets                       | <b>130,272</b>    | 133,691    | (3,419)             | (3%)  | <b>6%</b>         | 6%   |
| <b>Total Current Assets</b>                                     | <b>785,930</b>    | 884,298    | (98,368)            | (11%) | <b>34%</b>        | 37%  |
| Investments and advances - net                                  | <b>34,220</b>     | 32,523     | 1,697               | 5%    | <b>1%</b>         | 1%   |
| Investments in equity and debt instruments                      | <b>18,944</b>     | 18,921     | 23                  | 0%    | <b>1%</b>         | 1%   |
| Property, plant and equipment - net                             | <b>720,186</b>    | 708,192    | 11,994              | 2%    | <b>31%</b>        | 30%  |
| Right-of-use assets - net                                       | <b>110,873</b>    | 112,067    | (1,194)             | (1%)  | <b>5%</b>         | 5%   |
| Investment property - net                                       | <b>74,119</b>     | 74,660     | (541)               | (1%)  | <b>3%</b>         | 3%   |
| Biological assets - net of current portion                      | <b>2,821</b>      | 2,671      | 150                 | 6%    | <b>0%</b>         | 0%   |
| Goodwill - net                                                  | <b>183,788</b>    | 184,100    | (312)               | (0%)  | <b>8%</b>         | 8%   |
| Other intangible assets - net                                   | <b>259,354</b>    | 249,321    | 10,033              | 4%    | <b>11%</b>        | 10%  |
| Deferred tax assets                                             | <b>19,861</b>     | 22,554     | (2,693)             | (12%) | <b>1%</b>         | 1%   |
| Other noncurrent assets - net                                   | <b>106,981</b>    | 102,518    | 4,463               | 4%    | <b>5%</b>         | 4%   |
| <b>Total Noncurrent Assets</b>                                  | <b>1,531,147</b>  | 1,507,527  | 23,620              | 2%    | <b>66%</b>        | 63%  |
| <b>Total Assets</b>                                             | <b>P2,317,077</b> | P2,391,825 | (P74,748)           | (3%)  | <b>100%</b>       | 100% |
| Loans payable                                                   | <b>P216,482</b>   | P267,704   | (P51,222)           | (19%) | <b>9%</b>         | 11%  |
| Accounts payable and accrued expenses                           | <b>219,145</b>    | 227,126    | (7,981)             | (4%)  | <b>9%</b>         | 9%   |
| Lease liabilities - current portion                             | <b>21,102</b>     | 21,020     | 82                  | 0%    | <b>1%</b>         | 1%   |
| Income and other taxes payable                                  | <b>46,692</b>     | 37,694     | 8,998               | 24%   | <b>2%</b>         | 2%   |
| Dividends and distributions payable                             | <b>4,247</b>      | 4,037      | 210                 | 5%    | <b>0%</b>         | 0%   |
| Current maturities of long-term debt - net of debt issue costs  | <b>106,083</b>    | 170,032    | (63,949)            | (38%) | <b>5%</b>         | 7%   |
| <b>Total Current Liabilities</b>                                | <b>613,751</b>    | 727,613    | (113,862)           | (16%) | <b>26%</b>        | 30%  |
| Long-term debt - net of current maturities and debt issue costs | <b>956,030</b>    | 918,164    | 37,866              | 4%    | <b>42%</b>        | 39%  |
| Lease liabilities - net of current portion                      | <b>48,526</b>     | 54,455     | (5,929)             | (11%) | <b>2%</b>         | 2%   |
| Deferred tax liabilities                                        | <b>27,395</b>     | 26,297     | 1,098               | 4%    | <b>1%</b>         | 1%   |
| Other noncurrent liabilities                                    | <b>25,718</b>     | 26,144     | (426)               | (2%)  | <b>1%</b>         | 1%   |
| <b>Total Noncurrent Liabilities</b>                             | <b>1,057,669</b>  | 1,025,060  | 32,609              | 3%    | <b>46%</b>        | 43%  |

Forward

| (In millions)                 |                   |            | Horizontal Analysis |      | Vertical Analysis |      |
|-------------------------------|-------------------|------------|---------------------|------|-------------------|------|
|                               | March             | December   | Increase (Decrease) |      |                   |      |
|                               | 2023              | 2022       | Amount              | %    | 2023              | 2022 |
| Capital stock - common        | <b>P16,443</b>    | P16,443    | P -                 | 0%   | <b>1%</b>         | 1%   |
| Capital stock - preferred     | <b>10,187</b>     | 10,187     | -                   | 0%   | <b>0%</b>         | 0%   |
| Additional paid-in capital    | <b>177,719</b>    | 177,719    | -                   | 0%   | <b>8%</b>         | 7%   |
| Capital securities            | <b>24,211</b>     | 24,211     | -                   | 0%   | <b>1%</b>         | 1%   |
| Equity reserves               | <b>11,872</b>     | 12,753     | (881)               | (7%) | <b>1%</b>         | 1%   |
| Retained earnings:            |                   |            |                     |      |                   |      |
| Appropriated                  | <b>80,427</b>     | 71,004     | 9,423               | 13%  | <b>4%</b>         | 3%   |
| Unappropriated                | <b>125,676</b>    | 129,239    | (3,563)             | (3%) | <b>5%</b>         | 6%   |
| Treasury stock                | <b>(156,763)</b>  | (156,763)  | -                   | 0%   | <b>(7%)</b>       | (7%) |
| <b>Equity Attributable to</b> |                   |            |                     |      |                   |      |
| Equity Holders of             |                   |            |                     |      |                   |      |
| the Parent Company            | <b>289,772</b>    | 284,793    | 4,979               | 2%   | <b>13%</b>        | 12%  |
| Non-controlling Interests     | <b>355,885</b>    | 354,359    | 1,526               | 0%   | <b>15%</b>        | 15%  |
| <b>Total Equity</b>           | <b>645,657</b>    | 639,152    | 6,505               | 1%   | <b>28%</b>        | 27%  |
| <b>Total Liabilities and</b>  |                   |            |                     |      |                   |      |
| <b>Equity</b>                 | <b>P2,317,077</b> | P2,391,825 | (P74,748)           | (3%) | <b>100%</b>       | 100% |

Consolidated total assets as at March 31, 2023 amounted to P2,317,077 million, P74,748 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents.

The decrease in cash and cash equivalents of P74,598 million was mainly due to the net payment of long-term debt and short-term loans, capital expenditures for the ongoing projects of Petron, the Infrastructure, Energy, Food and Beverage and Cement businesses and payment of interest and dividends and distributions. This was partly offset by cash generated from operations.

The decrease in trade and other receivables - net by P13,020 million was mainly attributable to the: (a) lower trade customer balances of Petron on account of the lower prices of petroleum products; (b) lower receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia; and (c) collection of receivables from peak season sales by the Food division. The decrease was partly offset by the increase in excise tax refund claims of Petron.

The increase in total biological assets by P406 million was due to higher volume of chicken loaded in the farm, higher growing costs due to higher feeds and chick costs and additional hog farms with the increase in production of breeding stocks.

The increase in investments and advances - net by P1,697 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of MNHPI, BankCom and Angat Hydro in 2023.

The decrease in deferred tax assets by P2,693 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of foreign currency-denominated long-term debt and derivatives.

The decrease in loans payable by P51,222 million was mainly due to the net payment made by SMC and Petron.

The increase in income and other taxes payable by P8,998 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022 and higher income tax payable from the improved performance of SMB and GSML; and (b) higher excise tax liability of Petron Philippines.

The increase in dividends and distributions payable by P210 million was mainly due to the dividend declaration on March 16, 2023 by SMC Skyway Corporation, net of payment to a non-controlling shareholder.

The decrease in total long-term debt, net of debt issue costs by P26,083 million was primarily due to the: (a) payment of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC and other maturing obligations by the Group; and (b) translation adjustments for the period. The decrease was partly offset by the availment of foreign currency-denominated and Peso term loans by the Group.

The decrease in total lease liabilities by P5,847 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by P881 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings was attributable to: (a) appropriation of SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (b) net appropriations of SMC SLEX for capital expenditures in 2023.

#### IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| <i>(In Millions)</i>                                      | <b>March 31</b> |             |
|-----------------------------------------------------------|-----------------|-------------|
|                                                           | <b>2024</b>     | <b>2023</b> |
| Net cash flows provided by operating activities           | <b>P47,177</b>  | P45,535     |
| Net cash flows used in investing activities               | <b>(51,646)</b> | (36,519)    |
| Net cash flows provided by (used in) financing activities | <b>12,668</b>   | (79,338)    |

Net cash flows provided by operating activities for the period basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities included the following:

| <i>(In Millions)</i>                           | <b>March 31</b>  |             |
|------------------------------------------------|------------------|-------------|
|                                                | <b>2024</b>      | <b>2023</b> |
| Additions to:                                  |                  |             |
| Property, plant and equipment                  | <b>(P27,866)</b> | (P16,113)   |
| Intangible assets                              | <b>(8,282)</b>   | (11,850)    |
| Investments and advances                       | <b>(6,216)</b>   | (998)       |
| Advances to contractors and suppliers          | <b>(3,778)</b>   | (2,290)     |
| Investment property                            | <b>(2,490)</b>   | (934)       |
| Investments in debt instruments                | <b>(174)</b>     | (130)       |
| Increase in other noncurrent assets and others | <b>(7,150)</b>   | (7,201)     |
| Interest received                              | <b>3,713</b>     | 2,776       |
| Dividends received                             | <b>350</b>       | 14          |
| Proceeds from:                                 |                  |             |
| Disposal of investments in debt instruments    | <b>179</b>       | 125         |
| Sale of property and equipment                 | <b>68</b>        | 82          |

Net cash flows provided by (used in) financing activities included the following:

| <i>(In Millions)</i>                                                                      | <b>March 31</b> |             |
|-------------------------------------------------------------------------------------------|-----------------|-------------|
|                                                                                           | <b>2024</b>     | <b>2023</b> |
| Proceeds from (payment of) short-term loans - net                                         | <b>P16,748</b>  | (P50,721)   |
| Proceeds from (payment of) long-term debt - net                                           | <b>9,779</b>    | (13,689)    |
| Payment of lease liabilities                                                              | <b>(5,923)</b>  | (5,356)     |
| Cash dividends and distributions paid to non-controlling shareholders                     | <b>(4,843)</b>  | (5,273)     |
| Cash dividends and distributions paid                                                     | <b>(3,035)</b>  | (2,892)     |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | <b>(32)</b>     | (265)       |
| Share issuance costs from re-issuance of treasury shares                                  | <b>(26)</b>     | -           |
| Repurchase of capital securities of a subsidiary                                          | <b>-</b>        | (1,142)     |

The effect of exchange rate changes on cash and cash equivalents amounted to P784 million and (P4,276) million in March 31, 2024 and 2023, respectively.

## V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Items II “Financial Performance” and III “Financial Position” for the discussion of certain Key Performance Indicators.

|                                                 | March 2024                   | December 2023 |
|-------------------------------------------------|------------------------------|---------------|
| <u>Liquidity:</u>                               |                              |               |
| Current Ratio                                   | <b>1.04</b>                  | 1.12          |
| Quick Ratio                                     | <b>0.66</b>                  | 0.70          |
| <u>Solvency:</u>                                |                              |               |
| Debt to Equity Ratio                            | <b>2.77</b>                  | 2.70          |
| Asset to Equity Ratio                           | <b>3.77</b>                  | 3.70          |
| <u>Profitability:</u>                           |                              |               |
| Return on Average Equity Attributable to Equity |                              |               |
| Holders of the Parent Company                   | <b>(2.58%)</b>               | 0.07%         |
| Interest Rate Coverage Ratio                    | <b>1.60</b>                  | 1.80          |
| Return on Assets                                | <b>1.44%</b>                 | 1.84%         |
|                                                 | <b>Period Ended March 31</b> |               |
|                                                 | <b>2024</b>                  | <b>2023</b>   |
| <u>Operating Efficiency:</u>                    |                              |               |
| Volume Growth                                   | <b>21%</b>                   | 7%            |
| Revenue Growth                                  | <b>13%</b>                   | 9%            |
| Operating Margin                                | <b>10%</b>                   | 10%           |

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

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

\* Annualized for quarterly reporting.

## VI. OTHER MATTERS

### a. Commitments

The outstanding purchase commitments of the Group amounted to P248,851 million as at March 31, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

- c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- e. There are no significant elements of income or loss that did not arise from continuing operations.
- f. Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

|                  |
|------------------|
| <b>ANNEX “C”</b> |
|------------------|

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
OF FINANCIAL POSITION AND FINANCIAL  
PERFORMANCE  
(As of December 31, 2023)**



## SAN MIGUEL CORPORATION

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation ("SMC" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period (*Please refer to Note 40 of the Audited Consolidated Financial Statements as at December 31, 2023*). All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023 and for all the other periods presented, have been made.

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

#### **I. FINANCIAL PERFORMANCE**

Comparisons of key financial performance for the last three years are summarized in the following tables.

|                                                                        | <b>For the Years Ended December 31</b> |                      |             |
|------------------------------------------------------------------------|----------------------------------------|----------------------|-------------|
|                                                                        | <b>2023</b>                            | <b>2022</b>          | <b>2021</b> |
|                                                                        |                                        | <i>(In Millions)</i> |             |
| Sales                                                                  | <b>P1,446,703</b>                      | P1,506,591           | P941,193    |
| Cost of Sales                                                          | <b>1,208,410</b>                       | 1,314,607            | 751,015     |
| Gross Profit                                                           | <b>238,293</b>                         | 191,984              | 190,178     |
| Selling and Administrative Expenses                                    | <b>(93,808)</b>                        | (83,972)             | (77,991)    |
| Operating Income                                                       | <b>144,485</b>                         | 108,012              | 112,187     |
| Interest Expense and Other                                             |                                        |                      |             |
| Financing Charges                                                      | <b>(91,303)</b>                        | (60,795)             | (49,265)    |
| Interest Income                                                        | <b>14,027</b>                          | 7,108                | 3,591       |
| Equity in Net Earnings of Associates and Joint Ventures                | <b>1,729</b>                           | 1,197                | 1,040       |
| Gain on Sale of Investments and Property and Equipment                 | <b>83</b>                              | 733                  | 167         |
| Other Income (Charges) - net                                           | <b>4,086</b>                           | (16,178)             | (1,768)     |
| Net Income                                                             | <b>44,699</b>                          | 26,760               | 48,159      |
| Net Income (Loss) Attributable to Equity Holders of the Parent Company | <b>198</b>                             | (12,968)             | 13,925      |
| Net Income Attributable to Non-controlling Interests                   | <b>44,501</b>                          | 39,728               | 34,234      |

**2023 vs. 2022**

|                                                                 | December             |            | Horizontal Analysis<br>Increase<br>(Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------|----------------------|------------|-----------------------------------------------|-------|----------------------|------|
|                                                                 | 2023                 | 2022       | Amount                                        | %     | 2023                 | 2022 |
|                                                                 | <i>(In Millions)</i> |            |                                               |       |                      |      |
| Sales                                                           | <b>P1,446,703</b>    | P1,506,591 | (P59,888)                                     | (4%)  | <b>100%</b>          | 100% |
| Cost of Sales                                                   | <b>1,208,410</b>     | 1,314,607  | (106,197)                                     | (8%)  | <b>84%</b>           | 87%  |
| Gross Profit                                                    | <b>238,293</b>       | 191,984    | 46,309                                        | 24%   | <b>16%</b>           | 13%  |
| Selling and<br>Administrative<br>Expenses                       | <b>(93,808)</b>      | (83,972)   | 9,836                                         | 12%   | <b>(6%)</b>          | (6%) |
| Operating Income                                                | <b>144,485</b>       | 108,012    | 36,473                                        | 34%   | <b>10%</b>           | 7%   |
| Interest Expense and<br>Other Financing<br>Charges              | <b>(91,303)</b>      | (60,795)   | 30,508                                        | 50%   | <b>(6%)</b>          | (4%) |
| Interest Income                                                 | <b>14,027</b>        | 7,108      | 6,919                                         | 97%   | <b>1%</b>            | 1%   |
| Equity in Net Earnings of<br>Associates and<br>Joint Ventures   | <b>1,729</b>         | 1,197      | 532                                           | 44%   | <b>0%</b>            | 0%   |
| Gain on Sale of<br>Investments and<br>Property and<br>Equipment | <b>83</b>            | 733        | (650)                                         | (89%) | <b>0%</b>            | 0%   |
| Other Income (Charges)<br>- Net                                 | <b>4,086</b>         | (16,178)   | 20,264                                        | 125%  | <b>0%</b>            | (1%) |
| Income Before Income<br>Tax                                     | <b>73,107</b>        | 40,077     | 33,030                                        | 82%   | <b>5%</b>            | 3%   |
| Income Tax Expense                                              | <b>28,408</b>        | 13,317     | 15,091                                        | 113%  | <b>2%</b>            | 1%   |
| Net Income                                                      | <b>P44,699</b>       | P26,760    | P17,939                                       | 67%   | <b>3%</b>            | 2%   |
| Net Income (Loss)<br>Attributable to:                           |                      |            |                                               |       |                      |      |
| Equity Holders of the<br>Parent Company                         | <b>P198</b>          | (P12,968)  | P13,166                                       | 102%  | <b>0%</b>            | (1%) |
| Non-controlling<br>Interests                                    | <b>44,501</b>        | 39,728     | 4,773                                         | 12%   | <b>3%</b>            | 3%   |
| Net Income                                                      | <b>P44,699</b>       | P26,760    | P17,939                                       | 67%   | <b>3%</b>            | 2%   |

The Group's consolidated sales of P1,446,703 million for the year ended December 31, 2023, declined by 4% compared to last year mainly due to the lower average selling prices of Petron Corporation (Petron) and the Energy business and the decrease in volume of the Energy business and the Food division under the Food and Beverage business. The decrease was partly offset mainly by the higher sales volume of Petron, San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) and the sales contribution of Eagle Cement Corporation (ECC), which was consolidated effective December 14, 2022.

The Group's cost of sales decreased by 8% mainly due to: (a) lower cost per liter of petroleum products, partly offset by the higher volumes of Petron; and (b) lower cost to supply of the Energy business brought by the decline in average coal prices and lower overall power purchases. The decrease was partly offset by the: (a) higher cost of sales relative to increase in volume of SMB and the higher cost of major raw materials consumed in production, reduced by the lower volumes of the Food division; and (b) the cost of sales of ECC.

Selling and administrative expenses increased by 12% to P93,808 million compared to last year, mainly due to higher salaries and employee benefits of the Group, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income increased by 34% to P144,485 million from last year mainly driven by the sustained performance improvements of Petron, Energy and Infrastructure businesses, and the operating income contribution of ECC in 2023.

The increase in interest expense and other financing charges was mainly due to both higher interest rates and from increased average level of loans of SMC and Petron.

The increase in interest income was primarily due to higher interest rates and average balance of short-term placements of the Infrastructure and Food and Beverage businesses and SMC, as well as the investment in debt securities of SMB in December 2022, and the interest income contribution of ECC.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share in the higher net income of Bank of Commerce (BankCom) and in the lower net loss of Angat Hydropower Corporation (Angat Hydro).

The decrease in gain on sale of investments and property and equipment was mainly due to the gain recognized in 2022 by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) from the sale of its investment in shares of stock of Strategic Energy Development, Inc. (SEDI).

Other income - net of P4,086 million was a turnaround from last year's other charges - net of P16,178 million. This primarily pertains to the gain on foreign exchange in 2023 compared to the loss recognized in 2022 mainly by the Energy business and SMC resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents, and the income recognized from the assignment of product rights by GSML. In December 2023, the Philippine Peso appreciated against the US Dollar by P0.385 (2023 - P55.370 vs. 2022 - P55.755), while in December 2022, the Philippine Peso significantly depreciated against the US Dollar by P4.756 (2022 - P55.755 vs. 2021 - P50.999).

The increase in income tax expense was mainly due to the turnaround of deferred income tax from income tax benefit in 2022 to income tax expense in 2023 primarily from SMC and the Energy business as a result of the deferred income tax recognized on unrealized losses in 2022 compared to unrealized gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income significantly increased by 67% to P44,699 million, from P26,760 million last year, mainly on account of the: (a) improved operations of most businesses mainly Petron, Energy, Infrastructure, SMB and GSML; (b) gain on foreign exchange in 2023, a turnaround from the loss recognized in 2022 mainly by the Energy business and SMC; (c) net income contributed by ECC; and (d) income recognized from the assignment of product rights by GSML. The increase was partly offset by the higher net financing cost.

The income attributable to equity holders of the Parent Company was a turnaround from the loss recognized in 2022 mainly due to the higher net income, partly reduced by the increase in the share of non-controlling interests (NCI) on the Group's net income.

The increase in the share of NCI on the Group's net income was mainly due to the higher net income of SMB and higher amount of dividend on preferred shares and distribution on Senior Perpetual Capital Securities (SPCS) of Petron.

The following are the highlights of the performance of the individual business segments:

## **1. FOOD AND BEVERAGE**

San Miguel Food and Beverage, Inc. (SMFB) delivered a year of steady topline growth despite challenging macroeconomic conditions particularly in the first half of the year.

SMFB's consolidated sales for the year ended 2023 amounted to P379,822 million, reflecting a 6% increase from 2022. All business segments delivered sales growth, driven by better volumes and prices.

SMFB's consolidated income from operations for the year amounted to P48,411 million, 1% lower, as the growth in volumes and prices were not sufficient to offset rising input costs and operating expense increases.

Consolidated net income jumped 10% to P38,105 million, the highest net income figure achieved by the Food and Beverage Group since the SMFB consolidation in 2018.

### **a. Beer and Non-Alcoholic Beverages (NAB) Division**

SMB sustained its growth and recovery in 2023 with consolidated sales of P147,347 million, up 8%, driven by higher volumes and selling prices in both domestic and overseas markets.

SMB's consolidated net income was up 16% at P25,322 million.

#### **Domestic Operations**

SMB's domestic sales climbed 8% to P131,720 million on the back of a 3% growth in volumes coupled with a price increase effective March 1, 2023. Improved results were supported by effective marketing campaigns, expanded sales initiatives, as well as the resumption of tourism activities, fiestas, and festivals.

#### **International Operations**

SMB's revenue from its international operations rose 7% as volumes increased 6%, driven by robust demand for its San Miguel global brands, including Red Horse, across all markets that resulted in overall growth, particularly in South China, Thailand, and Exports.

### **b. Spirits Division**

GSMI registered another record-breaking year, which coincidentally marked its tenth year of continued growth.

Revenues grew 13% to P53,639 million as a result of higher volumes and selling prices. Total volumes in 2023 recorded a 4% growth from 2022 as the Spirits division implemented initiatives to sustain strong brand equity through creative, consistent, and relevant messaging. This was complemented by consumer promos and various marketing programs on-ground that made consumers experience its brands better. Distribution coverage was, likewise, further broadened last year.

Income from operations grew 14% to P6,835 million, while net income was up 55% to P7,046 million.

### **c. Food Division**

The Food division delivered P178,847 million in consolidated revenues, 2% higher than the previous year, driven largely by increased pricing to cope with rising input costs, backed by aggressive marketing efforts to boost demand.

Income from operations amounted to P10,228 million and net income at P6,590 million. While lower than the previous year, these figures still surpass pre-pandemic levels.

All the Food segments, except for the Protein segment, sustained topline growth.

- The Animal Nutrition and Health segment saw a 5% increase in revenue, driven by higher selling prices, which helped offset a decline in volume due to the lingering effects of African Swine Fever (ASF) on hog feeds and the Avian Flu on layer feeds.
- The Prepared and Packaged Food segment demonstrated resilience with a 3% revenue growth despite challenging market conditions marked by high inflation and reduced consumer spending. Strategic price adjustments played a significant role in sustaining revenue growth despite a decline in overall volumes.
- The Flour segment capitalized on the favorable trend of easing wheat prices, employing a competitive pricing strategy that boosted volumes and enabled it to achieve a 15% increase in revenue.
- The Protein segment which consists of the Poultry and Fresh Meats businesses, experienced a 3% decline in revenues. This can be primarily attributed to Poultry which grappled with capacity limitations early in the year that hindered volume growth. Although this was substantially addressed during the year, the influx of imported chicken created an industry oversupply that exerted downward pressure on chicken prices and impeded revenue growth.

The performance of fresh meats reflects a deliberate strategy to keep hog operations at a minimum to manage the impact of ASF on the business. For the meantime, the Food division has been importing pork to supplement the needs of the Monterey meat shops.

Thus, although the Feeds, Prepared and Packaged Food, and the Flour segments delivered strong revenue and income growth, the overall performance of the Food division was adversely affected by the challenges faced in the Poultry segment due to its significant contribution to the Food division.

## **2. PACKAGING**

The Packaging business recorded consolidated revenues of P38,379 million in 2023, 4% better than the previous year's level. This was driven by the sustained demand of glass containers, plastic crates and pallets from the food and beverage customers complemented by the continued growth of its operations in Australia.

Operating income reached P1,915 million, a significant increase of 16% against 2022 on account of enhanced operational efficiencies coupled with cost containment programs.

## **3. ENERGY**

San Miguel Global Power posted relatively flat generation volumes year-on-year, primarily due to the extended outage of the 1200 megawatts (MW) Ilijan Power Plant from June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of an adjacent full-scale Liquefied Natural Gas (LNG) terminal that has been tolled on a long-term basis.

San Miguel Global Power sold 8% lower offtake volumes in 2023 as it ceased to supply 670 MW contract capacity to Manila Electric Company (Meralco) following the suspension and eventual termination of the pertinent power supply agreement, anchored on a favorable decision from the higher court. It has, however, been able to secure several emergency power supply agreements that allowed the contracting of its available capacities, and to operate the Ilijan Power Plant using commercial LNG on a fuel pass-through basis.

Consolidated revenues were at P169,590 million, 23% lower from last year, as fuel tariffs went down with an equivalent decline in coal prices - averaging only US\$172.79/Metric Tons (MT) in 2023 compared to US\$360.19/MT in 2022, in terms of GlobalCoal Newcastle indexed prices.

However, San Miguel Global Power was able to improve its operating income by 13% on contracted volumes as it worked out a transition to fuel pass thru arrangements for most of its bilateral customers and with fuel prices going significantly lower. Operating income reached P32,526 million.

Consequently, with improved margin and turnaround from foreign exchange loss to foreign exchange gain in 2023, consolidated net income surged to P9,903 million, a significant increase from the P3,134 million net income reported in 2022.

#### **4. FUEL AND OIL**

Petron's consolidated revenues slipped to P801,027 million in 2023 despite higher volumes, down 7% from last year's P857,638 million, reflecting the continued price correction of the extraordinarily elevated levels in the oil market. The average benchmark Dubai crude as of full year 2023 closed at US\$82 per barrel, still down by 15% from 2022 average.

This was primarily driven by the strong performance in its Philippine operations, while Malaysia continued to deliver steady growth. Petron's volumes of 126.9 million barrels in 2023 was 13% higher than last year's level, fueled by the significant growth in its jet fuel and Liquefied Petroleum Gas (LPG) sales, backed by higher production at its Bataan and Port Dickson refineries.

Consolidated operating income reached P30,721 million, a notable 60% leap from last year's level, primarily driven by its continued efforts in optimizing assets and resources, capturing continued demand recovery, and response to market volatility.

Petron posted a consolidated net income of P10,134 million, growing by 51% from P6,697 million in 2022.

#### **5. INFRASTRUCTURE**

The Infrastructure business delivered a remarkable performance in 2023, posting consolidated revenues of P34,006 million, 17% higher than last year. This was mainly brought by the sustained growth from all operating toll roads reaching a combined average daily traffic volumes of 1.0 million vehicles, up 8% from the previous year's level complemented by the continued increase in travel activities.

Driven by the robust volume growth, operating income surged 25% to P17,722 million, coupled by continued cost management initiatives. Net income also posted a 29% increase to P11,413 million.

The Group's major infrastructure projects are in full swing.

The railway component percentage accomplishment for its Metro Rail Transit Line 7 (MRT 7) is at 68.70% while the detailed engineering design and site development for the depot is still ongoing and on track to operate by end of 2025 or early 2026.

At the center of SMC's push to transform the Philippines into a regional hub and major tourist destination, its Manila International Airport (MIA) Project is underway, with the overall progress of land development and ground improvement works at 77%.

## 6. CEMENT

The cement business, comprised of ECC, Northern Cement Corporation (NCC) and Southern Concrete Industries, Inc. (SCII), registered a four-fold growth in consolidated revenues to P37,231 million in 2023, mainly due to the sales contribution of ECC in 2023.

Operating income, likewise, posted robust growth amounting to P5,980 million while net income reached P4,010 million.

Despite the challenges in the market, the business continued to deliver a strong performance through various cost containment initiatives and significant improvement in the cost of major inputs.

### 2022 vs. 2021

|                                                                 | December             |          | Horizontal Analysis<br>Increase (Decrease) |        | Vertical<br>Analysis |      |
|-----------------------------------------------------------------|----------------------|----------|--------------------------------------------|--------|----------------------|------|
|                                                                 | 2022                 | 2021     | Amount                                     | %      | 2022                 | 2021 |
|                                                                 | <i>(In Millions)</i> |          |                                            |        |                      |      |
| Sales                                                           | P1,506,591           | P941,193 | P565,398                                   | 60%    | 100%                 | 100% |
| Cost of Sales                                                   | 1,314,607            | 751,015  | 563,592                                    | 75%    | 87%                  | 80%  |
| Gross Profit                                                    | 191,984              | 190,178  | 1,806                                      | 1%     | 13%                  | 20%  |
| Selling and<br>Administrative<br>Expenses                       | (83,972)             | (77,991) | 5,981                                      | 8%     | (6%)                 | (8%) |
| Operating Income                                                | 108,012              | 112,187  | (4,175)                                    | (4%)   | 7%                   | 12%  |
| Interest Expense and<br>Other Financing<br>Charges              | (60,795)             | (49,265) | 11,530                                     | 23%    | (4%)                 | (5%) |
| Interest Income                                                 | 7,108                | 3,591    | 3,517                                      | 98%    | 1%                   | 0%   |
| Equity in Net Earnings of<br>Associates and<br>Joint Ventures   | 1,197                | 1,040    | 157                                        | 15%    | 0%                   | 0%   |
| Gain on Sale of<br>Investments and<br>Property and<br>Equipment | 733                  | 167      | 566                                        | 339%   | 0%                   | 0%   |
| Other Charges - Net                                             | (16,178)             | (1,768)  | 14,410                                     | 815%   | (1%)                 | (0%) |
| Income Before Income<br>Tax                                     | 40,077               | 65,952   | (25,875)                                   | (39%)  | 3%                   | 7%   |
| Income Tax Expense                                              | 13,317               | 17,793   | (4,476)                                    | (25%)  | 1%                   | 2%   |
| Net Income                                                      | P26,760              | P48,159  | (P21,399)                                  | (44%)  | 2%                   | 5%   |
| Net Income (Loss)<br>Attributable to:                           |                      |          |                                            |        |                      |      |
| Equity Holders of the<br>Parent Company                         | (P12,968)            | P13,925  | (P26,893)                                  | (193%) | (1%)                 | 1%   |
| Non-controlling<br>Interests                                    | 39,728               | 34,234   | 5,494                                      | 16%    | 3%                   | 4%   |
| Net Income                                                      | P26,760              | P48,159  | (P21,399)                                  | (44%)  | 2%                   | 5%   |

The Group recorded an all-time high consolidated sales of P1,506,591 million, up 60% from P941,193 million in 2021, beating its pre-pandemic 2019 sales of P1,020,502 million by 48%.

The Group's cost of sales increased by P563,592 million or 75% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron; (b) higher cost of coal and higher power purchases of the Energy business; and (c) higher prices of major raw materials of the Food division under the Food and Beverage business.

The increase in selling and administrative expenses by 8% to P83,972 million was mainly due to higher: (a) personnel expenses of Petron and the Energy business; (b) advertising and promotions of Petron and the Beer and NAB and Spirits divisions of the Food and Beverage business; (c) impairment loss on receivables of the Energy business and on deferred containers of the Beer and NAB division under the Food and Beverage business; (d) repairs and maintenance of Petron; and (e) taxes and licenses of the Energy business.

The increase in interest expense and other financing charges was mainly due to the higher average loan balance of SMC, Petron and the Infrastructure business, partly offset by the declining outstanding lease liabilities of entities under the Independent Power Producer Administration (IPPA) Agreements and long-term debt of the Energy business.

The increase in interest income was mainly due to the higher interest rates on cash and cash equivalents of SMC and higher balance of short-term placements of the Group.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share in the higher net income of Manila North Harbour Port, Inc. (MNHPI) partly offset by the share in the higher net loss of Angat Hydro.

The gain on sale of investments and property and equipment in 2022 primarily represents the sale by: (a) San Miguel Global Power of its investment in shares of stock of SEDI; and (b) Sual Power Inc. (SPI; formerly San Miguel Energy Corporation) of its investments in Daguma Agro-Minerals, Inc., Sultan Energy Phils. Corp. and Bonanza Energy Resources, Inc. The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel (Baoding) Brewery Co., Ltd. and San Miguel (China) Investment Company Limited.

Other charges - net increased primarily due to the higher net loss on foreign exchange from the revaluation of foreign currency-denominated net liabilities of the Group, as a result of the higher depreciation of Philippine Peso against the US Dollar by P4.756 in December 2022 (2022 - P55.755 vs. 2021 - P50.999) as compared to P2.976 in December 2021 (2021 - P50.999 vs. 2020 - P48.023).

The lower income tax expense was primarily due to the recognition in 2022 of deferred tax benefit on: (a) NOLCO by SPI and South Premiere Power Corp. (SPPC); and (b) unrealized net foreign exchange loss by SMC. This was partly offset by the: (a) impact for 2020 of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which was adjusted in the first quarter of 2021 and reduced income tax expense by P3,607 million in 2021; and (b) higher income tax from the improved performances of the Beer and NAB division under the Food and Beverage business, the Infrastructure business and other subsidiaries of the Energy business.

Excluding the significant effect of foreign exchange losses recognized in 2022 and the adjustment in 2021 of the impact of CREATE Act for 2020, consolidated core net income amounted to P43,216 million, down by 8% from last year's P47,042 million.

With higher interest expense and foreign exchange losses, consolidated net income ended at P26,760 million.

The loss attributable to equity holders of the Parent Company was a turnaround from the income recognized in 2021 mainly due to the lower net income and increase in the share of NCI on the Group's net income.

The share of NCI on the Group's net income increased in 2022 mainly due to the: (a) higher amount of distribution on SPCS of San Miguel Global Power and Petron and (b) higher net income of the SMB and Infrastructure businesses. The increase was partly offset by the lower amount of dividend on preferred shares of Petron.

The following are the highlights of the performance of the individual business segments:

## 1. FOOD AND BEVERAGE

SMFB posted full year consolidated sales of P358,853 million, 16% increase from 2021 mainly driven by sustained volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income grew 11% to P48,711 million and net income rose 10% to P34,665 million compared to 2021.

### a. Beer and NAB Division

SMB sustained its growth trend in 2022 delivering consolidated volumes of 224.6 million cases, up 10% from 2021, primarily driven by the positive impact of relaxed mobility and continued re-opening of markets in both domestic and international operations. Consolidated sales amounted to P136,235 million, an increase of 17% from 2021.

Accordingly, consolidated operating income and net income ended at P29,516 million and P21,750 million, higher by 10% and 6% from 2021, respectively.

#### Domestic Operations

SMB's domestic beer volumes reached 198.9 million cases, 9% higher than 2021, the result of continuous brand-building and demand-generating programs in key channels capitalizing on the further easing of restrictions and expanded mobility beginning end of March of 2022 which paved the way for the re-opening of on-premise outlets.

This was further supported by effective volume-generating programs and marketing in traditional and modern trade channels from core brands such as Pale Pilsen's ongoing "*Gintong Dagat*" campaign and new digital materials for "*Sarap Laging Kasama*" alongside online posts in SMB Viber Community; Red Horse' new digital contents including the "*Muziknuman*" and "*Lakas Sa-Rap Battle*" episodes on Red Horse Beer's "*Lakas Tama*" YouTube channel, continued airing of "*Una*" Entry Point Drinker and "*Spirit Horse*" core campaigns; and San Mig Light's ongoing "*Bright Side*" thematic campaign, New "*Speakeasy*" podcast episode and "*The Light Space*" live Twitter Space, together with other trade and social media marketing programs.

With higher volumes and reflecting the full impact of the price increase implemented in October 2021, SMB's domestic sales grew 16% to P121,849 million. Operating income reached P26,993 million, 7% higher than 2021 on the back of cost saving initiatives and improvements in operational efficiencies.

#### International Operations

SMB's international operations sustained its strong performance, ending 2022 with a double-digit volume growth of 15% compared to 2021 brought about by the consistent volume gains recorded from Thailand, Indonesia and Export businesses. These were the result of continued re-opening of the economy, revival of tourism supported by distributor and wholesaler incentive programs implemented, and Exports growth to the United States of America, Bahrain, Middle East and new markets in Asia and Africa. Meanwhile, Hong Kong, South China and Vietnam have shown signs of recovery but still remained lower compared to 2021.

## **b. Spirits Division**

GSMI delivered another record-breaking performance in 2022 registering its highest-ever net income of P4,547 million, exceeding 2021 by 9%.

Volumes reached an all-time high of 44.6 million cases, surpassing 2021 levels by 7%. Growth was supported by effective marketing campaigns which resonated well with consumers, such as Ginebra San Miguel's award-winning "*Hanggang Huling Patak ng Bagong Tapang*", Vino Kulafu's "*Lakas Ka Namo*" and GSM Blue's "*Choose What's True*" advertising campaigns alongside the on-ground market penetration promos such as "*Kusog Kulafu Buenas Grasya*" and expanded distribution.

Full year 2022 sales reached P47,341 million, 11% higher from the P42,534 million reported in 2021. Operating income ended at P5,987 million, 13% higher than 2021 on account of the increase in selling price implemented in February 2022, operational efficiency improvements and rationalization of fixed expense, offsetting the impact of inflationary pressures on raw materials and other inputs.

## **c. Food Division**

The Food division sustained its robust top line performance throughout the year 2022, delivering consolidated sales of P175,288 million, 16% higher than 2021. Amidst rising inflation, volumes in most segments grew, boosted by intensified distribution, aggressive promotional activities, launch of new products and utilization of additional capacity from new facilities. Faced with escalating raw material prices, most businesses implemented price increases to partly recover rising costs.

Despite the challenges brought about by rising commodity prices, inflation and depreciating peso, the Food Division managed to grow operating income by 15% to P13,270 million on the back of optimized utilization of company-owned facilities and strategic spending on revenue-generating advertising and promotions.

Net income stood at P9,218 million, a 21% increase compared to 2021's level.

- The Protein segment, comprised of the Poultry and Meats businesses, registered sales 4% higher than 2021. Poultry's sales climbed 9% mainly on account of better selling prices as volumes were constrained by capacity shortages. Notwithstanding, Poultry benefitted from the strong recovery of food service and positive market acceptance of marinated *Timplados* products. Meanwhile, the decline in meats' sales is reflective of deliberate moves to downsize hog operations due to the ASF.
- The Animal Nutrition and Health segment posted 26% growth in sales compared to 2021, propelled by volume growth and better selling prices. Volume grew on the back of higher sales of broiler, layer, and hog feeds, as well as growing demand for its Nutri Chunks pet care and San Miguel Animal Health Care veterinary medicine products.
- The Prepared and Packaged Food segment sales exceeded 2021 by 17%. Growth was led by flagship products - *Purefoods Tender Juicy Hotdogs*, *Purefoods Chicken Nuggets*, whole hams, and Magnolia butter and cheese, with significant contribution from newly launched products under the Purefoods native line and Magnolia salad aids. Significant volume growth along with market share gains was seen across multiple categories.
- Revenue of the Flour segment soared 38%, mainly driven by higher prices, as the business had to cover for higher wheat cost.

## **2. PACKAGING**

The Packaging business generated consolidated sales of P37,039 million in 2022, 10% higher than 2021, boosted by the increase in domestic demand for Glass, Metal, two-piece Aluminum Cans, Beverage Filling and Logistics Services operations from domestic food and beverage customers combined. International operations in China, Vietnam, Malaysia, and Australia also grew from 2021.

Better productivity, management of expenses along with cost saving programs implemented across all business units propelled operating income to increase by 42% at P1,648 million compared to 2021.

## **3. ENERGY**

San Miguel Global Power recorded offtake volumes of 27,402 gigawatt hours (GWh) in 2022, higher by 181 GWh from 2021 mainly driven by the increase in energy demand from distribution utilities with the recovery in economic activities.

Consolidated sales amounted to P221,389 million, up by 66% from P133,710 million in 2021, brought about by the increase in average realization prices reflecting higher fuel costs, increase in spot sale prices, and improved power nominations. In addition, the commencement of commercial operations of the 20 MW Kabankalan Battery Energy Storage System (BESS) in January 2022 likewise contributed to the increase.

The unprecedented spikes in coal prices in 2022 has challenged San Miguel Global Power's operating performance, with prices soaring from US\$65 or P3,340.00 per metric ton (at P51.30 per US\$1) at execution date of contract to as high as US\$434 or P25,430.00 per metric ton (at P58.59 per US\$1). This resulted in incremental supply costs that the Energy business had absorbed to cover the 1,000 MW capacity contracted to Meralco alone. This, along with the increase in power purchase costs driven by elevated spot sale prices combined with the deration of the Ilijan Power Plant resulting from the Malampaya gas supply restriction and the plant's shutdown for inspection, repairs, and maintenance since June 5, 2022, all translated to a significant increase in supply costs. Hence, operating income declined by 22% from P36,841 million in 2021 to P28,886 million.

With lower margins and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of Philippine Peso against the US dollar in 2022, net income amounted to P3,134 million, 80% behind 2021. Without the recognized foreign exchange losses and CREATE Act adjustments in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from 2021.

Despite these challenges, San Miguel Global Power has remained focused on its goal to provide stable and reliable power to the country through its baseload capacities. Construction of committed additional capacities located in Mariveles, Bataan, Masinloc, Zambales and the Batangas Combined Cycle Power Plant (BCCPP) in Ilijan, Batangas that will provide additional 2,600 MW are progressing well, along with the 1,000 MW BESS and 800 MW from Solar. These will boost the baseload power capacity of the country in the next two years. In particular, the BESS and BCCPP is San Miguel Global Power's path to transitioning its power generation to more renewable sources.

## **4. FUEL AND OIL**

Petron ended 2022 strong mainly driven by the recovery in demand specifically from the industrial and aviation sectors. Combined sales volumes from its Philippine and Malaysia operations reached 112.8 million barrels, 37% higher compared to 2021. The Philippine operation registered 68.5 million barrels, 43% higher than the 47.9 million barrels in 2021. Demand for gasoline and diesel products remained high with notable increases as well in the sales of jet fuel, LPG and polypropylene products, as Petron resumed its production of polypropylene in 2022.

Consolidated sales rose 96% to P857,638 million mainly driven by growth in fuel demand and higher crude oil prices. Dubai crude oil averaged at US\$96 per barrel in 2022, nearly 40% higher than 2021's average of US\$69 per barrel. The year 2022 was characterized with high volatility in crude oil prices. Dubai crude oil surged to as high as US\$113 per barrel in June, dropping by 32% in the second half to US\$77 per barrel in December, due to global inflationary and recession fears.

Consolidated operating income ended 12% higher at P19,213 million, compared to P17,215 million in 2021, despite external headwinds and lower prices in the second semester of 2022. Operating costs were contained, further supported by continued optimization of refining assets. Petron ramped up its refinery production to take advantage of favorable refining cracks, partly countered by more expensive crude and finished product import costs, higher working capital requirements and borrowing rates.

Consolidated net income settled at P6,697 million, up 9% from 2021's P6,136 million.

## **5. INFRASTRUCTURE**

The Infrastructure business continued its growth momentum for the year 2022 recording a 25% increase in combined average daily traffic volumes. Travel and mobility have returned to normal with the resumption of onsite work and classes and increased outdoor activities. Consolidated revenues ended at P29,008 million, 47% higher than 2021's level.

Operating income soared 112% to P14,142 million, mainly driven by the sustained double-digit volume growth in all operating toll roads.

The Group's major ongoing infrastructure projects are all on track.

The railway component of the Metro Rail Transit Line 7 (MRT 7) Project which include the guideway and stations is already 60% completed. The detailed engineering design and site development of the depots are ongoing. The road component is undergoing the study of the realignment.

The South Luzon Expressway - Toll Road 4 Project is progressing well with ongoing right-of-way (ROW) acquisition, construction of underpass, bridges, earthworks and embankments including installation of reinforced concrete pipe culvert and concrete box culvert, including clearing works.

The Supplemental Toll Operation Agreement (STOA) for the South Luzon Expressway - Toll Road 5 Project was signed on June 3, 2022 and was approved by the Office of the President on June 27, 2022. Detailed engineering design studies, ROW acquisitions and awarding of the independent contractor contract are in progress.

The Ninoy Aquino International Airport Expressway (NAIAX) Tramo Connecting Ramp has been issued the Notice to Proceed on May 16, 2022 by the Department of Public Works and Highways, with variation order approval issued on July 6, 2022. Ongoing works for the bored piling are almost complete. Delivery of universal beams girders and accessories has been completed. Civil works for the columns and fabrication of the pre-cast coping beam are set to begin.

Skyway Stage 4 Project is also progressing well with ongoing ROW acquisition, detailed engineering design either already approved or undergoing review and evaluation by the Toll Regulatory Board and pre-construction activities already started which include inspection of seedlings for the planting of trees.

The STOA for Pasig River Expressway Project has been signed on September 21, 2021 and approved by the Office of the President on March 13, 2022. Environmental Compliance Certificate application and detailed engineering design services are in progress while ongoing activities are still limited to site development and river dredging.

The Northern Access Link Expressway and Southern Access Link Expressway's STOA have been signed on March 21 and June 20, 2022 and approved by the Office of the President on May 6 and June 27, 2022, respectively.

On March 31, 2022, SMC entered into a loan facility agreement with several lenders amounting to US\$2,165 million for the financing of the land development works for the MIA Project, of which US\$871 million has been drawn as at December 31, 2022. SMC has received the initial certification from the Independent Environmental and Social Consultant of the Airport land development works lenders and is in continuous compliance with the International Finance Corporation Performance Standards. The project team together with the consultants and third-party providers are currently working on the Airport Masterplan along with the critical components of the airport. Site clearing activities is almost complete while land filling and ground improvement works are almost 50% done.

## **II. FINANCIAL POSITION**

### **A. The following are the major developments in 2023:**

In 2023, the Group has undertaken various financing activities. The significant transactions are as follows:

#### **AVAILMENT OF LONG-TERM DEBT**

##### **PESO TERM LOANS**

- **Energy**

- a) Masinloc Power Co. Ltd. (MPCL; formerly Masinloc Power Partners Co. Ltd.)**

On January 17, 2023, MPCL agreed with local bank lenders to amend its Omnibus Refinancing Agreement, with an outstanding obligation amounting to US\$149 million as at the agreement date, into a Peso-denominated loan amounting to P8,155 million, subject to floating interest rate with maturities up to January 2023. MPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary allowed under the terms of the agreement.

- b) San Miguel Global Power**

On June 15 and August 8, 2023, San Miguel Global Power drew P5,000 and P2,500 million, respectively, from a P10,000 million Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028. The proceeds of the loan were used to partially refinance maturing debt obligations, fund general corporate purposes, including investments in LNG and BESS, and cover transaction-related costs, fees and expenses.

- c) SMGP BESS Power, Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On October 27, 2023, SMGP BESS drew the first tranche amounting to P28,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the first tranche were used for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from San Miguel Global Power, both of which were used to finance payment for interest, design, construction and the operation of the BESS projects, and cover transaction-related costs, fees and expenses.

- **Infrastructure**

- a) **SMC NAIAX Corporation (SMC NAIAX)**

On various dates in 2023, SMC NAIAX availed of a total of P1,187 million term loans from its P5,656 million OLSA with various banks executed on December 21, 2022. The term of the loan is for seven years and three months and is subject to a floating interest rate. The proceeds of the loan are being used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- b) **SMC SLEX Holdings Company Inc. (SSHCI)**

On April 19, 2023, SSHCI availed of the remaining P4,200 million of the P20,000 million term loan facility agreement executed on December 3, 2021. The loan is subject to a floating interest rate payable quarterly and with a term of three years. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects.

- c) **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

On June 1 and July 17, 2023, SMC MRT 7 availed of a total of P14,300 million term loan from the P100,000 million OLSA with various local banks executed on May 18, 2023. The proceeds of the loan are being used to partly finance the MRT 7 Project. The loan is subject to a floating interest rate and with a term of 15 years.

- **Food and Beverage**

- SMB**

On February 21, 2023, SMB availed of the remaining P5,000 million term loan from its P10,000 million loan facility executed on December 19, 2022 to partially finance capital expenditures. The term of the loan is for five years and is subject to a fixed interest rate for the first two years and repricing thereafter.

- **Cement**

- a) **San Miguel Equity Investments Inc. (SMEII)**

On July 14, 2023, SMEII availed of a P30,000 million term loan, subject to a fixed interest rate and with a term of ten years. The proceeds were used for refinancing of existing short-term loan and/or other general corporate purposes.

- b) **NCC**

On various dates in 2023, NCC availed of a total of P3,750 million term loan from its existing P12,500 million OLSA executed in June 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan are being used to partially finance the ongoing cement plant project in Sison, Pangasinan. The OLSA was fully drawn as at December 31, 2023.

- **SMC**

On June 30, 2023, SMC availed of a P5,200 million term loan for the refinancing of its Corona Virus Disease 2019 response activities during the period 2020 to 2022. The loan is subject to a fixed interest rate and with a term of six years.

## FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power**

- a) On March 16, 2023, San Miguel Global Power availed of a US\$100 million term loan from a facility agreement executed on March 10, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in September 2024.

The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

- b) On October 31, 2023, San Miguel Global Power availed of a US\$50 million term loan from a facility agreement executed on October 24, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in April 2025. The proceeds of the loan were used to refinance the US\$50 million three-year term loan drawn in April 2021 which matured in October 2023, and payment of transaction related fees, costs and expenses in relation to the facility agreement.

- **SMC**

- a) On various dates in 2023, SMC availed of a total of US\$1,330 million from the term loan facility executed on March 21, 2023, which was increased from US\$1,200 million to US\$1,330 million effective June 30, 2023. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.
- b) On various dates in 2023, SMC availed of a total of US\$622 million term loan from the US\$2,165 million loan facility executed on March 31, 2022. The loan is subject to a floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the MIA Project in Bulacan. Total drawdowns as at December 31, 2023 amounted to \$1,493 million.
- c) On July 10 and July 31, 2023, SMC availed of a US\$200 million term loan, subject to a floating interest rate and US\$150 million term loan, subject to a fixed interest rate, with a term of five years. The proceeds of the loans were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.
- d) On September 20, 2023, SMC availed of a US\$300 million term loan, subject to a floating interest rate and with a term of five years. The proceeds of the loan were used to refinance a total of US\$300 million term loans availed in 2018.
- e) In November 2023, SMC availed of a total of US\$300 million term loans, subject to a floating interest rate and with a term of five years. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

- **Petron**

On various dates in 2023, Petron availed of a total of US\$399 million loans from the following: (1) US\$174 million from the remaining balance of the term loan facility executed in November 2022, which was increased from US\$550 million to US\$669 million effective February 17, 2023 (the "US\$669 million Facility"), and (2) US\$225 million from the term loan facility executed on March 28, 2023 (the "US\$225 million Facility"). The final amortization of the US\$669 million Facility will be

on November 8, 2027, while the final amortization of the US\$225 million Facility will be on March 28, 2028. Both Facilities are subject to floating interest rates.

The US\$174 million loans from the US\$669 million Facility were used to partially prepay the amortizations for the JPY15,000 million long-term loan amounting to US\$30 million, to prepay the remaining balance of the US\$800 million long-term loan amounting to US\$113 million, and partially fund payment of the P7,000 million Series B Bonds due on October 27, 2023 amounting to US\$31 million. Proceeds from the US\$225 million Facility were used to partially fund the redemption of Petron's US\$500 million SPCS.

## **PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **SMC**

On March 20, 2023, SMC paid its Series E Fixed Rate Peso-denominated Bonds amounting to P13,146 million, which matured on the same date. The Series E Bonds, which formed part of the P20,000 million Series E, Series F and Series G Fixed Rate Bonds were issued by SMC in 2018.

The Series E Bonds were paid from the proceeds of the P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

- **San Miguel Global Power**

On July 11 and August 17, 2023, San Miguel Global Power paid its Series B and Series G Bonds, respectively, with a total amount of P19,090 million. The Series B Bonds formed part of the P15,000 million Series A-B-C fixed rate bonds issued in July 2016, while the Series G Bonds were issued in 2018.

The payment was funded through capital infusion by SMC and cash generated from operations.

- **Petron**

On October 27, 2023, Petron paid its Series B Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same date. The Series B Bonds formed part of the P20,000 million retail bonds issued by Petron in 2016.

The payment was funded by the US\$31 million term loan drawn on August 14, 2023 from the US\$669 million facility and cash generated from operations.

## **PAYMENT OF TERM LOANS**

### **FOREIGN CURRENCY-DENOMINATED TERM LOANS**

- **San Miguel Global Power**

On March 13, 2023, San Miguel Global Power paid the remaining balance of the US\$700 million term loan facility availed on March 16, 2018, amounting to US\$500 million, which matured on the same day.

The payment was funded by the proceeds from issuance of Redeemable Perpetual Securities (RPS) by San Miguel Global Power to SMC amounting to US\$500 million on March 10, 2023 and cash generated from operations.

- **SMC**

- a) On February 23, 2023, SMC prepaid in full the US\$400 million term loan availed on March 16, 2018. The US\$400 million was paid from the available cash balance.
- b) On April 28, 2023, SMC paid in full the US\$300 million loan availed in 2018, funded by the proceeds from the issuance of P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

#### **PESO TERM LOAN**

- **ECC**

On May 29, 2023, ECC prepaid in full the balance of its Term Loan Facility and Security Agreement entered in 2016, amounting to P4,049 million. The payment was funded by the proceeds from the redemption on May 25, 2023 of the P4,000 million RPS issued by SMC in 2020.

#### **PAYMENT OF OTHER MATURING OBLIGATIONS**

During the year, the Group paid a total of P27,497 million of its scheduled amortizations and maturing obligations.

The Infrastructure, Energy, Cement, Petron, Packaging, Food and Beverage businesses and SMC paid a total of P9,526 million, P5,129 million, P4,900 million, P4,643 million, P2,625 million, P514 million and P160 million, respectively, of their maturing obligations.

#### **ISSUANCE OF EQUITY AND CAPITAL SECURITIES**

- **Petron**

On July 7, 2023, Petron issued and listed at the Philippine Stock Exchange (PSE) 5,000,000 Series 4A, 2,995,000 Series 4B and 6,005,000 Series 4C Preferred Shares (inclusive of the oversubscription of 1,500,000 shares) under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 per share or for a total amount of P14,000 million. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the Securities and Exchange Commission (SEC) on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares.

The Series 4 Preferred Shares are redeemable in whole and not in part, starting on the second and half, third and fifth year or on any dividend payment date thereafter for Series 4A, Series 4B and Series 4C Preferred Shares, respectively. Dividend rates are 6.7079%, 6.7972% and 7.0861% per annum for Series 4A, Series 4B and Series 4C Preferred Shares, respectively.

The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US\$478 million SPCS issued in 2018.

- **SMC**

On August 23, 2023, SMC issued 173,333,325 Series 2-M Preferred Shares (Series 2-M) and were listed at the PSE on August 29, 2023. The shares were issued at an offer price of P75.00 per share for a total amount of P13,000 million, with dividend rate of 8.375% per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC. The Series 2-M Preferred Shares were privately-placed.

The net proceeds from the issuance of Series 2-M were used for general corporate purposes.

On December 1, 2023, SMC issued a total of 453,333,400 Series 2-L, 2-N and 2-O (Series 2-LNO) Preferred Shares which were under the 866,666,700 shelf-registration and were listed at the PSE on the same date. The shares were issued at an offer price of P75.00 per share for a total amount of P34,000 million, with dividend rates of 7.9145% (Series 2-L), 8.3466% (Series 2-N) and 8.5936% (Series 2-O) per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC.

The net proceeds of the from the issuance of the Series 2-LNO were used for repayment of Peso-denominated short-term facilities, repayment of Series B Bonds and will be used for the repayment of Series H Bonds on October 4, 2024.

### **REDEMPTION OF US\$500 MILLION SPCS BY PETRON**

On January 4, 2023, Petron conducted a tender offer of up to US\$50 million to the holders of its outstanding US\$500 million SPCS issued and listed at the Singapore Exchange Securities Trading Limited (SGX-ST) in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US\$22 million in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US\$927.00 per US\$1,000.00 on January 19, 2023.

On July 19, 2023, Petron fully redeemed at par the remaining balance of the SPCS with an aggregate amount of about US\$478 million.

Following the full redemption, distributions ceased to accrue, and the redeemed securities were cancelled and delisted from the SGX-ST.

The redemption was funded through availment of a US\$225 million term loan, issuance of 14,000,000 Series 4 Preferred Shares and cash generated from operations.

### **SUBSEQUENT EVENTS**

- **Payment of P7,294 million Series B Fixed Rate Peso-denominated Bonds by SMC**

On March 1, 2024, SMC paid the P7,294 million Series B Fixed Rate Peso-denominated bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by the Parent Company in 2017.

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

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

On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA is expected to be turned-over by the Manila International Airport Authority to the concession company, six months after the execution of the Concession Agreement.

- **Joint Investment in an Integrated LNG Facility by San Miguel Global Power and Chromite Gas Holdings, Inc. (CGHI)**

On March 1, 2024, the Board of Directors (BOD) of San Miguel Global Power approved the following transactions:

- 1) Subscription by CGHI, a joint venture company owned by Meralco PowerGen Corporation and Therma NatGas Power Inc., of approximately 67% equity interest in the wholly-owned subsidiaries of San Miguel Global Power, namely: SPPC, Excellent Energy Resources Inc. (EERI) and Ilijan Primeline Industrial Estates, Inc. (IPIEC); and
- 2) Purchase by San Miguel Global Power of approximately 33% of the total outstanding capital stock of Linseed Field Corporation (LFC) from Eurodite Universal Power Incorporated.

The assets covered by the transaction consists of the: (a) 1,275 MW Ilijan Combined Cycle Gas Power Plant owned by SPPC which is currently operational, (b) 1,320 MW BCCPP owned by EERI which is under construction, (c) 390,829 sqm land where the BCCPP of EERI is situated, and (d) import and regasification LNG terminal owned by LFC which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

**B. The following are the major developments in 2022:**

**INVESTING ACTIVITIES**

**Acquisition by SMC through SMEII of ECC**

On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc., the parent company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares (Sale Shares) representing approximately 88.50% of the total outstanding and issued capital stock of ECC for a total consideration of P97,441 million or P22.02 per Sale Share.

ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

On October 27, 2022, the Philippine Competition Commission issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the PSE after the required written assent of the stockholders of ECC was secured.

The tender offer period ended on December 5, 2022, a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding common shares of ECC were tendered (Tendered Shares) for a total consideration of P12,613 million or P22.02 per share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As a result of the transaction, ECC was consolidated effective December 14, 2022. SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding common shares of ECC as at December 31, 2023 and 2022.

The total acquisition cost of ECC amounting to P110,054 million was funded by short-term loan availed by SMC and existing cash balance.

#### **Redemption of Investment in Preferred Shares of Top Frontier Investment Holdings, Inc. (Top Frontier)**

On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by SMC. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424 million, corresponding to the original issue price, plus unpaid cash dividends amounting to P267 million.

In 2022, the Group has undertaken various financing activities. The significant transactions are as follows:

#### **AVAILMENT OF LONG-TERM DEBT**

##### **PESO TERM LOANS**

- **SSHCI**

On various dates in 2022, SSHCI availed of a total of P15,800 million term loans from the P20,000 million term loan facility agreement executed on December 3, 2021. The loans are subject to a floating interest rate and will mature on January 3, 2025. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

- **Petron**

- a. On May 19, June 15 and June 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of power plant project, (b) payment of the remaining balance of US dollar term loan, and (c) payment of various loan facilities. The P15,000 million term loan is divided into three P5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and June 16, 2027, respectively.
- b. On September 8 and September 30, 2022, Petron availed of a total of P3,000 million term loans for the repayment of indebtedness. The loans are subject to fixed interest rates and will mature on September 8, 2025.

- **SMC NAIAX**

On December 28, 2022, SMC NAIAX availed of a P3,124 million term loan from its P5,656 million OLSA with various banks executed on December 21, 2022. The loan is subject to a fixed interest rate and will mature on June 21, 2030. The proceeds of the loan were used to prepay the balance of the OLSA executed in 2014 and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- **SMB**

On December 20, 2022, SMB availed of a P5,000 million five-year term loan from its P10,000 million loan facility with a local bank. The loan is subject to a fixed interest rate and will mature on December 20, 2027. The proceeds of the loan were used to partially finance capital expenditures.

- **NCC**

On various dates in 2022, NCC availed of a total of P1,674 million term loan from its existing P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to finance the ongoing cement plant project in Sison, Pangasinan. Total drawdowns from the OLSA as at December 31, 2022 amounted to P8,749 million.

## **FOREIGN CURRENCY-DENOMINATED LOANS**

- **San Miguel Global Power**

- a. On January 21, 2022, San Miguel Global Power availed of a US\$200 million term loan from the loan facility agreement executed on September 8, 2021. Proceeds of the loan were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility. The term of the loan is for three years and is subject to a floating interest rate.
- b. On May 24, 2022, San Miguel Global Power availed of a US\$100 million term loan from the loan facility agreement executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of BESS and BCCPP Projects, for general corporate requirements and payment of other transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in May 2025.
- c. On August 26, 2022, San Miguel Global Power availed of a US\$300 million term loan from its loan facility agreement executed on August 18, 2022. Proceeds of the loan were used mainly for general corporate purposes, including capital expenditures and refinancing of short-term loan. The loan is subject to a floating interest rate and will mature in August 2027.

- **SMC**

- a. On February 18 and April 20, 2022, SMC availed of a total of US\$450 million term loan from the US\$900 million loan facility agreement executed on October 21, 2021 for general corporate purposes. The loan is subject to a floating interest rate and will mature on October 21, 2026.
- b. On various dates in June, August and September 2022, SMC availed of a total of US\$700 million term loan from the US\$700 million loan facility agreement executed on March 28, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on March 29, 2027.

- c. On various dates in 2022, SMC availed of a total of US\$871 million term loan from the US\$2,165 million loan facility executed on March 31, 2022 for the financing of the MIA Project's land development works. The term of the loan is 13 years and is subject to a floating interest rate.
- d. On August 2, 2022, SMC availed of a US\$100 million loan from the US\$100 million term loan facility executed on May 27, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on May 27, 2027.

- **Petron**

In November and December 2022, Petron availed of US\$267 million and US\$228 million loans, respectively, from the US\$550 million term loan facility executed on November 8, 2022. The loan is amortized over five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to partially prepay the US\$800 million term loan facility availed in 2019 and the US\$150 million term loan availed in 2020.

### **ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **Issuance of P30,000 Million Fixed Rate Bonds by SMC**

On March 4, 2022, SMC issued and listed at the Philippine Dealing & Exchange Corporation (PDEX) P17,440 million Series J and P12,560 million Series K Fixed Rate Peso-denominated Bonds from the P60,000 million Shelf Registered Fixed Rate Bonds. The bonds are due in March 2027 and 2029 with interest rates of 5.2704% and 5.8434% per annum, respectively.

The proceeds from the issuance of the bonds were used to refinance short-term loan facilities and other general corporate purposes.

- **Registration and Issuance of P60,000 Million Fixed Rate Peso-denominated Bonds by SMC**

On December 14, 2022, SMC issued and listed at the PDEX a total of P60,000 million Fixed Rate Peso-denominated Bonds comprising of P27,101 million Series L, P9,712 million Series M and P23,187 million Series N bonds which were approved by the SEC on November 22, 2022. The Series L, Series M and Series N bonds are due in December 2028, 2029 and 2032 with interest rates of 7.4458%, 7.8467% and 8.4890% per annum, respectively.

Portion of the proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Subseries "2-H" Preferred Shares; and (ii) the repayment of Peso-denominated short-term loan facilities used to redeem the Series A and Series D Bonds, and the remaining balance will be used for (iii) the final redemption and payment of the Series E Bonds due in 2023; and (iv) the refinancing of certain US Dollar-denominated obligations.

- **Registration of P60,000 Million-Worth of Fixed Rate Peso-Denominated Bonds and Issuance of P40,000 Million Series K, L and M Bonds by San Miguel Global Power**

On July 26, 2022, San Miguel Global Power issued and listed at the PDEX a total of P40,000 million Fixed Rate Peso-denominated Bonds, the first tranche of the P60,000 million shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

The bonds comprised of P5,000 million Series K Bonds due 2025, P25,000 million Series L Bonds due 2028 and P10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

The proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power's investments in power-related assets, particularly BCCPP and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

- **Payment of Fixed Rate Peso-Denominated Series A and D Bonds by SMC**

On March 1 and April 7, 2022, SMC paid its Series A and D Fixed Rate Peso-denominated Bonds amounting to P6,683 million and P10,000 million, respectively. The Series A and Series D Bonds matured on their respective payment dates and were issued by SMC in 2017.

The Series A and D Bonds were paid using the proceeds from short-term loan facilities.

- **Payment of Fixed Rate Peso-Denominated Series D and Series H Bonds by San Miguel Global Power**

On April 25 and December 22, 2022, San Miguel Global Power paid its P13,845 million Series H and P9,913 million Series D Fixed Rate Peso-denominated Bonds, which matured on the same dates. The Series D and Series H Bonds were issued by San Miguel Global Power in 2017 and 2019, respectively.

The Series H Bonds were paid partly from the proceeds of short-term loan facilities and from cash generated from operations.

- **Payment of Fixed Rate Peso-Denominated Series F Bonds by SMB**

On April 2, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds were issued by SMB in 2012.

The payment was funded by the proceeds from the P7,000 million term loan availed on April 1, 2022 from a local bank. The loan is subject to a fixed interest rate and will mature in 2025 and 2027.

- **Payment of Fixed Rate Peso-Denominated Series B Bonds by SMC SLEX Inc. (SMC SLEX)**

On May 22, 2022, SMC SLEX paid its Series B Fixed Rate Peso-denominated Bonds amounting to P2,400 million, which matured on the same day. The Series B Bonds were issued by SMC SLEX in 2015.

The Series B Bonds were paid using internally generated funds.

#### **PAYMENT OF OTHER MATURING OBLIGATIONS**

In 2022, the Group paid a total of P22,074 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Infrastructure, Energy, Petron, Packaging, Food and Beverage and SMC paid a total of P8,575 million, P6,824 million, P3,430 million, P2,902 million, P183 million and P160 million, respectively, of their maturing obligations.

## **REDEMPTION OF PREFERRED SHARES BY SMC**

### **Redemption of Series “2” Preferred Shares - Subseries “2-H” by SMC**

On December 21, 2022, SMC redeemed its outstanding 164,000,000 Subseries “2-H” Preferred Shares issued in March 2016. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries “2-H” Preferred Shares was approved by the BOD of SMC on September 22, 2022.

The Subseries “2-H” Preferred Shares were redeemed using part of the proceeds of the P60,000 million Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

## **REPURCHASE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US dollar-denominated SPCS listed at the SGX-ST to purchase for cash up to US\$400 million SPCS. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the “Expiration Deadline”). All valid tender offers from security holders, representing an aggregate of US\$124 million in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the expiration deadline and which San Miguel Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

The payment for the repurchased SPCS was funded by San Miguel Global Power’s issuance of RPS to SMC.

### **C. The following are the major developments in 2021:**

#### **INVESTMENT IN SUBSIDIARIES**

##### **Merger of NCC and San Miguel Northern Cement, Inc. (SMNCI)**

On March 3, 2021, the BOD and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving entity.

On June 14, 2021, the SEC approved the Articles and Plan of Merger executed by NCC and SMNCI, whereby the entire assets and liabilities of SMNCI were transferred to and absorbed by NCC, the surviving entity.

On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 million as consideration for the net assets of SMNCI in accordance with the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of NCC, which was approved by the SEC on June 14, 2021.

The merger of NCC and SMNCI is considered to be a business combination under common control. The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interest method.

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

On October 6, 2021, the BIR issued Ruling No. S40M-371-2021 which confirmed the tax-free exchange of investment relative to the merger of NCC and SMNCI.

**Investment by SMC Equivest Corporation (SMCEC) in Preferred Shares and Common Shares of BankCom**

On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BankCom at P132.00 per share or a total of P5,500 million.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BankCom and subject to the other terms and conditions as may be fixed by the BOD of BankCom, required under regulations, and to the extent permitted by applicable law.

On October 20, 2021, SMCEC acquired 1,571,600 common shares of BankCom at P226.48 per share or P357 million, including transaction cost, representing additional 1.4% ownership interest.

The Bangko Sentral ng Pilipinas (BSP) and SEC approved the Amendment of Articles of Incorporation of BankCom on October 4 and November 2, 2021, respectively, for the change in the par value of BankCom's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BankCom on May 25 and July 8, 2021, respectively. As a result, San Miguel Properties, Inc. (SMPI) and SMCEC's investment in BankCom's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BankCom's preferred shares also increased from 41,666,667 shares to 416,666,670 shares.

As at December 31, 2021, SMC through SMPI and SMCEC, respectively, has 39.93% and 6.09% equity ownership interests in BankCom.

On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license.

On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom, which includes the 280,602,800 common shares subject of the initial public offering. On March 31, 2022, BankCom listed its common shares with the PSE.

In 2021, the Group has undertaken various financing activities. The significant transactions are as follows:

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **San Miguel Global Power**

On May 28, 2021, San Miguel Global Power availed of a P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to a fixed interest rate and will mature on May 28, 2025.

- **SMC Tollways**

On March and June 2021, SMC Tollways drew a total of P12,900 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. The proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction-related fees, taxes and expenses. The loan is subject to a fixed interest rate and repricing on the fifth year from initial drawdown date, and payable in 40 quarterly installments up to December 14, 2029. As at December 31, 2021, the total amount of the P41,200 million facility has been fully drawn.

- **NCC**

On June 30, 2021, SMNCI availed of a P7,075 million from the P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan. On July 1, 2021, the balance of the loan was transferred to NCC following the merger of NCC and SMNCI.

- **The Purefoods-Hormel Company, Inc. (PF-Hormel)**

On September 29, 2021, PF-Hormel availed of a P7,000 million term loan, subject to a fixed interest rate and will mature on September 29, 2026. The proceeds of the loan were used for the refinancing of existing indebtedness and general corporate purposes.

- **SCII**

On December 29, 2021, SCII fully availed the P4,800 million loan from the OLSA executed on December 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on December 31, 2028. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

## **FOREIGN CURRENCY-DENOMINATED TERM LOANS**

- **San Miguel Global Power**

- a. On March 9, 2021, San Miguel Global Power executed a five-year term loan facility agreement for the amount of US\$200 million used to refinance its maturing US\$200 million loan obligation. Drawdown was completed on March 12, 2021. On May 21, 2021, the loan facility agreement was amended to increase the amount from US\$200 million to US\$300 million.

On June 7, 2021, San Miguel Global Power availed of the remaining US\$100 million from its amended loan facility agreement. The proceeds of the loan were used mainly for the payment of Series A Fixed Rate Bonds in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

- b. On April 12, 2021, San Miguel Global Power availed of a US\$50 million from its term loan facility with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures of the BCCPP (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities, pre-operating and operating working capital requirements for the BESS Projects, and transaction-related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.
- **SMC**
  - a. On October 21, 2021, SMC executed a five-year term loan facility agreement for the amount of US\$700 million. The facility agreement was amended on November 29, 2021 increasing the amount from US\$700 million to US\$900 million. On October 28 and December 23, 2021, SMC drew a total of US\$450 million from the facility. The loan is subject to a floating interest rate and will mature on October 21, 2026. The proceeds of the loan were and will be used for general corporate purposes.
  - b. On December 13, 2021, SMC executed a five-year term loan facility agreement for the amount of US\$100 million. Drawdown was completed on December 23, 2021. The loan is subject to a floating interest rate and will mature on December 14, 2026. The proceeds of the loan were used for general corporate purposes.

#### **ISSUANCE AND PAYMENT OF BONDS**

- **Shelf-registration of P50,000 Million Fixed Rate Peso-Denominated Bonds by SMC and Issuance of P30,000 Million Bonds**

On June 21, 2021, the SEC approved the shelf-registration of P50,000 million fixed rate Peso-denominated bonds of SMC.

On July 8, 2021, SMC issued and listed at the PDEX P30,000 million Series I Bonds. The bonds are due in 2027, with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

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

- **Issuance of P18,000 Million Fixed Rate Bonds by Petron**

On October 12, 2021, Petron issued and listed at the PDEX P18,000 million fixed rate, Peso-denominated bonds, the first tranche of the P50,000 million shelf-registered fixed rate bonds approved by the SEC.

The bonds consist of P9,000 million Series E Bonds maturing in 2025 with an interest rate of 3.4408% per annum and P9,000 million Series F Bonds maturing in 2027 with an interest rate of 4.3368% per annum. Interest is payable quarterly in arrears every 12th of January, April, July and October of each year.

The proceeds from the issuance of the bonds were used primarily for the payment of the outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

- **Payment of Fixed Rate Peso-Denominated Series G Bonds by SMB**

On April 5, 2021, SMB paid its Series G Fixed Rate Bonds amounting to P12,462 million, which matured on the same day. The Series G Bonds form part of the P15,000 million fixed rate bonds issued by SMB in 2014.

The payment was financed from the proceeds of the P12,000 million term loans availed on March 30, 2021 from four banks. The loans are subject to fixed interest rates, where P10,000 million are due on March 30, 2026 and P2,000 million are due on March 30, 2028.

- **Payment of Fixed Rate Peso-Denominated Series A Bonds by San Miguel Global Power**

On July 12, 2021, San Miguel Global Power paid its Series A Fixed rate Bonds amounting to P6,153 million, which matured on the same day. The Series A Bonds, which form part of the P15,000 million Series ABC Fixed Rate Bonds issued by San Miguel Global Power in 2016.

The Series A Bonds were paid partly from the proceeds of the US\$100 million out of the US\$300 million Syndication Agreement availed in June 2021 and partly from the P5,000 million term loan availed in May 2021.

#### **PAYMENT OF OTHER MATURING OBLIGATIONS**

In 2021, the Group paid P18,686 million of maturing obligations funded by cash generated from operations.

Energy, Petron, Infrastructure, Packaging and other businesses paid a total of P7,293 million, P4,785 million, P3,778 million, P2,488 million and P342 million, respectively, of their maturing long-term debt.

#### **ISSUANCE OF CAPITAL SECURITIES BY SUBSIDIARIES**

- **Issuance of US\$550 Million SPCS by Petron**

On April 19, 2021, Petron issued US\$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

- **Issuance of US\$750 Million SPCS by San Miguel Global Power**

On June 9, 2021, San Miguel Global Power issued US\$600 million SPCS at an issue price of 100%, with an initial distribution rate of 5.45% per annum. The securities were listed at the SGX-ST on June 10, 2021.

On September 15, 2021, San Miguel Global Power issued US\$150 million SPCS at an issue price of 100.125%, with an initial distribution rate of 5.45% per annum. The additional securities which were listed at the SGX-ST on September 16, 2021 were consolidated into single series with the securities issued in June 2021.

The net proceeds were used primarily for the 1,320 MW BCCPP and for general corporate purposes.

### **REDEMPTION OF PREFERRED SHARES BY SMC**

#### **Redemption of Series “2” Preferred Shares - Subseries “2-G”, Subseries “2-C” and Subseries “2-E” by SMC**

On March 30 and September 21, 2021, SMC redeemed its outstanding 66,666,600 Subseries “2-G”, 255,559,400 Subseries “2-C” and 134,000,100 Subseries “2-E” Preferred Shares issued in March 2016, September 2012 and 2015, respectively. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries “2-G” Preferred Shares was approved by the BOD of SMC on March 11, 2021 while the redemption of Subseries “2-C” and Subseries “2-E” Preferred Shares was approved by the BOD of SMC on August 5, 2021.

The Subseries “2-G” Preferred Shares were redeemed using the proceeds of the US\$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US\$2,000 million.

The Subseries “2-C” and Subseries “2-E” Preferred Shares were redeemed from proceeds of short-term loan availments.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

### **REDEMPTION OF SERIES 2B PREFERRED SHARES BY PETRON**

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The Series 2B Preferred Shares were redeemed from proceeds of short-term loan availments. The redemption was approved by the BOD of Petron on March 9, 2021.

### **REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

On February 26, 2021, San Miguel Global Power completed the redemption of its US\$300 million Undated Subordinated Capital Securities (USCS) issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US\$300 million USCS were redeemed using part of the proceeds of the US\$350 million SPCS issued on December 15, 2020.

#### D. MATERIAL CHANGES PER LINE OF ACCOUNT

##### 2023 vs. 2022

|                                                                       | December          |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                       | 2023              | 2022       | Amount                                     | %     | 2023                 | 2022 |
|                                                                       |                   |            | <i>(In Millions)</i>                       |       |                      |      |
| Cash and cash equivalents                                             | <b>P261,358</b>   | P318,214   | (P56,856)                                  | (18%) | <b>11%</b>           | 13%  |
| Trade and other<br>receivables - net                                  | <b>263,119</b>    | 238,782    | 24,337                                     | 10%   | <b>11%</b>           | 10%  |
| Inventories                                                           | <b>161,986</b>    | 190,193    | (28,207)                                   | (15%) | <b>6%</b>            | 8%   |
| Current portion of biological<br>assets - net                         | <b>3,515</b>      | 3,418      | 97                                         | 3%    | <b>0%</b>            | 0%   |
| Prepaid expenses and<br>other current assets                          | <b>141,424</b>    | 133,691    | 7,733                                      | 6%    | <b>6%</b>            | 6%   |
| <b>Total Current Assets</b>                                           | <b>831,402</b>    | 884,298    | (52,896)                                   | (6%)  | <b>34%</b>           | 37%  |
| Investments and advances<br>- net                                     | <b>37,089</b>     | 32,523     | 4,566                                      | 14%   | <b>2%</b>            | 1%   |
| Investments in equity and<br>debt instruments                         | <b>19,417</b>     | 18,921     | 496                                        | 3%    | <b>1%</b>            | 1%   |
| Property, plant and<br>equipment - net                                | <b>753,472</b>    | 708,192    | 45,280                                     | 6%    | <b>31%</b>           | 30%  |
| Right-of-use assets - net                                             | <b>108,014</b>    | 112,067    | (4,053)                                    | (4%)  | <b>4%</b>            | 5%   |
| Investment property - net                                             | <b>79,513</b>     | 74,660     | 4,853                                      | 7%    | <b>3%</b>            | 3%   |
| Biological assets - net of<br>current portion                         | <b>2,667</b>      | 2,671      | (4)                                        | (0%)  | <b>0%</b>            | 0%   |
| Goodwill - net                                                        | <b>182,791</b>    | 184,100    | (1,309)                                    | (1%)  | <b>7%</b>            | 8%   |
| Other intangible assets -<br>net                                      | <b>306,638</b>    | 249,321    | 57,317                                     | 23%   | <b>12%</b>           | 10%  |
| Deferred tax assets                                                   | <b>19,633</b>     | 22,554     | (2,921)                                    | (13%) | <b>1%</b>            | 1%   |
| Other noncurrent assets -<br>net                                      | <b>118,729</b>    | 102,518    | 16,211                                     | 16%   | <b>5%</b>            | 4%   |
| <b>Total Noncurrent Assets</b>                                        | <b>1,627,963</b>  | 1,507,527  | 120,436                                    | 8%    | <b>66%</b>           | 63%  |
| <b>Total Assets</b>                                                   | <b>P2,459,365</b> | P2,391,825 | P67,540                                    | 3%    | <b>100%</b>          | 100% |
| Loans payable                                                         | <b>P214,881</b>   | P267,704   | (P52,823)                                  | (20%) | <b>9%</b>            | 11%  |
| Accounts payable and<br>accrued expenses                              | <b>223,055</b>    | 227,126    | (4,071)                                    | (2%)  | <b>9%</b>            | 9%   |
| Lease liabilities - current<br>portion                                | <b>19,631</b>     | 21,020     | (1,389)                                    | (7%)  | <b>1%</b>            | 1%   |
| Income and other taxes<br>payable                                     | <b>46,254</b>     | 37,694     | 8,560                                      | 23%   | <b>2%</b>            | 2%   |
| Dividends and distributions<br>payable                                | <b>4,605</b>      | 4,037      | 568                                        | 14%   | <b>0%</b>            | 0%   |
| Current maturities of long-<br>term debt - net of debt<br>issue costs | <b>236,798</b>    | 170,032    | 66,766                                     | 39%   | <b>9%</b>            | 7%   |
| <b>Total Current Liabilities</b>                                      | <b>745,224</b>    | 727,613    | 17,611                                     | 2%    | <b>30%</b>           | 30%  |

Forward

|                                                                 | <b>December</b>   |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                 | <b>2023</b>       | 2022       | Amount                                     | %     | <b>2023</b>          | 2022 |
| Long-term debt - net of current maturities and debt issue costs | <b>P953,786</b>   | P918,164   | P35,622                                    | 4%    | <b>39%</b>           | 39%  |
| Lease liabilities - net of current portion                      | <b>36,941</b>     | 54,455     | (17,514)                                   | (32%) | <b>2%</b>            | 2%   |
| Deferred tax liabilities                                        | <b>29,503</b>     | 26,297     | 3,206                                      | 12%   | <b>1%</b>            | 1%   |
| Other noncurrent liabilities                                    | <b>28,745</b>     | 26,144     | 2,601                                      | 10%   | <b>1%</b>            | 1%   |
| <b>Total Noncurrent Liabilities</b>                             | <b>1,048,975</b>  | 1,025,060  | 23,915                                     | 2%    | <b>43%</b>           | 43%  |
| Capital stock - common                                          | <b>16,443</b>     | 16,443     | -                                          | 0%    | <b>1%</b>            | 1%   |
| Capital stock - preferred                                       | <b>10,187</b>     | 10,187     | -                                          | 0%    | <b>0%</b>            | 0%   |
| Additional paid-in capital                                      | <b>177,468</b>    | 177,719    | (251)                                      | (0%)  | <b>7%</b>            | 7%   |
| Capital securities                                              | <b>24,211</b>     | 24,211     | -                                          | 0%    | <b>1%</b>            | 1%   |
| Equity reserves                                                 | <b>7,354</b>      | 12,753     | (5,399)                                    | (42%) | <b>0%</b>            | 1%   |
| Retained earnings:                                              |                   |            |                                            |       |                      |      |
| Appropriated                                                    | <b>87,170</b>     | 71,004     | 16,166                                     | 23%   | <b>4%</b>            | 3%   |
| Unappropriated                                                  | <b>103,151</b>    | 129,239    | (26,088)                                   | (20%) | <b>4%</b>            | 6%   |
| Treasury stock                                                  | <b>(109,763)</b>  | (156,763)  | 47,000                                     | 30%   | <b>(4%)</b>          | (7%) |
| <b>Equity Attributable to</b>                                   |                   |            |                                            |       |                      |      |
| Equity Holders of the Parent Company                            | <b>316,221</b>    | 284,793    | 31,428                                     | 11%   | <b>13%</b>           | 12%  |
| Non-controlling Interests                                       | <b>348,945</b>    | 354,359    | (5,414)                                    | (2%)  | <b>14%</b>           | 15%  |
| <b>Total Equity</b>                                             | <b>665,166</b>    | 639,152    | 26,014                                     | 4%    | <b>27%</b>           | 27%  |
| <b>Total Liabilities and Equity</b>                             | <b>P2,459,365</b> | P2,391,825 | P67,540                                    | 3%    | <b>100%</b>          | 100% |

Consolidated total assets as at December 31, 2023 amounted to P2,459,365 million, P67,540 million higher than December 31, 2022. The increase was primarily due to the increase in property, plant and equipment, intangible assets, trade and other receivables and other noncurrent assets, offset by the decrease in cash and cash equivalents and inventories.

The decrease in cash and cash equivalents of P56,856 million was mainly due to the net payment of short-term loans, capital expenditures for the ongoing projects of the Infrastructure, Energy, Food and Beverage and Cement businesses, payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations, net proceeds from the availment of long-term debt and from the reissuance of treasury shares by SMC and Petron.

The increase in trade and other receivables - net by P24,337 million was mainly attributable to the: (a) higher trade receivables of the Energy business as a result of the Emergency Power Supply Agreement with Meralco which commenced in March and August 2023, (b) higher receivables recognized versus collections during the year by SPI, and (c) higher receivable of Petron from the Philippine Government due to increased excise tax refund claims.

The decrease in inventories by P28,207 million was attributable mainly to the: (a) lower materials and supplies inventory of the Food division as a result of the normalized level coming from the high level in December 2022 due to purposive buying of raw materials at that time in anticipation of price increases, depletion of hedged meat materials, and higher production volumes, (b) lower price of both crude oil and finished products and lower volume of crude oil, partly offset by higher volume of finished products of Petron.

The increase in prepaid expenses and other current assets by P7,733 million was primarily due to: (a) higher input taxes from the ongoing projects and power purchases of the Energy business, (b) increase in advances to suppliers mainly contributed by advances for LNG procurement of SPPC and (c) higher unused creditable withholding taxes of Petron. The increase was partly offset by the utilization of restricted cash fund for debt servicing requirements of the Energy business.

The increase in investments and advances - net by P4,566 million was mainly due to the advances for future investments to certain companies by the Energy business and the Group's share in the net earnings of BankCom and MNHPI in 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in property, plant and equipment - net by P45,280 million was mainly due to the costs of the ongoing projects of the Energy business, the Food and Beer and NAB divisions of the Food and Beverage business and Cement business.

The increase in investment property - net by P4,853 million was mainly due to the reclassification from property, plant and equipment to investment property of certain properties of the Energy business as a result of the change in usage, acquisition of parcels of land in Bulacan for the Airport Project and the consolidation of the investment property of IPIEC and Blue Eagle Star, Corp.

The increase in other intangible assets - net by P57,317 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization for the year.

The decrease in deferred tax assets by P2,921 million was primarily due to the recognition by SMC of deferred tax on unrealized gains on foreign exchange mainly from the revaluation of the foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P16,211 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project, (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses, and (c) restricted cash balance for debt servicing requirements of the Energy business.

The decrease in loans payable by P52,823 million was mainly due to the net payment made by SMC, Food division and the Energy business.

The increase in income and other taxes payable by P8,560 million was mainly due to the higher amount of Value-Added Tax (VAT) payable: (a) on the sales of the Energy business subject to VAT and (b) of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022.

The increase in dividends and distributions payable by P568 million was mainly due to the declaration of dividends by Petron and SMC to preferred shareholders in November 2023 payable in 2024.

The increase in total long-term debt, net of debt issue costs, of P102,388 million was primarily due to the net availments of foreign currency-denominated and Peso term loans by the Group, partly offset by the payment of Series B and G Bonds by San Miguel Global Power, Series E Bonds by SMC and Series B Bonds by Petron and translation adjustments for the year.

The decrease in total lease liabilities by P18,903 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P3,206 million was mainly due to the temporary differences on lease-related expenses in relation to the IPPA lease agreement of SPI and San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.) and on qualifying assets and capital allowance of Petron Malaysia.

The increase in other noncurrent liabilities by P2,601 million was mainly due to the increase in: (a) retention payable for the ongoing projects of the Infrastructure business and (b) retirement liabilities of the Food and Beverage business resulting from the net remeasurement loss on plan assets net of contributions paid, partly offset by the application of retention payable to contractors' billings of the Energy business.

The decrease in equity reserves by P5,399 million was mainly due to the loss on exchange differences on the translation of foreign operations for the year, loss from the redemption of SPCS by Petron, and remeasurement loss on the retirement plan assets of SMFB.

The increase in appropriated retained earnings by P16,166 million was mainly due to the net appropriations made by: (a) the Infrastructure business for the capital expenditures of the various ongoing projects, (b) San Miguel Foods, Inc. for the Feeds Expansion Projects; (c) SMB for the payment of Series H Bonds and the P10,000 million term loans maturing on April 2, 2024 and December 20, 2027, respectively, and (d) SMC Shipping and Lighterage Corporation (SMCSLC) for the construction of shipyard and warehouse and purchase of vessels, partly offset by the reversal of appropriations for the Power Plant Project of Petron.

The decrease in unappropriated retained earnings by P26,088 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

The decrease in treasury stock by P47,000 million represents the re-issuance of 173,333,325 Series "2-M" Preferred Shares on August 29, 2023 and a total of 453,333,400 Series "2-L, 2-N and 2-O" Preferred Shares on December 1, 2023 of SMC at an issue price of P75.00 per share.

**2022 vs. 2021**

|                                                                       | <b>December</b>   |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                       | <b>2022</b>       | 2021       | Amount                                     | %     | <b>2022</b>          | 2021 |
|                                                                       |                   |            | <i>(In Millions)</i>                       |       |                      |      |
| Cash and cash equivalents                                             | <b>P318,214</b>   | P300,030   | P18,184                                    | 6%    | <b>13%</b>           | 15%  |
| Trade and other<br>receivables - net                                  | <b>238,782</b>    | 161,808    | 76,974                                     | 48%   | <b>10%</b>           | 8%   |
| Inventories                                                           | <b>190,193</b>    | 141,209    | 48,984                                     | 35%   | <b>8%</b>            | 7%   |
| Current portion of biological<br>assets - net                         | <b>3,418</b>      | 3,106      | 312                                        | 10%   | <b>0%</b>            | 0%   |
| Prepaid expenses and<br>other current assets                          | <b>133,691</b>    | 108,689    | 25,002                                     | 23%   | <b>6%</b>            | 5%   |
| <b>Total Current Assets</b>                                           | <b>884,298</b>    | 714,842    | 169,456                                    | 24%   | <b>37%</b>           | 35%  |
| Investments and advances<br>- net                                     | <b>32,523</b>     | 55,002     | (22,479)                                   | (41%) | <b>1%</b>            | 3%   |
| Investments in equity and<br>debt instruments                         | <b>18,921</b>     | 41,966     | (23,045)                                   | (55%) | <b>1%</b>            | 2%   |
| Property, plant and<br>equipment - net                                | <b>708,192</b>    | 567,609    | 140,583                                    | 25%   | <b>30%</b>           | 28%  |
| Right-of-use assets - net                                             | <b>112,067</b>    | 163,364    | (51,297)                                   | (31%) | <b>5%</b>            | 8%   |
| Investment property - net                                             | <b>74,660</b>     | 69,825     | 4,835                                      | 7%    | <b>3%</b>            | 3%   |
| Biological assets - net of<br>current portion                         | <b>2,671</b>      | 2,244      | 427                                        | 19%   | <b>0%</b>            | 0%   |
| Goodwill - net                                                        | <b>184,100</b>    | 130,081    | 54,019                                     | 42%   | <b>8%</b>            | 6%   |
| Other intangible assets -<br>net                                      | <b>249,321</b>    | 190,979    | 58,342                                     | 31%   | <b>10%</b>           | 9%   |
| Deferred tax assets                                                   | <b>22,554</b>     | 17,141     | 5,413                                      | 32%   | <b>1%</b>            | 1%   |
| Other noncurrent assets -<br>net                                      | <b>102,518</b>    | 98,600     | 3,918                                      | 4%    | <b>4%</b>            | 5%   |
| <b>Total Noncurrent Assets</b>                                        | <b>1,507,527</b>  | 1,336,811  | 170,716                                    | 13%   | <b>63%</b>           | 65%  |
| <b>Total Assets</b>                                                   | <b>P2,391,825</b> | P2,051,653 | P340,172                                   | 17%   | <b>100%</b>          | 100% |
| Loans payable                                                         | <b>P267,704</b>   | P190,779   | P76,925                                    | 40%   | <b>11%</b>           | 9%   |
| Accounts payable and<br>accrued expenses                              | <b>227,126</b>    | 194,579    | 32,547                                     | 17%   | <b>9%</b>            | 10%  |
| Lease liabilities - current<br>portion                                | <b>21,020</b>     | 23,423     | (2,403)                                    | (10%) | <b>1%</b>            | 1%   |
| Income and other taxes<br>payable                                     | <b>37,694</b>     | 23,102     | 14,592                                     | 63%   | <b>2%</b>            | 1%   |
| Dividends and distributions<br>payable                                | <b>4,037</b>      | 4,296      | (259)                                      | (6%)  | <b>0%</b>            | 0%   |
| Current maturities of long-<br>term debt - net of debt<br>issue costs | <b>170,032</b>    | 88,857     | 81,175                                     | 91%   | <b>7%</b>            | 4%   |
| <b>Total Current Liabilities</b>                                      | <b>727,613</b>    | 525,036    | 202,577                                    | 39%   | <b>30%</b>           | 25%  |

Forward

|                                                                    | December          |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|--------------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                    | 2022              | 2021       | Amount                                     | %     | 2022                 | 2021 |
| Long-term debt - net of current maturities and debt issue costs    | <b>P918,164</b>   | P725,108   | P193,056                                   | 27%   | <b>39%</b>           | 35%  |
| Lease liabilities - net of current portion                         | <b>54,455</b>     | 71,569     | (17,114)                                   | (24%) | <b>2%</b>            | 4%   |
| Deferred tax liabilities                                           | <b>26,297</b>     | 28,742     | (2,445)                                    | (9%)  | <b>1%</b>            | 1%   |
| Other noncurrent liabilities                                       | <b>26,144</b>     | 19,959     | 6,185                                      | 31%   | <b>1%</b>            | 2%   |
| <b>Total Noncurrent Liabilities</b>                                | <b>1,025,060</b>  | 845,378    | 179,682                                    | 21%   | <b>43%</b>           | 42%  |
| Capital stock - common                                             | <b>16,443</b>     | 16,443     | -                                          | 0%    | <b>1%</b>            | 1%   |
| Capital stock - preferred                                          | <b>10,187</b>     | 10,187     | -                                          | 0%    | <b>0%</b>            | 0%   |
| Additional paid-in capital                                         | <b>177,719</b>    | 177,719    | -                                          | 0%    | <b>7%</b>            | 9%   |
| Capital securities                                                 | <b>24,211</b>     | 28,171     | (3,960)                                    | (14%) | <b>1%</b>            | 1%   |
| Equity reserves                                                    | <b>12,753</b>     | 14,136     | (1,383)                                    | (10%) | <b>1%</b>            | 1%   |
| Retained earnings:                                                 |                   |            |                                            |       |                      |      |
| Appropriated                                                       | <b>71,004</b>     | 66,630     | 4,374                                      | 7%    | <b>3%</b>            | 3%   |
| Unappropriated                                                     | <b>129,239</b>    | 157,707    | (28,468)                                   | (18%) | <b>6%</b>            | 8%   |
| Treasury stock                                                     | <b>(156,763)</b>  | (144,363)  | (12,400)                                   | (9%)  | <b>(7%)</b>          | (7%) |
| <b>Equity Attributable to Equity Holders of the Parent Company</b> | <b>284,793</b>    | 326,630    | (41,837)                                   | (13%) | <b>12%</b>           | 16%  |
| Non-controlling Interests                                          | <b>354,359</b>    | 354,609    | (250)                                      | (0%)  | <b>15%</b>           | 17%  |
| <b>Total Equity</b>                                                | <b>639,152</b>    | 681,239    | (42,087)                                   | (6%)  | <b>27%</b>           | 33%  |
| <b>Total Liabilities and Equity</b>                                | <b>P2,391,825</b> | P2,051,653 | P340,172                                   | 17%   | <b>100%</b>          | 100% |

Consolidated total assets as at December 31, 2022 amounted to P2,391,825 million, P340,172 million higher than December 31, 2021. The increase was primarily due to the higher balance of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P18,184 million was mainly due to net proceeds from the availments of short-term loans and long-term debt, redemption of investment in equity securities and collection of advances for investments. This was partly offset by the capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, acquisition of subsidiaries, payment of lease liabilities and dividends and distributions and repurchase and redemption of equity and capital securities.

The increase in trade and other receivables - net by P76,974 million was mainly attributable to higher trade customer balances from: (a) the Energy business on account of higher average realization prices driven by higher coal prices and overall spot market rates; and (b) Petron brought about by the increase in prices of fuel products.

The increase in inventories by P48,984 million was mainly due to the: (a) higher prices of both crude oil and finished products coupled with higher volume of finished products of Petron; (b) higher prices of imported raw materials and higher level of finished goods relative to increase in demand and prices of the Food division under the Food and Beverage business; and (c) higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P739 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P25,002 million was primarily due to the: (a) higher input taxes of the Energy business from vatable purchases in 2022; (b) additional restricted cash funding by the Energy and Infrastructure businesses for the payment of long-term debt; and (c) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron.

The decrease in investments and advances - net by P22,479 million mainly represents the collection of advances for investment to Bryce Canyon Investments Limited in accordance with an investment agreement executed in 2016. In December 2022, the agreement was terminated as agreed by both parties.

The decrease in investments in equity and debt instruments by P23,045 million mainly represents the redemption of SMC's investments in preferred stocks of Top Frontier partly offset by the investment in debt securities under investment agreement with BankCom by SMB, GSMI and Petrogen Insurance Corporation.

The increase in property, plant and equipment - net by P140,583 million and the decrease in right-of-use assets - net by P51,297 million were mainly due to the reclassification by SPPC of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with PSALM and subsequent acquisition in June 2022, including directly attributable costs. The increase in property, plant and equipment - net was also due to the consolidation of the cement plant and properties of ECC, the costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions under the Food and Beverage business.

The increase in investment property - net by P4,835 million was mainly due to the acquisition of a property in Mandaluyong and reclassification of properties from property, plant and equipment due to change in use by SMPI and acquisition of various properties in Bulacan.

The increase in goodwill - net by P54,019 million mainly represents the goodwill recognized as a result of the consolidation of ECC.

The increase in other intangible assets - net by P58,342 million was mainly due to the: (a) additions to concession rights for the MIA Project and for the various ongoing Infrastructure projects; and (b) the mining rights recognized upon the consolidation of ECC. The increase was partly offset by the total amortization in 2022.

The increase in deferred tax assets by P5,413 million was mainly due to: (a) the recognition by SMC and San Miguel Global Power of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign currency-denominated long-term debt; and (b) the recognition by SMC of deferred tax on the remeasurement of its retirement plan assets.

The increase in loans payable by P76,925 million was mainly due to the net availments by Petron and Food Division for working capital requirements and San Miguel Global Power to partly finance the payment of Series H Bonds in April 2022 and for general corporate requirements.

The increase in accounts payable and accrued expenses by P32,547 million was mainly due to: (a) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects; (b) higher coal purchases of the Energy business on account of the surge in coal prices; and (c) consolidation of the balances of ECC.

The increase in income and other taxes payable by P14,592 million was mainly due to higher VAT and withholding tax payable of the Energy business and higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P259 million was mainly due to payment to preferred shareholders of Petron for dividends which were declared in 2021.

The increase in total long-term debt, net of debt issue costs, by P274,231 million was primarily due to the: (a) issuance of P90,000 million and P40,000 million fixed rate Peso-denominated bonds by SMC and San Miguel Global Power, respectively; (b) the availment by the Group of various foreign and Peso term loans; and (c) the revaluation of foreign currency-denominated loans by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds by SMC, San Miguel Global Power, SMC SLEX and SMB and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P19,517 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized in 2022 by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,445 million was mainly attributable to the recognition of deferred tax benefit on NOLCO by the Energy business partly offset by the deferred tax liability recognized from the differences in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P6,185 million was mainly due to increase in retention payable for: (a) the Mariveles Power Plant and BESS Projects of the Energy business and (b) the land development works for the MIA Project and the increase in retirement liabilities of SMB and SMC as a result of the higher actuarial loss on defined benefit obligation and remeasurement loss on retirement plan assets, respectively.

The decrease in the balance of capital securities by P3,960 million represents the RPS of SMC issued to ECC in 2020 which was eliminated upon consolidation of ECC in 2022.

The decrease in equity reserves by P1,383 million was mainly due to the remeasurement loss on the retirement plan assets of SMC, SMB and Petron partly offset by the gain on exchange differences on the translation of foreign operations in 2022.

The increase in appropriated retained earnings by P4,374 million was due to the appropriations by: (a) Multi-Ventures Investment Holdings, Inc. for the expansion projects located in Cavite; and (b) SMCSLC for the acquisition of new bulk carriers and vessel. The increase was partly offset by the reversal of appropriation for the final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant in June 2022.

The decrease in unappropriated retained earnings by P28,468 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends declared and distributions and the net appropriations in 2022.

The increase in treasury stock by P12,400 million mainly represents the redemption by SMC of the Subseries "2-H" Preferred Shares.

### III. CASH FLOW

#### SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

|                                                           | For the Years Ended December 31 |           |           |
|-----------------------------------------------------------|---------------------------------|-----------|-----------|
|                                                           | 2023                            | 2022      | 2021      |
|                                                           | <i>(In Millions)</i>            |           |           |
| Net cash flows provided by (used in) operating activities | <b>P83,096</b>                  | (P12,393) | P50,138   |
| Net cash flows used in investing activities               | <b>(155,457)</b>                | (201,528) | (127,572) |
| Net cash flows provided by financing activities           | <b>15,303</b>                   | 224,298   | 21,096    |

Net cash flows provided by (used in) operating activities basically consists of income for the year and changes in noncash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities are as follows:

|                                                                        | <b>For the Years Ended December 31</b> |             |             |
|------------------------------------------------------------------------|----------------------------------------|-------------|-------------|
|                                                                        | <b>2023</b>                            | <b>2022</b> | <b>2021</b> |
|                                                                        | <i>(In Millions)</i>                   |             |             |
| Additions to:                                                          |                                        |             |             |
| Property, plant and equipment                                          | <b>(P71,173)</b>                       | (P75,986)   | (P74,421)   |
| Intangible assets                                                      | <b>(64,677)</b>                        | (58,162)    | (26,007)    |
| Advances to contractors and suppliers                                  | <b>(9,448)</b>                         | (11,449)    | (16,067)    |
| Investment property                                                    | <b>(5,450)</b>                         | (4,415)     | (6,546)     |
| Investments and advances                                               | <b>(5,271)</b>                         | (2,432)     | (5,223)     |
| Investments in equity and debt instruments                             | <b>(616)</b>                           | (12,937)    | (6,101)     |
| Increase in other noncurrent assets and others                         | <b>(15,699)</b>                        | (6,330)     | (7,053)     |
| Interest received                                                      | <b>13,396</b>                          | 5,973       | 3,313       |
| Proceeds from:                                                         |                                        |             |             |
| Sale of property and equipment and other intangible assets             | <b>1,307</b>                           | 253         | 1,350       |
| Redemption and disposal of investments in equity and debt instruments  | <b>606</b>                             | 35,454      | 6,509       |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | <b>418</b>                             | 385         | -           |
| Dividends received                                                     | <b>1,150</b>                           | 2,452       | 2,674       |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | -                                      | (97,204)    | -           |
| Collection of advances for investment                                  | -                                      | 22,870      | -           |

Net cash flows provided by (used in) financing activities are as follows:

|                                                                                                        | <b>For the Years Ended December 31</b> |             |             |
|--------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|-------------|
|                                                                                                        | <b>2023</b>                            | <b>2022</b> | <b>2021</b> |
|                                                                                                        | <i>(In Millions)</i>                   |             |             |
| Net proceeds from (payments of) short-term borrowings                                                  | <b>(P52,100)</b>                       | P74,582     | P49,599     |
| Cash dividends and distributions paid                                                                  | <b>(44,145)</b>                        | (42,123)    | (39,310)    |
| Repurchase and redemption of capital securities and preferred shares of subsidiaries                   | <b>(27,134)</b>                        | (4,703)     | (17,459)    |
| Payments of lease liabilities                                                                          | <b>(20,995)</b>                        | (26,031)    | (26,151)    |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others              | <b>(3,014)</b>                         | (2,630)     | (623)       |
| Net proceeds from long-term borrowings                                                                 | <b>102,057</b>                         | 237,503     | 27,358      |
| Net proceeds from reissuance of treasury shares                                                        | <b>46,749</b>                          | -           | -           |
| Net proceeds from issuance of capital securities, preferred shares and treasury shares of subsidiaries | <b>13,885</b>                          | -           | 61,899      |
| Redemption of preferred shares                                                                         | -                                      | (12,300)    | (34,217)    |

The effect of exchange rate changes on cash and cash equivalents amounted to P202 million, P7,807 million and P9,159 million in 2023, 2022 and 2021, respectively.

#### IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 million in 2023, 2022 and 2021, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

#### V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Items I “Financial Performance” and II “Financial Position” of the MD&A for the discussion of certain Key Performance Indicators.

|                                                                               | <b>December 31</b> |             |
|-------------------------------------------------------------------------------|--------------------|-------------|
|                                                                               | <b>2023</b>        | <b>2022</b> |
| Liquidity:                                                                    |                    |             |
| Current Ratio                                                                 | <b>1.12</b>        | 1.22        |
| Quick Ratio                                                                   | <b>0.70</b>        | 0.77        |
| Solvency:                                                                     |                    |             |
| Debt to Equity Ratio                                                          | <b>2.70</b>        | 2.74        |
| Asset to Equity Ratio                                                         | <b>3.70</b>        | 3.74        |
| Profitability:                                                                |                    |             |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | <b>0.07%</b>       | (4.24%)     |
| Interest Rate Coverage Ratio                                                  | <b>1.80</b>        | 1.66        |
| Return on Assets                                                              | <b>1.84%</b>       | 1.20%       |
| Operating Efficiency:                                                         |                    |             |
| Volume Growth                                                                 | <b>6%</b>          | 20%         |
| Revenue Growth (Decline)                                                      | <b>(4%)</b>        | 60%         |
| Operating Margin                                                              | <b>10%</b>         | 7%          |

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

| KPI                          | Formula                                                                                                                                                     |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Ratio                | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$                                                                                                  |
| Quick Ratio                  | $\frac{\text{Current Assets} - \text{Inventories} - \text{Current Portion of Biological Assets} - \text{Prepayments}}{\text{Current Liabilities}}$          |
| Debt to Equity Ratio         | $\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$                                                                                     |
| Asset to Equity Ratio        | $\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$                                                                                          |
| Return on Average Equity     | $\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$ |
| Interest Rate Coverage Ratio | $\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$                                                    |

| KPI              | Formula                                                                                                                 |
|------------------|-------------------------------------------------------------------------------------------------------------------------|
| Return on Assets | $\frac{\text{Net Income}}{\text{Average Total Assets}}$                                                                 |
| Volume Growth    | $\left( \frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$ |
| Revenue Growth   | $\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$                              |
| Operating Margin | $\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$                                                      |

## VI. OTHER MATTERS

### ▪ Commitments

The outstanding purchase commitments of the Group amounted to P248,484 million as at December 31, 2023.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position, Financial Performance and Cash Flows.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- There are no significant elements of income or loss that did not arise from continuing operations.
- Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

**ANNEX “C”**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
OF FINANCIAL POSITION AND FINANCIAL  
PERFORMANCE  
(As of December 31, 2023)**



## SAN MIGUEL CORPORATION

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation ("SMC" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period (*Please refer to Note 40 of the Audited Consolidated Financial Statements as at December 31, 2023*). All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023 and for all the other periods presented, have been made.

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

#### **I. FINANCIAL PERFORMANCE**

Comparisons of key financial performance for the last three years are summarized in the following tables.

|                                                                        | <b>For the Years Ended December 31</b> |                      |             |
|------------------------------------------------------------------------|----------------------------------------|----------------------|-------------|
|                                                                        | <b>2023</b>                            | <b>2022</b>          | <b>2021</b> |
|                                                                        |                                        | <i>(In Millions)</i> |             |
| Sales                                                                  | <b>P1,446,703</b>                      | P1,506,591           | P941,193    |
| Cost of Sales                                                          | <b>1,208,410</b>                       | 1,314,607            | 751,015     |
| Gross Profit                                                           | <b>238,293</b>                         | 191,984              | 190,178     |
| Selling and Administrative Expenses                                    | <b>(93,808)</b>                        | (83,972)             | (77,991)    |
| Operating Income                                                       | <b>144,485</b>                         | 108,012              | 112,187     |
| Interest Expense and Other                                             |                                        |                      |             |
| Financing Charges                                                      | <b>(91,303)</b>                        | (60,795)             | (49,265)    |
| Interest Income                                                        | <b>14,027</b>                          | 7,108                | 3,591       |
| Equity in Net Earnings of Associates and Joint Ventures                | <b>1,729</b>                           | 1,197                | 1,040       |
| Gain on Sale of Investments and Property and Equipment                 | <b>83</b>                              | 733                  | 167         |
| Other Income (Charges) - net                                           | <b>4,086</b>                           | (16,178)             | (1,768)     |
| Net Income                                                             | <b>44,699</b>                          | 26,760               | 48,159      |
| Net Income (Loss) Attributable to Equity Holders of the Parent Company | <b>198</b>                             | (12,968)             | 13,925      |
| Net Income Attributable to Non-controlling Interests                   | <b>44,501</b>                          | 39,728               | 34,234      |

**2023 vs. 2022**

|                                                                 | December             |            | Horizontal Analysis<br>Increase<br>(Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------|----------------------|------------|-----------------------------------------------|-------|----------------------|------|
|                                                                 | 2023                 | 2022       | Amount                                        | %     | 2023                 | 2022 |
|                                                                 | <i>(In Millions)</i> |            |                                               |       |                      |      |
| Sales                                                           | <b>P1,446,703</b>    | P1,506,591 | (P59,888)                                     | (4%)  | <b>100%</b>          | 100% |
| Cost of Sales                                                   | <b>1,208,410</b>     | 1,314,607  | (106,197)                                     | (8%)  | <b>84%</b>           | 87%  |
| Gross Profit                                                    | <b>238,293</b>       | 191,984    | 46,309                                        | 24%   | <b>16%</b>           | 13%  |
| Selling and<br>Administrative<br>Expenses                       | <b>(93,808)</b>      | (83,972)   | 9,836                                         | 12%   | <b>(6%)</b>          | (6%) |
| Operating Income                                                | <b>144,485</b>       | 108,012    | 36,473                                        | 34%   | <b>10%</b>           | 7%   |
| Interest Expense and<br>Other Financing<br>Charges              | <b>(91,303)</b>      | (60,795)   | 30,508                                        | 50%   | <b>(6%)</b>          | (4%) |
| Interest Income                                                 | <b>14,027</b>        | 7,108      | 6,919                                         | 97%   | <b>1%</b>            | 1%   |
| Equity in Net Earnings of<br>Associates and<br>Joint Ventures   | <b>1,729</b>         | 1,197      | 532                                           | 44%   | <b>0%</b>            | 0%   |
| Gain on Sale of<br>Investments and<br>Property and<br>Equipment | <b>83</b>            | 733        | (650)                                         | (89%) | <b>0%</b>            | 0%   |
| Other Income (Charges)<br>- Net                                 | <b>4,086</b>         | (16,178)   | 20,264                                        | 125%  | <b>0%</b>            | (1%) |
| Income Before Income<br>Tax                                     | <b>73,107</b>        | 40,077     | 33,030                                        | 82%   | <b>5%</b>            | 3%   |
| Income Tax Expense                                              | <b>28,408</b>        | 13,317     | 15,091                                        | 113%  | <b>2%</b>            | 1%   |
| Net Income                                                      | <b>P44,699</b>       | P26,760    | P17,939                                       | 67%   | <b>3%</b>            | 2%   |
| Net Income (Loss)<br>Attributable to:                           |                      |            |                                               |       |                      |      |
| Equity Holders of the<br>Parent Company                         | <b>P198</b>          | (P12,968)  | P13,166                                       | 102%  | <b>0%</b>            | (1%) |
| Non-controlling<br>Interests                                    | <b>44,501</b>        | 39,728     | 4,773                                         | 12%   | <b>3%</b>            | 3%   |
| Net Income                                                      | <b>P44,699</b>       | P26,760    | P17,939                                       | 67%   | <b>3%</b>            | 2%   |

The Group's consolidated sales of P1,446,703 million for the year ended December 31, 2023, declined by 4% compared to last year mainly due to the lower average selling prices of Petron Corporation (Petron) and the Energy business and the decrease in volume of the Energy business and the Food division under the Food and Beverage business. The decrease was partly offset mainly by the higher sales volume of Petron, San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) and the sales contribution of Eagle Cement Corporation (ECC), which was consolidated effective December 14, 2022.

The Group's cost of sales decreased by 8% mainly due to: (a) lower cost per liter of petroleum products, partly offset by the higher volumes of Petron; and (b) lower cost to supply of the Energy business brought by the decline in average coal prices and lower overall power purchases. The decrease was partly offset by the: (a) higher cost of sales relative to increase in volume of SMB and the higher cost of major raw materials consumed in production, reduced by the lower volumes of the Food division; and (b) the cost of sales of ECC.

Selling and administrative expenses increased by 12% to P93,808 million compared to last year, mainly due to higher salaries and employee benefits of the Group, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income increased by 34% to P144,485 million from last year mainly driven by the sustained performance improvements of Petron, Energy and Infrastructure businesses, and the operating income contribution of ECC in 2023.

The increase in interest expense and other financing charges was mainly due to both higher interest rates and from increased average level of loans of SMC and Petron.

The increase in interest income was primarily due to higher interest rates and average balance of short-term placements of the Infrastructure and Food and Beverage businesses and SMC, as well as the investment in debt securities of SMB in December 2022, and the interest income contribution of ECC.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share in the higher net income of Bank of Commerce (BankCom) and in the lower net loss of Angat Hydropower Corporation (Angat Hydro).

The decrease in gain on sale of investments and property and equipment was mainly due to the gain recognized in 2022 by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) from the sale of its investment in shares of stock of Strategic Energy Development, Inc. (SEDI).

Other income - net of P4,086 million was a turnaround from last year's other charges - net of P16,178 million. This primarily pertains to the gain on foreign exchange in 2023 compared to the loss recognized in 2022 mainly by the Energy business and SMC resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents, and the income recognized from the assignment of product rights by GSML. In December 2023, the Philippine Peso appreciated against the US Dollar by P0.385 (2023 - P55.370 vs. 2022 - P55.755), while in December 2022, the Philippine Peso significantly depreciated against the US Dollar by P4.756 (2022 - P55.755 vs. 2021 - P50.999).

The increase in income tax expense was mainly due to the turnaround of deferred income tax from income tax benefit in 2022 to income tax expense in 2023 primarily from SMC and the Energy business as a result of the deferred income tax recognized on unrealized losses in 2022 compared to unrealized gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income significantly increased by 67% to P44,699 million, from P26,760 million last year, mainly on account of the: (a) improved operations of most businesses mainly Petron, Energy, Infrastructure, SMB and GSML; (b) gain on foreign exchange in 2023, a turnaround from the loss recognized in 2022 mainly by the Energy business and SMC; (c) net income contributed by ECC; and (d) income recognized from the assignment of product rights by GSML. The increase was partly offset by the higher net financing cost.

The income attributable to equity holders of the Parent Company was a turnaround from the loss recognized in 2022 mainly due to the higher net income, partly reduced by the increase in the share of non-controlling interests (NCI) on the Group's net income.

The increase in the share of NCI on the Group's net income was mainly due to the higher net income of SMB and higher amount of dividend on preferred shares and distribution on Senior Perpetual Capital Securities (SPCS) of Petron.

The following are the highlights of the performance of the individual business segments:

## **1. FOOD AND BEVERAGE**

San Miguel Food and Beverage, Inc. (SMFB) delivered a year of steady topline growth despite challenging macroeconomic conditions particularly in the first half of the year.

SMFB's consolidated sales for the year ended 2023 amounted to P379,822 million, reflecting a 6% increase from 2022. All business segments delivered sales growth, driven by better volumes and prices.

SMFB's consolidated income from operations for the year amounted to P48,411 million, 1% lower, as the growth in volumes and prices were not sufficient to offset rising input costs and operating expense increases.

Consolidated net income jumped 10% to P38,105 million, the highest net income figure achieved by the Food and Beverage Group since the SMFB consolidation in 2018.

### **a. Beer and Non-Alcoholic Beverages (NAB) Division**

SMB sustained its growth and recovery in 2023 with consolidated sales of P147,347 million, up 8%, driven by higher volumes and selling prices in both domestic and overseas markets.

SMB's consolidated net income was up 16% at P25,322 million.

#### **Domestic Operations**

SMB's domestic sales climbed 8% to P131,720 million on the back of a 3% growth in volumes coupled with a price increase effective March 1, 2023. Improved results were supported by effective marketing campaigns, expanded sales initiatives, as well as the resumption of tourism activities, fiestas, and festivals.

#### **International Operations**

SMB's revenue from its international operations rose 7% as volumes increased 6%, driven by robust demand for its San Miguel global brands, including Red Horse, across all markets that resulted in overall growth, particularly in South China, Thailand, and Exports.

### **b. Spirits Division**

GSMI registered another record-breaking year, which coincidentally marked its tenth year of continued growth.

Revenues grew 13% to P53,639 million as a result of higher volumes and selling prices. Total volumes in 2023 recorded a 4% growth from 2022 as the Spirits division implemented initiatives to sustain strong brand equity through creative, consistent, and relevant messaging. This was complemented by consumer promos and various marketing programs on-ground that made consumers experience its brands better. Distribution coverage was, likewise, further broadened last year.

Income from operations grew 14% to P6,835 million, while net income was up 55% to P7,046 million.

### **c. Food Division**

The Food division delivered P178,847 million in consolidated revenues, 2% higher than the previous year, driven largely by increased pricing to cope with rising input costs, backed by aggressive marketing efforts to boost demand.

Income from operations amounted to P10,228 million and net income at P6,590 million. While lower than the previous year, these figures still surpass pre-pandemic levels.

All the Food segments, except for the Protein segment, sustained topline growth.

- The Animal Nutrition and Health segment saw a 5% increase in revenue, driven by higher selling prices, which helped offset a decline in volume due to the lingering effects of African Swine Fever (ASF) on hog feeds and the Avian Flu on layer feeds.
- The Prepared and Packaged Food segment demonstrated resilience with a 3% revenue growth despite challenging market conditions marked by high inflation and reduced consumer spending. Strategic price adjustments played a significant role in sustaining revenue growth despite a decline in overall volumes.
- The Flour segment capitalized on the favorable trend of easing wheat prices, employing a competitive pricing strategy that boosted volumes and enabled it to achieve a 15% increase in revenue.
- The Protein segment which consists of the Poultry and Fresh Meats businesses, experienced a 3% decline in revenues. This can be primarily attributed to Poultry which grappled with capacity limitations early in the year that hindered volume growth. Although this was substantially addressed during the year, the influx of imported chicken created an industry oversupply that exerted downward pressure on chicken prices and impeded revenue growth.

The performance of fresh meats reflects a deliberate strategy to keep hog operations at a minimum to manage the impact of ASF on the business. For the meantime, the Food division has been importing pork to supplement the needs of the Monterey meat shops.

Thus, although the Feeds, Prepared and Packaged Food, and the Flour segments delivered strong revenue and income growth, the overall performance of the Food division was adversely affected by the challenges faced in the Poultry segment due to its significant contribution to the Food division.

## **2. PACKAGING**

The Packaging business recorded consolidated revenues of P38,379 million in 2023, 4% better than the previous year's level. This was driven by the sustained demand of glass containers, plastic crates and pallets from the food and beverage customers complemented by the continued growth of its operations in Australia.

Operating income reached P1,915 million, a significant increase of 16% against 2022 on account of enhanced operational efficiencies coupled with cost containment programs.

## **3. ENERGY**

San Miguel Global Power posted relatively flat generation volumes year-on-year, primarily due to the extended outage of the 1200 megawatts (MW) Ilijan Power Plant from June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of an adjacent full-scale Liquefied Natural Gas (LNG) terminal that has been tolled on a long-term basis.

San Miguel Global Power sold 8% lower offtake volumes in 2023 as it ceased to supply 670 MW contract capacity to Manila Electric Company (Meralco) following the suspension and eventual termination of the pertinent power supply agreement, anchored on a favorable decision from the higher court. It has, however, been able to secure several emergency power supply agreements that allowed the contracting of its available capacities, and to operate the Ilijan Power Plant using commercial LNG on a fuel pass-through basis.

Consolidated revenues were at P169,590 million, 23% lower from last year, as fuel tariffs went down with an equivalent decline in coal prices - averaging only US\$172.79/Metric Tons (MT) in 2023 compared to US\$360.19/MT in 2022, in terms of GlobalCoal Newcastle indexed prices.

However, San Miguel Global Power was able to improve its operating income by 13% on contracted volumes as it worked out a transition to fuel pass thru arrangements for most of its bilateral customers and with fuel prices going significantly lower. Operating income reached P32,526 million.

Consequently, with improved margin and turnaround from foreign exchange loss to foreign exchange gain in 2023, consolidated net income surged to P9,903 million, a significant increase from the P3,134 million net income reported in 2022.

#### **4. FUEL AND OIL**

Petron's consolidated revenues slipped to P801,027 million in 2023 despite higher volumes, down 7% from last year's P857,638 million, reflecting the continued price correction of the extraordinarily elevated levels in the oil market. The average benchmark Dubai crude as of full year 2023 closed at US\$82 per barrel, still down by 15% from 2022 average.

This was primarily driven by the strong performance in its Philippine operations, while Malaysia continued to deliver steady growth. Petron's volumes of 126.9 million barrels in 2023 was 13% higher than last year's level, fueled by the significant growth in its jet fuel and Liquefied Petroleum Gas (LPG) sales, backed by higher production at its Bataan and Port Dickson refineries.

Consolidated operating income reached P30,721 million, a notable 60% leap from last year's level, primarily driven by its continued efforts in optimizing assets and resources, capturing continued demand recovery, and response to market volatility.

Petron posted a consolidated net income of P10,134 million, growing by 51% from P6,697 million in 2022.

#### **5. INFRASTRUCTURE**

The Infrastructure business delivered a remarkable performance in 2023, posting consolidated revenues of P34,006 million, 17% higher than last year. This was mainly brought by the sustained growth from all operating toll roads reaching a combined average daily traffic volumes of 1.0 million vehicles, up 8% from the previous year's level complemented by the continued increase in travel activities.

Driven by the robust volume growth, operating income surged 25% to P17,722 million, coupled by continued cost management initiatives. Net income also posted a 29% increase to P11,413 million.

The Group's major infrastructure projects are in full swing.

The railway component percentage accomplishment for its Metro Rail Transit Line 7 (MRT 7) is at 68.70% while the detailed engineering design and site development for the depot is still ongoing and on track to operate by end of 2025 or early 2026.

At the center of SMC's push to transform the Philippines into a regional hub and major tourist destination, its Manila International Airport (MIA) Project is underway, with the overall progress of land development and ground improvement works at 77%.

## 6. CEMENT

The cement business, comprised of ECC, Northern Cement Corporation (NCC) and Southern Concrete Industries, Inc. (SCII), registered a four-fold growth in consolidated revenues to P37,231 million in 2023, mainly due to the sales contribution of ECC in 2023.

Operating income, likewise, posted robust growth amounting to P5,980 million while net income reached P4,010 million.

Despite the challenges in the market, the business continued to deliver a strong performance through various cost containment initiatives and significant improvement in the cost of major inputs.

### 2022 vs. 2021

|                                                                 | December             |          | Horizontal Analysis<br>Increase (Decrease) |        | Vertical<br>Analysis |      |
|-----------------------------------------------------------------|----------------------|----------|--------------------------------------------|--------|----------------------|------|
|                                                                 | 2022                 | 2021     | Amount                                     | %      | 2022                 | 2021 |
|                                                                 | <i>(In Millions)</i> |          |                                            |        |                      |      |
| Sales                                                           | P1,506,591           | P941,193 | P565,398                                   | 60%    | 100%                 | 100% |
| Cost of Sales                                                   | 1,314,607            | 751,015  | 563,592                                    | 75%    | 87%                  | 80%  |
| Gross Profit                                                    | 191,984              | 190,178  | 1,806                                      | 1%     | 13%                  | 20%  |
| Selling and<br>Administrative<br>Expenses                       | (83,972)             | (77,991) | 5,981                                      | 8%     | (6%)                 | (8%) |
| Operating Income                                                | 108,012              | 112,187  | (4,175)                                    | (4%)   | 7%                   | 12%  |
| Interest Expense and<br>Other Financing<br>Charges              | (60,795)             | (49,265) | 11,530                                     | 23%    | (4%)                 | (5%) |
| Interest Income                                                 | 7,108                | 3,591    | 3,517                                      | 98%    | 1%                   | 0%   |
| Equity in Net Earnings of<br>Associates and<br>Joint Ventures   | 1,197                | 1,040    | 157                                        | 15%    | 0%                   | 0%   |
| Gain on Sale of<br>Investments and<br>Property and<br>Equipment | 733                  | 167      | 566                                        | 339%   | 0%                   | 0%   |
| Other Charges - Net                                             | (16,178)             | (1,768)  | 14,410                                     | 815%   | (1%)                 | (0%) |
| Income Before Income<br>Tax                                     | 40,077               | 65,952   | (25,875)                                   | (39%)  | 3%                   | 7%   |
| Income Tax Expense                                              | 13,317               | 17,793   | (4,476)                                    | (25%)  | 1%                   | 2%   |
| Net Income                                                      | P26,760              | P48,159  | (P21,399)                                  | (44%)  | 2%                   | 5%   |
| Net Income (Loss)<br>Attributable to:                           |                      |          |                                            |        |                      |      |
| Equity Holders of the<br>Parent Company                         | (P12,968)            | P13,925  | (P26,893)                                  | (193%) | (1%)                 | 1%   |
| Non-controlling<br>Interests                                    | 39,728               | 34,234   | 5,494                                      | 16%    | 3%                   | 4%   |
| Net Income                                                      | P26,760              | P48,159  | (P21,399)                                  | (44%)  | 2%                   | 5%   |

The Group recorded an all-time high consolidated sales of P1,506,591 million, up 60% from P941,193 million in 2021, beating its pre-pandemic 2019 sales of P1,020,502 million by 48%.

The Group's cost of sales increased by P563,592 million or 75% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron; (b) higher cost of coal and higher power purchases of the Energy business; and (c) higher prices of major raw materials of the Food division under the Food and Beverage business.

The increase in selling and administrative expenses by 8% to P83,972 million was mainly due to higher: (a) personnel expenses of Petron and the Energy business; (b) advertising and promotions of Petron and the Beer and NAB and Spirits divisions of the Food and Beverage business; (c) impairment loss on receivables of the Energy business and on deferred containers of the Beer and NAB division under the Food and Beverage business; (d) repairs and maintenance of Petron; and (e) taxes and licenses of the Energy business.

The increase in interest expense and other financing charges was mainly due to the higher average loan balance of SMC, Petron and the Infrastructure business, partly offset by the declining outstanding lease liabilities of entities under the Independent Power Producer Administration (IPPA) Agreements and long-term debt of the Energy business.

The increase in interest income was mainly due to the higher interest rates on cash and cash equivalents of SMC and higher balance of short-term placements of the Group.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share in the higher net income of Manila North Harbour Port, Inc. (MNHPI) partly offset by the share in the higher net loss of Angat Hydro.

The gain on sale of investments and property and equipment in 2022 primarily represents the sale by: (a) San Miguel Global Power of its investment in shares of stock of SEDI; and (b) Sual Power Inc. (SPI; formerly San Miguel Energy Corporation) of its investments in Daguma Agro-Minerals, Inc., Sultan Energy Phils. Corp. and Bonanza Energy Resources, Inc. The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel (Baoding) Brewery Co., Ltd. and San Miguel (China) Investment Company Limited.

Other charges - net increased primarily due to the higher net loss on foreign exchange from the revaluation of foreign currency-denominated net liabilities of the Group, as a result of the higher depreciation of Philippine Peso against the US Dollar by P4.756 in December 2022 (2022 - P55.755 vs. 2021 - P50.999) as compared to P2.976 in December 2021 (2021 - P50.999 vs. 2020 - P48.023).

The lower income tax expense was primarily due to the recognition in 2022 of deferred tax benefit on: (a) NOLCO by SPI and South Premiere Power Corp. (SPPC); and (b) unrealized net foreign exchange loss by SMC. This was partly offset by the: (a) impact for 2020 of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which was adjusted in the first quarter of 2021 and reduced income tax expense by P3,607 million in 2021; and (b) higher income tax from the improved performances of the Beer and NAB division under the Food and Beverage business, the Infrastructure business and other subsidiaries of the Energy business.

Excluding the significant effect of foreign exchange losses recognized in 2022 and the adjustment in 2021 of the impact of CREATE Act for 2020, consolidated core net income amounted to P43,216 million, down by 8% from last year's P47,042 million.

With higher interest expense and foreign exchange losses, consolidated net income ended at P26,760 million.

The loss attributable to equity holders of the Parent Company was a turnaround from the income recognized in 2021 mainly due to the lower net income and increase in the share of NCI on the Group's net income.

The share of NCI on the Group's net income increased in 2022 mainly due to the: (a) higher amount of distribution on SPCS of San Miguel Global Power and Petron and (b) higher net income of the SMB and Infrastructure businesses. The increase was partly offset by the lower amount of dividend on preferred shares of Petron.

The following are the highlights of the performance of the individual business segments:

## 1. FOOD AND BEVERAGE

SMFB posted full year consolidated sales of P358,853 million, 16% increase from 2021 mainly driven by sustained volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income grew 11% to P48,711 million and net income rose 10% to P34,665 million compared to 2021.

### a. Beer and NAB Division

SMB sustained its growth trend in 2022 delivering consolidated volumes of 224.6 million cases, up 10% from 2021, primarily driven by the positive impact of relaxed mobility and continued re-opening of markets in both domestic and international operations. Consolidated sales amounted to P136,235 million, an increase of 17% from 2021.

Accordingly, consolidated operating income and net income ended at P29,516 million and P21,750 million, higher by 10% and 6% from 2021, respectively.

#### Domestic Operations

SMB's domestic beer volumes reached 198.9 million cases, 9% higher than 2021, the result of continuous brand-building and demand-generating programs in key channels capitalizing on the further easing of restrictions and expanded mobility beginning end of March of 2022 which paved the way for the re-opening of on-premise outlets.

This was further supported by effective volume-generating programs and marketing in traditional and modern trade channels from core brands such as Pale Pilsen's ongoing "*Gintong Dagat*" campaign and new digital materials for "*Sarap Laging Kasama*" alongside online posts in SMB Viber Community; Red Horse' new digital contents including the "*Muziknuman*" and "*Lakas Sa-Rap Battle*" episodes on Red Horse Beer's "*Lakas Tama*" YouTube channel, continued airing of "*Una*" Entry Point Drinker and "*Spirit Horse*" core campaigns; and San Mig Light's ongoing "*Bright Side*" thematic campaign, New "*Speakeasy*" podcast episode and "*The Light Space*" live Twitter Space, together with other trade and social media marketing programs.

With higher volumes and reflecting the full impact of the price increase implemented in October 2021, SMB's domestic sales grew 16% to P121,849 million. Operating income reached P26,993 million, 7% higher than 2021 on the back of cost saving initiatives and improvements in operational efficiencies.

#### International Operations

SMB's international operations sustained its strong performance, ending 2022 with a double-digit volume growth of 15% compared to 2021 brought about by the consistent volume gains recorded from Thailand, Indonesia and Export businesses. These were the result of continued re-opening of the economy, revival of tourism supported by distributor and wholesaler incentive programs implemented, and Exports growth to the United States of America, Bahrain, Middle East and new markets in Asia and Africa. Meanwhile, Hong Kong, South China and Vietnam have shown signs of recovery but still remained lower compared to 2021.

## **b. Spirits Division**

GSMI delivered another record-breaking performance in 2022 registering its highest-ever net income of P4,547 million, exceeding 2021 by 9%.

Volumes reached an all-time high of 44.6 million cases, surpassing 2021 levels by 7%. Growth was supported by effective marketing campaigns which resonated well with consumers, such as Ginebra San Miguel's award-winning "*Hanggang Huling Patak ng Bagong Tapang*", Vino Kulafu's "*Lakas Ka Namo*" and GSM Blue's "*Choose What's True*" advertising campaigns alongside the on-ground market penetration promos such as "*Kusog Kulafu Buenas Grasya*" and expanded distribution.

Full year 2022 sales reached P47,341 million, 11% higher from the P42,534 million reported in 2021. Operating income ended at P5,987 million, 13% higher than 2021 on account of the increase in selling price implemented in February 2022, operational efficiency improvements and rationalization of fixed expense, offsetting the impact of inflationary pressures on raw materials and other inputs.

## **c. Food Division**

The Food division sustained its robust top line performance throughout the year 2022, delivering consolidated sales of P175,288 million, 16% higher than 2021. Amidst rising inflation, volumes in most segments grew, boosted by intensified distribution, aggressive promotional activities, launch of new products and utilization of additional capacity from new facilities. Faced with escalating raw material prices, most businesses implemented price increases to partly recover rising costs.

Despite the challenges brought about by rising commodity prices, inflation and depreciating peso, the Food Division managed to grow operating income by 15% to P13,270 million on the back of optimized utilization of company-owned facilities and strategic spending on revenue-generating advertising and promotions.

Net income stood at P9,218 million, a 21% increase compared to 2021's level.

- The Protein segment, comprised of the Poultry and Meats businesses, registered sales 4% higher than 2021. Poultry's sales climbed 9% mainly on account of better selling prices as volumes were constrained by capacity shortages. Notwithstanding, Poultry benefitted from the strong recovery of food service and positive market acceptance of marinated *Timplados* products. Meanwhile, the decline in meats' sales is reflective of deliberate moves to downsize hog operations due to the ASF.
- The Animal Nutrition and Health segment posted 26% growth in sales compared to 2021, propelled by volume growth and better selling prices. Volume grew on the back of higher sales of broiler, layer, and hog feeds, as well as growing demand for its Nutri Chunks pet care and San Miguel Animal Health Care veterinary medicine products.
- The Prepared and Packaged Food segment sales exceeded 2021 by 17%. Growth was led by flagship products - *Purefoods Tender Juicy Hotdogs*, *Purefoods Chicken Nuggets*, whole hams, and Magnolia butter and cheese, with significant contribution from newly launched products under the Purefoods native line and Magnolia salad aids. Significant volume growth along with market share gains was seen across multiple categories.
- Revenue of the Flour segment soared 38%, mainly driven by higher prices, as the business had to cover for higher wheat cost.

## **2. PACKAGING**

The Packaging business generated consolidated sales of P37,039 million in 2022, 10% higher than 2021, boosted by the increase in domestic demand for Glass, Metal, two-piece Aluminum Cans, Beverage Filling and Logistics Services operations from domestic food and beverage customers combined. International operations in China, Vietnam, Malaysia, and Australia also grew from 2021.

Better productivity, management of expenses along with cost saving programs implemented across all business units propelled operating income to increase by 42% at P1,648 million compared to 2021.

## **3. ENERGY**

San Miguel Global Power recorded offtake volumes of 27,402 gigawatt hours (GWh) in 2022, higher by 181 GWh from 2021 mainly driven by the increase in energy demand from distribution utilities with the recovery in economic activities.

Consolidated sales amounted to P221,389 million, up by 66% from P133,710 million in 2021, brought about by the increase in average realization prices reflecting higher fuel costs, increase in spot sale prices, and improved power nominations. In addition, the commencement of commercial operations of the 20 MW Kabankalan Battery Energy Storage System (BESS) in January 2022 likewise contributed to the increase.

The unprecedented spikes in coal prices in 2022 has challenged San Miguel Global Power's operating performance, with prices soaring from US\$65 or P3,340.00 per metric ton (at P51.30 per US\$1) at execution date of contract to as high as US\$434 or P25,430.00 per metric ton (at P58.59 per US\$1). This resulted in incremental supply costs that the Energy business had absorbed to cover the 1,000 MW capacity contracted to Meralco alone. This, along with the increase in power purchase costs driven by elevated spot sale prices combined with the deration of the Ilijan Power Plant resulting from the Malampaya gas supply restriction and the plant's shutdown for inspection, repairs, and maintenance since June 5, 2022, all translated to a significant increase in supply costs. Hence, operating income declined by 22% from P36,841 million in 2021 to P28,886 million.

With lower margins and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of Philippine Peso against the US dollar in 2022, net income amounted to P3,134 million, 80% behind 2021. Without the recognized foreign exchange losses and CREATE Act adjustments in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from 2021.

Despite these challenges, San Miguel Global Power has remained focused on its goal to provide stable and reliable power to the country through its baseload capacities. Construction of committed additional capacities located in Mariveles, Bataan, Masinloc, Zambales and the Batangas Combined Cycle Power Plant (BCCPP) in Ilijan, Batangas that will provide additional 2,600 MW are progressing well, along with the 1,000 MW BESS and 800 MW from Solar. These will boost the baseload power capacity of the country in the next two years. In particular, the BESS and BCCPP is San Miguel Global Power's path to transitioning its power generation to more renewable sources.

## **4. FUEL AND OIL**

Petron ended 2022 strong mainly driven by the recovery in demand specifically from the industrial and aviation sectors. Combined sales volumes from its Philippine and Malaysia operations reached 112.8 million barrels, 37% higher compared to 2021. The Philippine operation registered 68.5 million barrels, 43% higher than the 47.9 million barrels in 2021. Demand for gasoline and diesel products remained high with notable increases as well in the sales of jet fuel, LPG and polypropylene products, as Petron resumed its production of polypropylene in 2022.

Consolidated sales rose 96% to P857,638 million mainly driven by growth in fuel demand and higher crude oil prices. Dubai crude oil averaged at US\$96 per barrel in 2022, nearly 40% higher than 2021's average of US\$69 per barrel. The year 2022 was characterized with high volatility in crude oil prices. Dubai crude oil surged to as high as US\$113 per barrel in June, dropping by 32% in the second half to US\$77 per barrel in December, due to global inflationary and recession fears.

Consolidated operating income ended 12% higher at P19,213 million, compared to P17,215 million in 2021, despite external headwinds and lower prices in the second semester of 2022. Operating costs were contained, further supported by continued optimization of refining assets. Petron ramped up its refinery production to take advantage of favorable refining cracks, partly countered by more expensive crude and finished product import costs, higher working capital requirements and borrowing rates.

Consolidated net income settled at P6,697 million, up 9% from 2021's P6,136 million.

## **5. INFRASTRUCTURE**

The Infrastructure business continued its growth momentum for the year 2022 recording a 25% increase in combined average daily traffic volumes. Travel and mobility have returned to normal with the resumption of onsite work and classes and increased outdoor activities. Consolidated revenues ended at P29,008 million, 47% higher than 2021's level.

Operating income soared 112% to P14,142 million, mainly driven by the sustained double-digit volume growth in all operating toll roads.

The Group's major ongoing infrastructure projects are all on track.

The railway component of the Metro Rail Transit Line 7 (MRT 7) Project which include the guideway and stations is already 60% completed. The detailed engineering design and site development of the depots are ongoing. The road component is undergoing the study of the realignment.

The South Luzon Expressway - Toll Road 4 Project is progressing well with ongoing right-of-way (ROW) acquisition, construction of underpass, bridges, earthworks and embankments including installation of reinforced concrete pipe culvert and concrete box culvert, including clearing works.

The Supplemental Toll Operation Agreement (STOA) for the South Luzon Expressway - Toll Road 5 Project was signed on June 3, 2022 and was approved by the Office of the President on June 27, 2022. Detailed engineering design studies, ROW acquisitions and awarding of the independent contractor contract are in progress.

The Ninoy Aquino International Airport Expressway (NAIAX) Tramo Connecting Ramp has been issued the Notice to Proceed on May 16, 2022 by the Department of Public Works and Highways, with variation order approval issued on July 6, 2022. Ongoing works for the bored piling are almost complete. Delivery of universal beams girders and accessories has been completed. Civil works for the columns and fabrication of the pre-cast coping beam are set to begin.

Skyway Stage 4 Project is also progressing well with ongoing ROW acquisition, detailed engineering design either already approved or undergoing review and evaluation by the Toll Regulatory Board and pre-construction activities already started which include inspection of seedlings for the planting of trees.

The STOA for Pasig River Expressway Project has been signed on September 21, 2021 and approved by the Office of the President on March 13, 2022. Environmental Compliance Certificate application and detailed engineering design services are in progress while ongoing activities are still limited to site development and river dredging.

The Northern Access Link Expressway and Southern Access Link Expressway's STOA have been signed on March 21 and June 20, 2022 and approved by the Office of the President on May 6 and June 27, 2022, respectively.

On March 31, 2022, SMC entered into a loan facility agreement with several lenders amounting to US\$2,165 million for the financing of the land development works for the MIA Project, of which US\$871 million has been drawn as at December 31, 2022. SMC has received the initial certification from the Independent Environmental and Social Consultant of the Airport land development works lenders and is in continuous compliance with the International Finance Corporation Performance Standards. The project team together with the consultants and third-party providers are currently working on the Airport Masterplan along with the critical components of the airport. Site clearing activities is almost complete while land filling and ground improvement works are almost 50% done.

## **II. FINANCIAL POSITION**

### **A. The following are the major developments in 2023:**

In 2023, the Group has undertaken various financing activities. The significant transactions are as follows:

#### **AVAILMENT OF LONG-TERM DEBT**

##### **PESO TERM LOANS**

- **Energy**

- a) Masinloc Power Co. Ltd. (MPCL; formerly Masinloc Power Partners Co. Ltd.)**

On January 17, 2023, MPCL agreed with local bank lenders to amend its Omnibus Refinancing Agreement, with an outstanding obligation amounting to US\$149 million as at the agreement date, into a Peso-denominated loan amounting to P8,155 million, subject to floating interest rate with maturities up to January 2023. MPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary allowed under the terms of the agreement.

- b) San Miguel Global Power**

On June 15 and August 8, 2023, San Miguel Global Power drew P5,000 and P2,500 million, respectively, from a P10,000 million Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028. The proceeds of the loan were used to partially refinance maturing debt obligations, fund general corporate purposes, including investments in LNG and BESS, and cover transaction-related costs, fees and expenses.

- c) SMGP BESS Power, Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On October 27, 2023, SMGP BESS drew the first tranche amounting to P28,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the first tranche were used for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from San Miguel Global Power, both of which were used to finance payment for interest, design, construction and the operation of the BESS projects, and cover transaction-related costs, fees and expenses.

- **Infrastructure**

- a) **SMC NAIAX Corporation (SMC NAIAX)**

On various dates in 2023, SMC NAIAX availed of a total of P1,187 million term loans from its P5,656 million OLSA with various banks executed on December 21, 2022. The term of the loan is for seven years and three months and is subject to a floating interest rate. The proceeds of the loan are being used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- b) **SMC SLEX Holdings Company Inc. (SSHCI)**

On April 19, 2023, SSHCI availed of the remaining P4,200 million of the P20,000 million term loan facility agreement executed on December 3, 2021. The loan is subject to a floating interest rate payable quarterly and with a term of three years. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects.

- c) **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

On June 1 and July 17, 2023, SMC MRT 7 availed of a total of P14,300 million term loan from the P100,000 million OLSA with various local banks executed on May 18, 2023. The proceeds of the loan are being used to partly finance the MRT 7 Project. The loan is subject to a floating interest rate and with a term of 15 years.

- **Food and Beverage**

- SMB**

On February 21, 2023, SMB availed of the remaining P5,000 million term loan from its P10,000 million loan facility executed on December 19, 2022 to partially finance capital expenditures. The term of the loan is for five years and is subject to a fixed interest rate for the first two years and repricing thereafter.

- **Cement**

- a) **San Miguel Equity Investments Inc. (SMEII)**

On July 14, 2023, SMEII availed of a P30,000 million term loan, subject to a fixed interest rate and with a term of ten years. The proceeds were used for refinancing of existing short-term loan and/or other general corporate purposes.

- b) **NCC**

On various dates in 2023, NCC availed of a total of P3,750 million term loan from its existing P12,500 million OLSA executed in June 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan are being used to partially finance the ongoing cement plant project in Sison, Pangasinan. The OLSA was fully drawn as at December 31, 2023.

- **SMC**

On June 30, 2023, SMC availed of a P5,200 million term loan for the refinancing of its Corona Virus Disease 2019 response activities during the period 2020 to 2022. The loan is subject to a fixed interest rate and with a term of six years.

## FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power**

- a) On March 16, 2023, San Miguel Global Power availed of a US\$100 million term loan from a facility agreement executed on March 10, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in September 2024.

The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

- b) On October 31, 2023, San Miguel Global Power availed of a US\$50 million term loan from a facility agreement executed on October 24, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in April 2025. The proceeds of the loan were used to refinance the US\$50 million three-year term loan drawn in April 2021 which matured in October 2023, and payment of transaction related fees, costs and expenses in relation to the facility agreement.

- **SMC**

- a) On various dates in 2023, SMC availed of a total of US\$1,330 million from the term loan facility executed on March 21, 2023, which was increased from US\$1,200 million to US\$1,330 million effective June 30, 2023. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.
- b) On various dates in 2023, SMC availed of a total of US\$622 million term loan from the US\$2,165 million loan facility executed on March 31, 2022. The loan is subject to a floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the MIA Project in Bulacan. Total drawdowns as at December 31, 2023 amounted to \$1,493 million.
- c) On July 10 and July 31, 2023, SMC availed of a US\$200 million term loan, subject to a floating interest rate and US\$150 million term loan, subject to a fixed interest rate, with a term of five years. The proceeds of the loans were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.
- d) On September 20, 2023, SMC availed of a US\$300 million term loan, subject to a floating interest rate and with a term of five years. The proceeds of the loan were used to refinance a total of US\$300 million term loans availed in 2018.
- e) In November 2023, SMC availed of a total of US\$300 million term loans, subject to a floating interest rate and with a term of five years. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

- **Petron**

On various dates in 2023, Petron availed of a total of US\$399 million loans from the following: (1) US\$174 million from the remaining balance of the term loan facility executed in November 2022, which was increased from US\$550 million to US\$669 million effective February 17, 2023 (the "US\$669 million Facility"), and (2) US\$225 million from the term loan facility executed on March 28, 2023 (the "US\$225 million Facility"). The final amortization of the US\$669 million Facility will be

on November 8, 2027, while the final amortization of the US\$225 million Facility will be on March 28, 2028. Both Facilities are subject to floating interest rates.

The US\$174 million loans from the US\$669 million Facility were used to partially prepay the amortizations for the JPY15,000 million long-term loan amounting to US\$30 million, to prepay the remaining balance of the US\$800 million long-term loan amounting to US\$113 million, and partially fund payment of the P7,000 million Series B Bonds due on October 27, 2023 amounting to US\$31 million. Proceeds from the US\$225 million Facility were used to partially fund the redemption of Petron's US\$500 million SPCS.

## **PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **SMC**

On March 20, 2023, SMC paid its Series E Fixed Rate Peso-denominated Bonds amounting to P13,146 million, which matured on the same date. The Series E Bonds, which formed part of the P20,000 million Series E, Series F and Series G Fixed Rate Bonds were issued by SMC in 2018.

The Series E Bonds were paid from the proceeds of the P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

- **San Miguel Global Power**

On July 11 and August 17, 2023, San Miguel Global Power paid its Series B and Series G Bonds, respectively, with a total amount of P19,090 million. The Series B Bonds formed part of the P15,000 million Series A-B-C fixed rate bonds issued in July 2016, while the Series G Bonds were issued in 2018.

The payment was funded through capital infusion by SMC and cash generated from operations.

- **Petron**

On October 27, 2023, Petron paid its Series B Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same date. The Series B Bonds formed part of the P20,000 million retail bonds issued by Petron in 2016.

The payment was funded by the US\$31 million term loan drawn on August 14, 2023 from the US\$669 million facility and cash generated from operations.

## **PAYMENT OF TERM LOANS**

### **FOREIGN CURRENCY-DENOMINATED TERM LOANS**

- **San Miguel Global Power**

On March 13, 2023, San Miguel Global Power paid the remaining balance of the US\$700 million term loan facility availed on March 16, 2018, amounting to US\$500 million, which matured on the same day.

The payment was funded by the proceeds from issuance of Redeemable Perpetual Securities (RPS) by San Miguel Global Power to SMC amounting to US\$500 million on March 10, 2023 and cash generated from operations.

- **SMC**

- a) On February 23, 2023, SMC prepaid in full the US\$400 million term loan availed on March 16, 2018. The US\$400 million was paid from the available cash balance.
- b) On April 28, 2023, SMC paid in full the US\$300 million loan availed in 2018, funded by the proceeds from the issuance of P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

#### **PESO TERM LOAN**

- **ECC**

On May 29, 2023, ECC prepaid in full the balance of its Term Loan Facility and Security Agreement entered in 2016, amounting to P4,049 million. The payment was funded by the proceeds from the redemption on May 25, 2023 of the P4,000 million RPS issued by SMC in 2020.

#### **PAYMENT OF OTHER MATURING OBLIGATIONS**

During the year, the Group paid a total of P27,497 million of its scheduled amortizations and maturing obligations.

The Infrastructure, Energy, Cement, Petron, Packaging, Food and Beverage businesses and SMC paid a total of P9,526 million, P5,129 million, P4,900 million, P4,643 million, P2,625 million, P514 million and P160 million, respectively, of their maturing obligations.

#### **ISSUANCE OF EQUITY AND CAPITAL SECURITIES**

- **Petron**

On July 7, 2023, Petron issued and listed at the Philippine Stock Exchange (PSE) 5,000,000 Series 4A, 2,995,000 Series 4B and 6,005,000 Series 4C Preferred Shares (inclusive of the oversubscription of 1,500,000 shares) under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 per share or for a total amount of P14,000 million. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the Securities and Exchange Commission (SEC) on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares.

The Series 4 Preferred Shares are redeemable in whole and not in part, starting on the second and half, third and fifth year or on any dividend payment date thereafter for Series 4A, Series 4B and Series 4C Preferred Shares, respectively. Dividend rates are 6.7079%, 6.7972% and 7.0861% per annum for Series 4A, Series 4B and Series 4C Preferred Shares, respectively.

The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US\$478 million SPCS issued in 2018.

- **SMC**

On August 23, 2023, SMC issued 173,333,325 Series 2-M Preferred Shares (Series 2-M) and were listed at the PSE on August 29, 2023. The shares were issued at an offer price of P75.00 per share for a total amount of P13,000 million, with dividend rate of 8.375% per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC. The Series 2-M Preferred Shares were privately-placed.

The net proceeds from the issuance of Series 2-M were used for general corporate purposes.

On December 1, 2023, SMC issued a total of 453,333,400 Series 2-L, 2-N and 2-O (Series 2-LNO) Preferred Shares which were under the 866,666,700 shelf-registration and were listed at the PSE on the same date. The shares were issued at an offer price of P75.00 per share for a total amount of P34,000 million, with dividend rates of 7.9145% (Series 2-L), 8.3466% (Series 2-N) and 8.5936% (Series 2-O) per annum. The shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC.

The net proceeds of the from the issuance of the Series 2-LNO were used for repayment of Peso-denominated short-term facilities, repayment of Series B Bonds and will be used for the repayment of Series H Bonds on October 4, 2024.

### **REDEMPTION OF US\$500 MILLION SPCS BY PETRON**

On January 4, 2023, Petron conducted a tender offer of up to US\$50 million to the holders of its outstanding US\$500 million SPCS issued and listed at the Singapore Exchange Securities Trading Limited (SGX-ST) in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US\$22 million in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US\$927.00 per US\$1,000.00 on January 19, 2023.

On July 19, 2023, Petron fully redeemed at par the remaining balance of the SPCS with an aggregate amount of about US\$478 million.

Following the full redemption, distributions ceased to accrue, and the redeemed securities were cancelled and delisted from the SGX-ST.

The redemption was funded through availment of a US\$225 million term loan, issuance of 14,000,000 Series 4 Preferred Shares and cash generated from operations.

### **SUBSEQUENT EVENTS**

- **Payment of P7,294 million Series B Fixed Rate Peso-denominated Bonds by SMC**

On March 1, 2024, SMC paid the P7,294 million Series B Fixed Rate Peso-denominated bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by the Parent Company in 2017.

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

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

On March 18, 2024, the Concession Agreement was signed with the concession company, New NAIA Infra Corp. The operation of NAIA is expected to be turned-over by the Manila International Airport Authority to the concession company, six months after the execution of the Concession Agreement.

- **Joint Investment in an Integrated LNG Facility by San Miguel Global Power and Chromite Gas Holdings, Inc. (CGHI)**

On March 1, 2024, the Board of Directors (BOD) of San Miguel Global Power approved the following transactions:

- 1) Subscription by CGHI, a joint venture company owned by Meralco PowerGen Corporation and Therma NatGas Power Inc., of approximately 67% equity interest in the wholly-owned subsidiaries of San Miguel Global Power, namely: SPPC, Excellent Energy Resources Inc. (EERI) and Ilijan Primeline Industrial Estates, Inc. (IPIEC); and
- 2) Purchase by San Miguel Global Power of approximately 33% of the total outstanding capital stock of Linseed Field Corporation (LFC) from Eurodite Universal Power Incorporated.

The assets covered by the transaction consists of the: (a) 1,275 MW Ilijan Combined Cycle Gas Power Plant owned by SPPC which is currently operational, (b) 1,320 MW BCCPP owned by EERI which is under construction, (c) 390,829 sqm land where the BCCPP of EERI is situated, and (d) import and regasification LNG terminal owned by LFC which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

**B. The following are the major developments in 2022:**

**INVESTING ACTIVITIES**

**Acquisition by SMC through SMEII of ECC**

On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc., the parent company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares (Sale Shares) representing approximately 88.50% of the total outstanding and issued capital stock of ECC for a total consideration of P97,441 million or P22.02 per Sale Share.

ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

On October 27, 2022, the Philippine Competition Commission issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the PSE after the required written assent of the stockholders of ECC was secured.

The tender offer period ended on December 5, 2022, a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding common shares of ECC were tendered (Tendered Shares) for a total consideration of P12,613 million or P22.02 per share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As a result of the transaction, ECC was consolidated effective December 14, 2022. SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding common shares of ECC as at December 31, 2023 and 2022.

The total acquisition cost of ECC amounting to P110,054 million was funded by short-term loan availed by SMC and existing cash balance.

#### **Redemption of Investment in Preferred Shares of Top Frontier Investment Holdings, Inc. (Top Frontier)**

On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by SMC. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424 million, corresponding to the original issue price, plus unpaid cash dividends amounting to P267 million.

In 2022, the Group has undertaken various financing activities. The significant transactions are as follows:

#### **AVAILMENT OF LONG-TERM DEBT**

##### **PESO TERM LOANS**

- **SSHCI**

On various dates in 2022, SSHCI availed of a total of P15,800 million term loans from the P20,000 million term loan facility agreement executed on December 3, 2021. The loans are subject to a floating interest rate and will mature on January 3, 2025. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

- **Petron**

- a. On May 19, June 15 and June 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of power plant project, (b) payment of the remaining balance of US dollar term loan, and (c) payment of various loan facilities. The P15,000 million term loan is divided into three P5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and June 16, 2027, respectively.
- b. On September 8 and September 30, 2022, Petron availed of a total of P3,000 million term loans for the repayment of indebtedness. The loans are subject to fixed interest rates and will mature on September 8, 2025.

- **SMC NAIAX**

On December 28, 2022, SMC NAIAX availed of a P3,124 million term loan from its P5,656 million OLSA with various banks executed on December 21, 2022. The loan is subject to a fixed interest rate and will mature on June 21, 2030. The proceeds of the loan were used to prepay the balance of the OLSA executed in 2014 and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- **SMB**

On December 20, 2022, SMB availed of a P5,000 million five-year term loan from its P10,000 million loan facility with a local bank. The loan is subject to a fixed interest rate and will mature on December 20, 2027. The proceeds of the loan were used to partially finance capital expenditures.

- **NCC**

On various dates in 2022, NCC availed of a total of P1,674 million term loan from its existing P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to finance the ongoing cement plant project in Sison, Pangasinan. Total drawdowns from the OLSA as at December 31, 2022 amounted to P8,749 million.

## **FOREIGN CURRENCY-DENOMINATED LOANS**

- **San Miguel Global Power**

- a. On January 21, 2022, San Miguel Global Power availed of a US\$200 million term loan from the loan facility agreement executed on September 8, 2021. Proceeds of the loan were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility. The term of the loan is for three years and is subject to a floating interest rate.
- b. On May 24, 2022, San Miguel Global Power availed of a US\$100 million term loan from the loan facility agreement executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of BESS and BCCPP Projects, for general corporate requirements and payment of other transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in May 2025.
- c. On August 26, 2022, San Miguel Global Power availed of a US\$300 million term loan from its loan facility agreement executed on August 18, 2022. Proceeds of the loan were used mainly for general corporate purposes, including capital expenditures and refinancing of short-term loan. The loan is subject to a floating interest rate and will mature in August 2027.

- **SMC**

- a. On February 18 and April 20, 2022, SMC availed of a total of US\$450 million term loan from the US\$900 million loan facility agreement executed on October 21, 2021 for general corporate purposes. The loan is subject to a floating interest rate and will mature on October 21, 2026.
- b. On various dates in June, August and September 2022, SMC availed of a total of US\$700 million term loan from the US\$700 million loan facility agreement executed on March 28, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on March 29, 2027.

- c. On various dates in 2022, SMC availed of a total of US\$871 million term loan from the US\$2,165 million loan facility executed on March 31, 2022 for the financing of the MIA Project's land development works. The term of the loan is 13 years and is subject to a floating interest rate.
- d. On August 2, 2022, SMC availed of a US\$100 million loan from the US\$100 million term loan facility executed on May 27, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on May 27, 2027.

- **Petron**

In November and December 2022, Petron availed of US\$267 million and US\$228 million loans, respectively, from the US\$550 million term loan facility executed on November 8, 2022. The loan is amortized over five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to partially prepay the US\$800 million term loan facility availed in 2019 and the US\$150 million term loan availed in 2020.

### **ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **Issuance of P30,000 Million Fixed Rate Bonds by SMC**

On March 4, 2022, SMC issued and listed at the Philippine Dealing & Exchange Corporation (PDEX) P17,440 million Series J and P12,560 million Series K Fixed Rate Peso-denominated Bonds from the P60,000 million Shelf Registered Fixed Rate Bonds. The bonds are due in March 2027 and 2029 with interest rates of 5.2704% and 5.8434% per annum, respectively.

The proceeds from the issuance of the bonds were used to refinance short-term loan facilities and other general corporate purposes.

- **Registration and Issuance of P60,000 Million Fixed Rate Peso-denominated Bonds by SMC**

On December 14, 2022, SMC issued and listed at the PDEX a total of P60,000 million Fixed Rate Peso-denominated Bonds comprising of P27,101 million Series L, P9,712 million Series M and P23,187 million Series N bonds which were approved by the SEC on November 22, 2022. The Series L, Series M and Series N bonds are due in December 2028, 2029 and 2032 with interest rates of 7.4458%, 7.8467% and 8.4890% per annum, respectively.

Portion of the proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Subseries "2-H" Preferred Shares; and (ii) the repayment of Peso-denominated short-term loan facilities used to redeem the Series A and Series D Bonds, and the remaining balance will be used for (iii) the final redemption and payment of the Series E Bonds due in 2023; and (iv) the refinancing of certain US Dollar-denominated obligations.

- **Registration of P60,000 Million-Worth of Fixed Rate Peso-Denominated Bonds and Issuance of P40,000 Million Series K, L and M Bonds by San Miguel Global Power**

On July 26, 2022, San Miguel Global Power issued and listed at the PDEX a total of P40,000 million Fixed Rate Peso-denominated Bonds, the first tranche of the P60,000 million shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

The bonds comprised of P5,000 million Series K Bonds due 2025, P25,000 million Series L Bonds due 2028 and P10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

The proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power's investments in power-related assets, particularly BCCPP and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

- **Payment of Fixed Rate Peso-Denominated Series A and D Bonds by SMC**

On March 1 and April 7, 2022, SMC paid its Series A and D Fixed Rate Peso-denominated Bonds amounting to P6,683 million and P10,000 million, respectively. The Series A and Series D Bonds matured on their respective payment dates and were issued by SMC in 2017.

The Series A and D Bonds were paid using the proceeds from short-term loan facilities.

- **Payment of Fixed Rate Peso-Denominated Series D and Series H Bonds by San Miguel Global Power**

On April 25 and December 22, 2022, San Miguel Global Power paid its P13,845 million Series H and P9,913 million Series D Fixed Rate Peso-denominated Bonds, which matured on the same dates. The Series D and Series H Bonds were issued by San Miguel Global Power in 2017 and 2019, respectively.

The Series H Bonds were paid partly from the proceeds of short-term loan facilities and from cash generated from operations.

- **Payment of Fixed Rate Peso-Denominated Series F Bonds by SMB**

On April 2, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds were issued by SMB in 2012.

The payment was funded by the proceeds from the P7,000 million term loan availed on April 1, 2022 from a local bank. The loan is subject to a fixed interest rate and will mature in 2025 and 2027.

- **Payment of Fixed Rate Peso-Denominated Series B Bonds by SMC SLEX Inc. (SMC SLEX)**

On May 22, 2022, SMC SLEX paid its Series B Fixed Rate Peso-denominated Bonds amounting to P2,400 million, which matured on the same day. The Series B Bonds were issued by SMC SLEX in 2015.

The Series B Bonds were paid using internally generated funds.

#### **PAYMENT OF OTHER MATURING OBLIGATIONS**

In 2022, the Group paid a total of P22,074 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Infrastructure, Energy, Petron, Packaging, Food and Beverage and SMC paid a total of P8,575 million, P6,824 million, P3,430 million, P2,902 million, P183 million and P160 million, respectively, of their maturing obligations.

## **REDEMPTION OF PREFERRED SHARES BY SMC**

### **Redemption of Series “2” Preferred Shares - Subseries “2-H” by SMC**

On December 21, 2022, SMC redeemed its outstanding 164,000,000 Subseries “2-H” Preferred Shares issued in March 2016. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries “2-H” Preferred Shares was approved by the BOD of SMC on September 22, 2022.

The Subseries “2-H” Preferred Shares were redeemed using part of the proceeds of the P60,000 million Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

## **REPURCHASE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US dollar-denominated SPCS listed at the SGX-ST to purchase for cash up to US\$400 million SPCS. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the “Expiration Deadline”). All valid tender offers from security holders, representing an aggregate of US\$124 million in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the expiration deadline and which San Miguel Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

The payment for the repurchased SPCS was funded by San Miguel Global Power’s issuance of RPS to SMC.

### **C. The following are the major developments in 2021:**

#### **INVESTMENT IN SUBSIDIARIES**

##### **Merger of NCC and San Miguel Northern Cement, Inc. (SMNCI)**

On March 3, 2021, the BOD and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving entity.

On June 14, 2021, the SEC approved the Articles and Plan of Merger executed by NCC and SMNCI, whereby the entire assets and liabilities of SMNCI were transferred to and absorbed by NCC, the surviving entity.

On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 million as consideration for the net assets of SMNCI in accordance with the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of NCC, which was approved by the SEC on June 14, 2021.

The merger of NCC and SMNCI is considered to be a business combination under common control. The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interest method.

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

On October 6, 2021, the BIR issued Ruling No. S40M-371-2021 which confirmed the tax-free exchange of investment relative to the merger of NCC and SMNCL.

**Investment by SMC Equivest Corporation (SMCEC) in Preferred Shares and Common Shares of BankCom**

On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BankCom at P132.00 per share or a total of P5,500 million.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BankCom and subject to the other terms and conditions as may be fixed by the BOD of BankCom, required under regulations, and to the extent permitted by applicable law.

On October 20, 2021, SMCEC acquired 1,571,600 common shares of BankCom at P226.48 per share or P357 million, including transaction cost, representing additional 1.4% ownership interest.

The Bangko Sentral ng Pilipinas (BSP) and SEC approved the Amendment of Articles of Incorporation of BankCom on October 4 and November 2, 2021, respectively, for the change in the par value of BankCom's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BankCom on May 25 and July 8, 2021, respectively. As a result, San Miguel Properties, Inc. (SMPI) and SMCEC's investment in BankCom's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BankCom's preferred shares also increased from 41,666,667 shares to 416,666,670 shares.

As at December 31, 2021, SMC through SMPI and SMCEC, respectively, has 39.93% and 6.09% equity ownership interests in BankCom.

On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license.

On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BankCom to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BankCom, which includes the 280,602,800 common shares subject of the initial public offering. On March 31, 2022, BankCom listed its common shares with the PSE.

In 2021, the Group has undertaken various financing activities. The significant transactions are as follows:

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

- **San Miguel Global Power**

On May 28, 2021, San Miguel Global Power availed of a P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to a fixed interest rate and will mature on May 28, 2025.

- **SMC Tollways**

On March and June 2021, SMC Tollways drew a total of P12,900 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. The proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction-related fees, taxes and expenses. The loan is subject to a fixed interest rate and repricing on the fifth year from initial drawdown date, and payable in 40 quarterly installments up to December 14, 2029. As at December 31, 2021, the total amount of the P41,200 million facility has been fully drawn.

- **NCC**

On June 30, 2021, SMNCI availed of a P7,075 million from the P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan. On July 1, 2021, the balance of the loan was transferred to NCC following the merger of NCC and SMNCI.

- **The Purefoods-Hormel Company, Inc. (PF-Hormel)**

On September 29, 2021, PF-Hormel availed of a P7,000 million term loan, subject to a fixed interest rate and will mature on September 29, 2026. The proceeds of the loan were used for the refinancing of existing indebtedness and general corporate purposes.

- **SCII**

On December 29, 2021, SCII fully availed the P4,800 million loan from the OLSA executed on December 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on December 31, 2028. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

## **FOREIGN CURRENCY-DENOMINATED TERM LOANS**

- **San Miguel Global Power**

a. On March 9, 2021, San Miguel Global Power executed a five-year term loan facility agreement for the amount of US\$200 million used to refinance its maturing US\$200 million loan obligation. Drawdown was completed on March 12, 2021. On May 21, 2021, the loan facility agreement was amended to increase the amount from US\$200 million to US\$300 million.

On June 7, 2021, San Miguel Global Power availed of the remaining US\$100 million from its amended loan facility agreement. The proceeds of the loan were used mainly for the payment of Series A Fixed Rate Bonds in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

- b. On April 12, 2021, San Miguel Global Power availed of a US\$50 million from its term loan facility with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures of the BCCPP (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities, pre-operating and operating working capital requirements for the BESS Projects, and transaction-related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.
- **SMC**
  - a. On October 21, 2021, SMC executed a five-year term loan facility agreement for the amount of US\$700 million. The facility agreement was amended on November 29, 2021 increasing the amount from US\$700 million to US\$900 million. On October 28 and December 23, 2021, SMC drew a total of US\$450 million from the facility. The loan is subject to a floating interest rate and will mature on October 21, 2026. The proceeds of the loan were and will be used for general corporate purposes.
  - b. On December 13, 2021, SMC executed a five-year term loan facility agreement for the amount of US\$100 million. Drawdown was completed on December 23, 2021. The loan is subject to a floating interest rate and will mature on December 14, 2026. The proceeds of the loan were used for general corporate purposes.

#### **ISSUANCE AND PAYMENT OF BONDS**

- **Shelf-registration of P50,000 Million Fixed Rate Peso-Denominated Bonds by SMC and Issuance of P30,000 Million Bonds**

On June 21, 2021, the SEC approved the shelf-registration of P50,000 million fixed rate Peso-denominated bonds of SMC.

On July 8, 2021, SMC issued and listed at the PDEX P30,000 million Series I Bonds. The bonds are due in 2027, with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

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

- **Issuance of P18,000 Million Fixed Rate Bonds by Petron**

On October 12, 2021, Petron issued and listed at the PDEX P18,000 million fixed rate, Peso-denominated bonds, the first tranche of the P50,000 million shelf-registered fixed rate bonds approved by the SEC.

The bonds consist of P9,000 million Series E Bonds maturing in 2025 with an interest rate of 3.4408% per annum and P9,000 million Series F Bonds maturing in 2027 with an interest rate of 4.3368% per annum. Interest is payable quarterly in arrears every 12th of January, April, July and October of each year.

The proceeds from the issuance of the bonds were used primarily for the payment of the outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

- **Payment of Fixed Rate Peso-Denominated Series G Bonds by SMB**

On April 5, 2021, SMB paid its Series G Fixed Rate Bonds amounting to P12,462 million, which matured on the same day. The Series G Bonds form part of the P15,000 million fixed rate bonds issued by SMB in 2014.

The payment was financed from the proceeds of the P12,000 million term loans availed on March 30, 2021 from four banks. The loans are subject to fixed interest rates, where P10,000 million are due on March 30, 2026 and P2,000 million are due on March 30, 2028.

- **Payment of Fixed Rate Peso-Denominated Series A Bonds by San Miguel Global Power**

On July 12, 2021, San Miguel Global Power paid its Series A Fixed rate Bonds amounting to P6,153 million, which matured on the same day. The Series A Bonds, which form part of the P15,000 million Series ABC Fixed Rate Bonds issued by San Miguel Global Power in 2016.

The Series A Bonds were paid partly from the proceeds of the US\$100 million out of the US\$300 million Syndication Agreement availed in June 2021 and partly from the P5,000 million term loan availed in May 2021.

#### **PAYMENT OF OTHER MATURING OBLIGATIONS**

In 2021, the Group paid P18,686 million of maturing obligations funded by cash generated from operations.

Energy, Petron, Infrastructure, Packaging and other businesses paid a total of P7,293 million, P4,785 million, P3,778 million, P2,488 million and P342 million, respectively, of their maturing long-term debt.

#### **ISSUANCE OF CAPITAL SECURITIES BY SUBSIDIARIES**

- **Issuance of US\$550 Million SPCS by Petron**

On April 19, 2021, Petron issued US\$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

- **Issuance of US\$750 Million SPCS by San Miguel Global Power**

On June 9, 2021, San Miguel Global Power issued US\$600 million SPCS at an issue price of 100%, with an initial distribution rate of 5.45% per annum. The securities were listed at the SGX-ST on June 10, 2021.

On September 15, 2021, San Miguel Global Power issued US\$150 million SPCS at an issue price of 100.125%, with an initial distribution rate of 5.45% per annum. The additional securities which were listed at the SGX-ST on September 16, 2021 were consolidated into single series with the securities issued in June 2021.

The net proceeds were used primarily for the 1,320 MW BCCPP and for general corporate purposes.

### **REDEMPTION OF PREFERRED SHARES BY SMC**

#### **Redemption of Series “2” Preferred Shares - Subseries “2-G”, Subseries “2-C” and Subseries “2-E” by SMC**

On March 30 and September 21, 2021, SMC redeemed its outstanding 66,666,600 Subseries “2-G”, 255,559,400 Subseries “2-C” and 134,000,100 Subseries “2-E” Preferred Shares issued in March 2016, September 2012 and 2015, respectively. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries “2-G” Preferred Shares was approved by the BOD of SMC on March 11, 2021 while the redemption of Subseries “2-C” and Subseries “2-E” Preferred Shares was approved by the BOD of SMC on August 5, 2021.

The Subseries “2-G” Preferred Shares were redeemed using the proceeds of the US\$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US\$2,000 million.

The Subseries “2-C” and Subseries “2-E” Preferred Shares were redeemed from proceeds of short-term loan availments.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

### **REDEMPTION OF SERIES 2B PREFERRED SHARES BY PETRON**

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The Series 2B Preferred Shares were redeemed from proceeds of short-term loan availments. The redemption was approved by the BOD of Petron on March 9, 2021.

### **REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER**

On February 26, 2021, San Miguel Global Power completed the redemption of its US\$300 million Undated Subordinated Capital Securities (USCS) issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US\$300 million USCS were redeemed using part of the proceeds of the US\$350 million SPCS issued on December 15, 2020.

#### D. MATERIAL CHANGES PER LINE OF ACCOUNT

##### 2023 vs. 2022

|                                                                       | December          |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                       | 2023              | 2022       | Amount                                     | %     | 2023                 | 2022 |
|                                                                       |                   |            | <i>(In Millions)</i>                       |       |                      |      |
| Cash and cash equivalents                                             | <b>P261,358</b>   | P318,214   | (P56,856)                                  | (18%) | <b>11%</b>           | 13%  |
| Trade and other<br>receivables - net                                  | <b>263,119</b>    | 238,782    | 24,337                                     | 10%   | <b>11%</b>           | 10%  |
| Inventories                                                           | <b>161,986</b>    | 190,193    | (28,207)                                   | (15%) | <b>6%</b>            | 8%   |
| Current portion of biological<br>assets - net                         | <b>3,515</b>      | 3,418      | 97                                         | 3%    | <b>0%</b>            | 0%   |
| Prepaid expenses and<br>other current assets                          | <b>141,424</b>    | 133,691    | 7,733                                      | 6%    | <b>6%</b>            | 6%   |
| <b>Total Current Assets</b>                                           | <b>831,402</b>    | 884,298    | (52,896)                                   | (6%)  | <b>34%</b>           | 37%  |
| Investments and advances<br>- net                                     | <b>37,089</b>     | 32,523     | 4,566                                      | 14%   | <b>2%</b>            | 1%   |
| Investments in equity and<br>debt instruments                         | <b>19,417</b>     | 18,921     | 496                                        | 3%    | <b>1%</b>            | 1%   |
| Property, plant and<br>equipment - net                                | <b>753,472</b>    | 708,192    | 45,280                                     | 6%    | <b>31%</b>           | 30%  |
| Right-of-use assets - net                                             | <b>108,014</b>    | 112,067    | (4,053)                                    | (4%)  | <b>4%</b>            | 5%   |
| Investment property - net                                             | <b>79,513</b>     | 74,660     | 4,853                                      | 7%    | <b>3%</b>            | 3%   |
| Biological assets - net of<br>current portion                         | <b>2,667</b>      | 2,671      | (4)                                        | (0%)  | <b>0%</b>            | 0%   |
| Goodwill - net                                                        | <b>182,791</b>    | 184,100    | (1,309)                                    | (1%)  | <b>7%</b>            | 8%   |
| Other intangible assets -<br>net                                      | <b>306,638</b>    | 249,321    | 57,317                                     | 23%   | <b>12%</b>           | 10%  |
| Deferred tax assets                                                   | <b>19,633</b>     | 22,554     | (2,921)                                    | (13%) | <b>1%</b>            | 1%   |
| Other noncurrent assets -<br>net                                      | <b>118,729</b>    | 102,518    | 16,211                                     | 16%   | <b>5%</b>            | 4%   |
| <b>Total Noncurrent Assets</b>                                        | <b>1,627,963</b>  | 1,507,527  | 120,436                                    | 8%    | <b>66%</b>           | 63%  |
| <b>Total Assets</b>                                                   | <b>P2,459,365</b> | P2,391,825 | P67,540                                    | 3%    | <b>100%</b>          | 100% |
| Loans payable                                                         | <b>P214,881</b>   | P267,704   | (P52,823)                                  | (20%) | <b>9%</b>            | 11%  |
| Accounts payable and<br>accrued expenses                              | <b>223,055</b>    | 227,126    | (4,071)                                    | (2%)  | <b>9%</b>            | 9%   |
| Lease liabilities - current<br>portion                                | <b>19,631</b>     | 21,020     | (1,389)                                    | (7%)  | <b>1%</b>            | 1%   |
| Income and other taxes<br>payable                                     | <b>46,254</b>     | 37,694     | 8,560                                      | 23%   | <b>2%</b>            | 2%   |
| Dividends and distributions<br>payable                                | <b>4,605</b>      | 4,037      | 568                                        | 14%   | <b>0%</b>            | 0%   |
| Current maturities of long-<br>term debt - net of debt<br>issue costs | <b>236,798</b>    | 170,032    | 66,766                                     | 39%   | <b>9%</b>            | 7%   |
| <b>Total Current Liabilities</b>                                      | <b>745,224</b>    | 727,613    | 17,611                                     | 2%    | <b>30%</b>           | 30%  |

Forward

|                                                                 | <b>December</b>   |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                 | <b>2023</b>       | 2022       | Amount                                     | %     | <b>2023</b>          | 2022 |
| Long-term debt - net of current maturities and debt issue costs | <b>P953,786</b>   | P918,164   | P35,622                                    | 4%    | <b>39%</b>           | 39%  |
| Lease liabilities - net of current portion                      | <b>36,941</b>     | 54,455     | (17,514)                                   | (32%) | <b>2%</b>            | 2%   |
| Deferred tax liabilities                                        | <b>29,503</b>     | 26,297     | 3,206                                      | 12%   | <b>1%</b>            | 1%   |
| Other noncurrent liabilities                                    | <b>28,745</b>     | 26,144     | 2,601                                      | 10%   | <b>1%</b>            | 1%   |
| <b>Total Noncurrent Liabilities</b>                             | <b>1,048,975</b>  | 1,025,060  | 23,915                                     | 2%    | <b>43%</b>           | 43%  |
| Capital stock - common                                          | <b>16,443</b>     | 16,443     | -                                          | 0%    | <b>1%</b>            | 1%   |
| Capital stock - preferred                                       | <b>10,187</b>     | 10,187     | -                                          | 0%    | <b>0%</b>            | 0%   |
| Additional paid-in capital                                      | <b>177,468</b>    | 177,719    | (251)                                      | (0%)  | <b>7%</b>            | 7%   |
| Capital securities                                              | <b>24,211</b>     | 24,211     | -                                          | 0%    | <b>1%</b>            | 1%   |
| Equity reserves                                                 | <b>7,354</b>      | 12,753     | (5,399)                                    | (42%) | <b>0%</b>            | 1%   |
| Retained earnings:                                              |                   |            |                                            |       |                      |      |
| Appropriated                                                    | <b>87,170</b>     | 71,004     | 16,166                                     | 23%   | <b>4%</b>            | 3%   |
| Unappropriated                                                  | <b>103,151</b>    | 129,239    | (26,088)                                   | (20%) | <b>4%</b>            | 6%   |
| Treasury stock                                                  | <b>(109,763)</b>  | (156,763)  | 47,000                                     | 30%   | <b>(4%)</b>          | (7%) |
| <b>Equity Attributable to</b>                                   |                   |            |                                            |       |                      |      |
| Equity Holders of the Parent Company                            | <b>316,221</b>    | 284,793    | 31,428                                     | 11%   | <b>13%</b>           | 12%  |
| Non-controlling Interests                                       | <b>348,945</b>    | 354,359    | (5,414)                                    | (2%)  | <b>14%</b>           | 15%  |
| <b>Total Equity</b>                                             | <b>665,166</b>    | 639,152    | 26,014                                     | 4%    | <b>27%</b>           | 27%  |
| <b>Total Liabilities and Equity</b>                             | <b>P2,459,365</b> | P2,391,825 | P67,540                                    | 3%    | <b>100%</b>          | 100% |

Consolidated total assets as at December 31, 2023 amounted to P2,459,365 million, P67,540 million higher than December 31, 2022. The increase was primarily due to the increase in property, plant and equipment, intangible assets, trade and other receivables and other noncurrent assets, offset by the decrease in cash and cash equivalents and inventories.

The decrease in cash and cash equivalents of P56,856 million was mainly due to the net payment of short-term loans, capital expenditures for the ongoing projects of the Infrastructure, Energy, Food and Beverage and Cement businesses, payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations, net proceeds from the availment of long-term debt and from the reissuance of treasury shares by SMC and Petron.

The increase in trade and other receivables - net by P24,337 million was mainly attributable to the: (a) higher trade receivables of the Energy business as a result of the Emergency Power Supply Agreement with Meralco which commenced in March and August 2023, (b) higher receivables recognized versus collections during the year by SPI, and (c) higher receivable of Petron from the Philippine Government due to increased excise tax refund claims.

The decrease in inventories by P28,207 million was attributable mainly to the: (a) lower materials and supplies inventory of the Food division as a result of the normalized level coming from the high level in December 2022 due to purposive buying of raw materials at that time in anticipation of price increases, depletion of hedged meat materials, and higher production volumes, (b) lower price of both crude oil and finished products and lower volume of crude oil, partly offset by higher volume of finished products of Petron.

The increase in prepaid expenses and other current assets by P7,733 million was primarily due to: (a) higher input taxes from the ongoing projects and power purchases of the Energy business, (b) increase in advances to suppliers mainly contributed by advances for LNG procurement of SPPC and (c) higher unused creditable withholding taxes of Petron. The increase was partly offset by the utilization of restricted cash fund for debt servicing requirements of the Energy business.

The increase in investments and advances - net by P4,566 million was mainly due to the advances for future investments to certain companies by the Energy business and the Group's share in the net earnings of BankCom and MNHPI in 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in property, plant and equipment - net by P45,280 million was mainly due to the costs of the ongoing projects of the Energy business, the Food and Beer and NAB divisions of the Food and Beverage business and Cement business.

The increase in investment property - net by P4,853 million was mainly due to the reclassification from property, plant and equipment to investment property of certain properties of the Energy business as a result of the change in usage, acquisition of parcels of land in Bulacan for the Airport Project and the consolidation of the investment property of IPIEC and Blue Eagle Star, Corp.

The increase in other intangible assets - net by P57,317 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization for the year.

The decrease in deferred tax assets by P2,921 million was primarily due to the recognition by SMC of deferred tax on unrealized gains on foreign exchange mainly from the revaluation of the foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P16,211 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project, (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses, and (c) restricted cash balance for debt servicing requirements of the Energy business.

The decrease in loans payable by P52,823 million was mainly due to the net payment made by SMC, Food division and the Energy business.

The increase in income and other taxes payable by P8,560 million was mainly due to the higher amount of Value-Added Tax (VAT) payable: (a) on the sales of the Energy business subject to VAT and (b) of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022.

The increase in dividends and distributions payable by P568 million was mainly due to the declaration of dividends by Petron and SMC to preferred shareholders in November 2023 payable in 2024.

The increase in total long-term debt, net of debt issue costs, of P102,388 million was primarily due to the net availments of foreign currency-denominated and Peso term loans by the Group, partly offset by the payment of Series B and G Bonds by San Miguel Global Power, Series E Bonds by SMC and Series B Bonds by Petron and translation adjustments for the year.

The decrease in total lease liabilities by P18,903 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P3,206 million was mainly due to the temporary differences on lease-related expenses in relation to the IPPA lease agreement of SPI and San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.) and on qualifying assets and capital allowance of Petron Malaysia.

The increase in other noncurrent liabilities by P2,601 million was mainly due to the increase in: (a) retention payable for the ongoing projects of the Infrastructure business and (b) retirement liabilities of the Food and Beverage business resulting from the net remeasurement loss on plan assets net of contributions paid, partly offset by the application of retention payable to contractors' billings of the Energy business.

The decrease in equity reserves by P5,399 million was mainly due to the loss on exchange differences on the translation of foreign operations for the year, loss from the redemption of SPCS by Petron, and remeasurement loss on the retirement plan assets of SMFB.

The increase in appropriated retained earnings by P16,166 million was mainly due to the net appropriations made by: (a) the Infrastructure business for the capital expenditures of the various ongoing projects, (b) San Miguel Foods, Inc. for the Feeds Expansion Projects; (c) SMB for the payment of Series H Bonds and the P10,000 million term loans maturing on April 2, 2024 and December 20, 2027, respectively, and (d) SMC Shipping and Lighterage Corporation (SMCSLC) for the construction of shipyard and warehouse and purchase of vessels, partly offset by the reversal of appropriations for the Power Plant Project of Petron.

The decrease in unappropriated retained earnings by P26,088 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

The decrease in treasury stock by P47,000 million represents the re-issuance of 173,333,325 Series "2-M" Preferred Shares on August 29, 2023 and a total of 453,333,400 Series "2-L, 2-N and 2-O" Preferred Shares on December 1, 2023 of SMC at an issue price of P75.00 per share.

**2022 vs. 2021**

|                                                                       | <b>December</b>   |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|-----------------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                       | <b>2022</b>       | 2021       | Amount                                     | %     | <b>2022</b>          | 2021 |
|                                                                       |                   |            | <i>(In Millions)</i>                       |       |                      |      |
| Cash and cash equivalents                                             | <b>P318,214</b>   | P300,030   | P18,184                                    | 6%    | <b>13%</b>           | 15%  |
| Trade and other<br>receivables - net                                  | <b>238,782</b>    | 161,808    | 76,974                                     | 48%   | <b>10%</b>           | 8%   |
| Inventories                                                           | <b>190,193</b>    | 141,209    | 48,984                                     | 35%   | <b>8%</b>            | 7%   |
| Current portion of biological<br>assets - net                         | <b>3,418</b>      | 3,106      | 312                                        | 10%   | <b>0%</b>            | 0%   |
| Prepaid expenses and<br>other current assets                          | <b>133,691</b>    | 108,689    | 25,002                                     | 23%   | <b>6%</b>            | 5%   |
| <b>Total Current Assets</b>                                           | <b>884,298</b>    | 714,842    | 169,456                                    | 24%   | <b>37%</b>           | 35%  |
| Investments and advances<br>- net                                     | <b>32,523</b>     | 55,002     | (22,479)                                   | (41%) | <b>1%</b>            | 3%   |
| Investments in equity and<br>debt instruments                         | <b>18,921</b>     | 41,966     | (23,045)                                   | (55%) | <b>1%</b>            | 2%   |
| Property, plant and<br>equipment - net                                | <b>708,192</b>    | 567,609    | 140,583                                    | 25%   | <b>30%</b>           | 28%  |
| Right-of-use assets - net                                             | <b>112,067</b>    | 163,364    | (51,297)                                   | (31%) | <b>5%</b>            | 8%   |
| Investment property - net                                             | <b>74,660</b>     | 69,825     | 4,835                                      | 7%    | <b>3%</b>            | 3%   |
| Biological assets - net of<br>current portion                         | <b>2,671</b>      | 2,244      | 427                                        | 19%   | <b>0%</b>            | 0%   |
| Goodwill - net                                                        | <b>184,100</b>    | 130,081    | 54,019                                     | 42%   | <b>8%</b>            | 6%   |
| Other intangible assets -<br>net                                      | <b>249,321</b>    | 190,979    | 58,342                                     | 31%   | <b>10%</b>           | 9%   |
| Deferred tax assets                                                   | <b>22,554</b>     | 17,141     | 5,413                                      | 32%   | <b>1%</b>            | 1%   |
| Other noncurrent assets -<br>net                                      | <b>102,518</b>    | 98,600     | 3,918                                      | 4%    | <b>4%</b>            | 5%   |
| <b>Total Noncurrent Assets</b>                                        | <b>1,507,527</b>  | 1,336,811  | 170,716                                    | 13%   | <b>63%</b>           | 65%  |
| <b>Total Assets</b>                                                   | <b>P2,391,825</b> | P2,051,653 | P340,172                                   | 17%   | <b>100%</b>          | 100% |
| Loans payable                                                         | <b>P267,704</b>   | P190,779   | P76,925                                    | 40%   | <b>11%</b>           | 9%   |
| Accounts payable and<br>accrued expenses                              | <b>227,126</b>    | 194,579    | 32,547                                     | 17%   | <b>9%</b>            | 10%  |
| Lease liabilities - current<br>portion                                | <b>21,020</b>     | 23,423     | (2,403)                                    | (10%) | <b>1%</b>            | 1%   |
| Income and other taxes<br>payable                                     | <b>37,694</b>     | 23,102     | 14,592                                     | 63%   | <b>2%</b>            | 1%   |
| Dividends and distributions<br>payable                                | <b>4,037</b>      | 4,296      | (259)                                      | (6%)  | <b>0%</b>            | 0%   |
| Current maturities of long-<br>term debt - net of debt<br>issue costs | <b>170,032</b>    | 88,857     | 81,175                                     | 91%   | <b>7%</b>            | 4%   |
| <b>Total Current Liabilities</b>                                      | <b>727,613</b>    | 525,036    | 202,577                                    | 39%   | <b>30%</b>           | 25%  |

Forward

|                                                                    | December          |            | Horizontal Analysis<br>Increase (Decrease) |       | Vertical<br>Analysis |      |
|--------------------------------------------------------------------|-------------------|------------|--------------------------------------------|-------|----------------------|------|
|                                                                    | 2022              | 2021       | Amount                                     | %     | 2022                 | 2021 |
| Long-term debt - net of current maturities and debt issue costs    | <b>P918,164</b>   | P725,108   | P193,056                                   | 27%   | <b>39%</b>           | 35%  |
| Lease liabilities - net of current portion                         | <b>54,455</b>     | 71,569     | (17,114)                                   | (24%) | <b>2%</b>            | 4%   |
| Deferred tax liabilities                                           | <b>26,297</b>     | 28,742     | (2,445)                                    | (9%)  | <b>1%</b>            | 1%   |
| Other noncurrent liabilities                                       | <b>26,144</b>     | 19,959     | 6,185                                      | 31%   | <b>1%</b>            | 2%   |
| <b>Total Noncurrent Liabilities</b>                                | <b>1,025,060</b>  | 845,378    | 179,682                                    | 21%   | <b>43%</b>           | 42%  |
| Capital stock - common                                             | <b>16,443</b>     | 16,443     | -                                          | 0%    | <b>1%</b>            | 1%   |
| Capital stock - preferred                                          | <b>10,187</b>     | 10,187     | -                                          | 0%    | <b>0%</b>            | 0%   |
| Additional paid-in capital                                         | <b>177,719</b>    | 177,719    | -                                          | 0%    | <b>7%</b>            | 9%   |
| Capital securities                                                 | <b>24,211</b>     | 28,171     | (3,960)                                    | (14%) | <b>1%</b>            | 1%   |
| Equity reserves                                                    | <b>12,753</b>     | 14,136     | (1,383)                                    | (10%) | <b>1%</b>            | 1%   |
| Retained earnings:                                                 |                   |            |                                            |       |                      |      |
| Appropriated                                                       | <b>71,004</b>     | 66,630     | 4,374                                      | 7%    | <b>3%</b>            | 3%   |
| Unappropriated                                                     | <b>129,239</b>    | 157,707    | (28,468)                                   | (18%) | <b>6%</b>            | 8%   |
| Treasury stock                                                     | <b>(156,763)</b>  | (144,363)  | (12,400)                                   | (9%)  | <b>(7%)</b>          | (7%) |
| <b>Equity Attributable to Equity Holders of the Parent Company</b> | <b>284,793</b>    | 326,630    | (41,837)                                   | (13%) | <b>12%</b>           | 16%  |
| Non-controlling Interests                                          | <b>354,359</b>    | 354,609    | (250)                                      | (0%)  | <b>15%</b>           | 17%  |
| <b>Total Equity</b>                                                | <b>639,152</b>    | 681,239    | (42,087)                                   | (6%)  | <b>27%</b>           | 33%  |
| <b>Total Liabilities and Equity</b>                                | <b>P2,391,825</b> | P2,051,653 | P340,172                                   | 17%   | <b>100%</b>          | 100% |

Consolidated total assets as at December 31, 2022 amounted to P2,391,825 million, P340,172 million higher than December 31, 2021. The increase was primarily due to the higher balance of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P18,184 million was mainly due to net proceeds from the availments of short-term loans and long-term debt, redemption of investment in equity securities and collection of advances for investments. This was partly offset by the capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, acquisition of subsidiaries, payment of lease liabilities and dividends and distributions and repurchase and redemption of equity and capital securities.

The increase in trade and other receivables - net by P76,974 million was mainly attributable to higher trade customer balances from: (a) the Energy business on account of higher average realization prices driven by higher coal prices and overall spot market rates; and (b) Petron brought about by the increase in prices of fuel products.

The increase in inventories by P48,984 million was mainly due to the: (a) higher prices of both crude oil and finished products coupled with higher volume of finished products of Petron; (b) higher prices of imported raw materials and higher level of finished goods relative to increase in demand and prices of the Food division under the Food and Beverage business; and (c) higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P739 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P25,002 million was primarily due to the: (a) higher input taxes of the Energy business from vatable purchases in 2022; (b) additional restricted cash funding by the Energy and Infrastructure businesses for the payment of long-term debt; and (c) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron.

The decrease in investments and advances - net by P22,479 million mainly represents the collection of advances for investment to Bryce Canyon Investments Limited in accordance with an investment agreement executed in 2016. In December 2022, the agreement was terminated as agreed by both parties.

The decrease in investments in equity and debt instruments by P23,045 million mainly represents the redemption of SMC's investments in preferred stocks of Top Frontier partly offset by the investment in debt securities under investment agreement with BankCom by SMB, GSMI and Petrogen Insurance Corporation.

The increase in property, plant and equipment - net by P140,583 million and the decrease in right-of-use assets - net by P51,297 million were mainly due to the reclassification by SPPC of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with PSALM and subsequent acquisition in June 2022, including directly attributable costs. The increase in property, plant and equipment - net was also due to the consolidation of the cement plant and properties of ECC, the costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions under the Food and Beverage business.

The increase in investment property - net by P4,835 million was mainly due to the acquisition of a property in Mandaluyong and reclassification of properties from property, plant and equipment due to change in use by SMPI and acquisition of various properties in Bulacan.

The increase in goodwill - net by P54,019 million mainly represents the goodwill recognized as a result of the consolidation of ECC.

The increase in other intangible assets - net by P58,342 million was mainly due to the: (a) additions to concession rights for the MIA Project and for the various ongoing Infrastructure projects; and (b) the mining rights recognized upon the consolidation of ECC. The increase was partly offset by the total amortization in 2022.

The increase in deferred tax assets by P5,413 million was mainly due to: (a) the recognition by SMC and San Miguel Global Power of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign currency-denominated long-term debt; and (b) the recognition by SMC of deferred tax on the remeasurement of its retirement plan assets.

The increase in loans payable by P76,925 million was mainly due to the net availments by Petron and Food Division for working capital requirements and San Miguel Global Power to partly finance the payment of Series H Bonds in April 2022 and for general corporate requirements.

The increase in accounts payable and accrued expenses by P32,547 million was mainly due to: (a) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects; (b) higher coal purchases of the Energy business on account of the surge in coal prices; and (c) consolidation of the balances of ECC.

The increase in income and other taxes payable by P14,592 million was mainly due to higher VAT and withholding tax payable of the Energy business and higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P259 million was mainly due to payment to preferred shareholders of Petron for dividends which were declared in 2021.

The increase in total long-term debt, net of debt issue costs, by P274,231 million was primarily due to the: (a) issuance of P90,000 million and P40,000 million fixed rate Peso-denominated bonds by SMC and San Miguel Global Power, respectively; (b) the availment by the Group of various foreign and Peso term loans; and (c) the revaluation of foreign currency-denominated loans by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds by SMC, San Miguel Global Power, SMC SLEX and SMB and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P19,517 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized in 2022 by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,445 million was mainly attributable to the recognition of deferred tax benefit on NOLCO by the Energy business partly offset by the deferred tax liability recognized from the differences in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P6,185 million was mainly due to increase in retention payable for: (a) the Mariveles Power Plant and BESS Projects of the Energy business and (b) the land development works for the MIA Project and the increase in retirement liabilities of SMB and SMC as a result of the higher actuarial loss on defined benefit obligation and remeasurement loss on retirement plan assets, respectively.

The decrease in the balance of capital securities by P3,960 million represents the RPS of SMC issued to ECC in 2020 which was eliminated upon consolidation of ECC in 2022.

The decrease in equity reserves by P1,383 million was mainly due to the remeasurement loss on the retirement plan assets of SMC, SMB and Petron partly offset by the gain on exchange differences on the translation of foreign operations in 2022.

The increase in appropriated retained earnings by P4,374 million was due to the appropriations by: (a) Multi-Ventures Investment Holdings, Inc. for the expansion projects located in Cavite; and (b) SMCSLC for the acquisition of new bulk carriers and vessel. The increase was partly offset by the reversal of appropriation for the final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant in June 2022.

The decrease in unappropriated retained earnings by P28,468 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends declared and distributions and the net appropriations in 2022.

The increase in treasury stock by P12,400 million mainly represents the redemption by SMC of the Subseries "2-H" Preferred Shares.

### III. CASH FLOW

#### SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

|                                                           | For the Years Ended December 31 |           |           |
|-----------------------------------------------------------|---------------------------------|-----------|-----------|
|                                                           | 2023                            | 2022      | 2021      |
|                                                           | <i>(In Millions)</i>            |           |           |
| Net cash flows provided by (used in) operating activities | <b>P83,096</b>                  | (P12,393) | P50,138   |
| Net cash flows used in investing activities               | <b>(155,457)</b>                | (201,528) | (127,572) |
| Net cash flows provided by financing activities           | <b>15,303</b>                   | 224,298   | 21,096    |

Net cash flows provided by (used in) operating activities basically consists of income for the year and changes in noncash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities are as follows:

|                                                                        | <b>For the Years Ended December 31</b> |             |             |
|------------------------------------------------------------------------|----------------------------------------|-------------|-------------|
|                                                                        | <b>2023</b>                            | <b>2022</b> | <b>2021</b> |
|                                                                        | <i>(In Millions)</i>                   |             |             |
| Additions to:                                                          |                                        |             |             |
| Property, plant and equipment                                          | <b>(P71,173)</b>                       | (P75,986)   | (P74,421)   |
| Intangible assets                                                      | <b>(64,677)</b>                        | (58,162)    | (26,007)    |
| Advances to contractors and suppliers                                  | <b>(9,448)</b>                         | (11,449)    | (16,067)    |
| Investment property                                                    | <b>(5,450)</b>                         | (4,415)     | (6,546)     |
| Investments and advances                                               | <b>(5,271)</b>                         | (2,432)     | (5,223)     |
| Investments in equity and debt instruments                             | <b>(616)</b>                           | (12,937)    | (6,101)     |
| Increase in other noncurrent assets and others                         | <b>(15,699)</b>                        | (6,330)     | (7,053)     |
| Interest received                                                      | <b>13,396</b>                          | 5,973       | 3,313       |
| Proceeds from:                                                         |                                        |             |             |
| Sale of property and equipment and other intangible assets             | <b>1,307</b>                           | 253         | 1,350       |
| Redemption and disposal of investments in equity and debt instruments  | <b>606</b>                             | 35,454      | 6,509       |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | <b>418</b>                             | 385         | -           |
| Dividends received                                                     | <b>1,150</b>                           | 2,452       | 2,674       |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | -                                      | (97,204)    | -           |
| Collection of advances for investment                                  | -                                      | 22,870      | -           |

Net cash flows provided by (used in) financing activities are as follows:

|                                                                                                        | <b>For the Years Ended December 31</b> |             |             |
|--------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|-------------|
|                                                                                                        | <b>2023</b>                            | <b>2022</b> | <b>2021</b> |
|                                                                                                        | <i>(In Millions)</i>                   |             |             |
| Net proceeds from (payments of) short-term borrowings                                                  | <b>(P52,100)</b>                       | P74,582     | P49,599     |
| Cash dividends and distributions paid                                                                  | <b>(44,145)</b>                        | (42,123)    | (39,310)    |
| Repurchase and redemption of capital securities and preferred shares of subsidiaries                   | <b>(27,134)</b>                        | (4,703)     | (17,459)    |
| Payments of lease liabilities                                                                          | <b>(20,995)</b>                        | (26,031)    | (26,151)    |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others              | <b>(3,014)</b>                         | (2,630)     | (623)       |
| Net proceeds from long-term borrowings                                                                 | <b>102,057</b>                         | 237,503     | 27,358      |
| Net proceeds from reissuance of treasury shares                                                        | <b>46,749</b>                          | -           | -           |
| Net proceeds from issuance of capital securities, preferred shares and treasury shares of subsidiaries | <b>13,885</b>                          | -           | 61,899      |
| Redemption of preferred shares                                                                         | -                                      | (12,300)    | (34,217)    |

The effect of exchange rate changes on cash and cash equivalents amounted to P202 million, P7,807 million and P9,159 million in 2023, 2022 and 2021, respectively.

#### IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 million in 2023, 2022 and 2021, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

#### V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Items I “Financial Performance” and II “Financial Position” of the MD&A for the discussion of certain Key Performance Indicators.

|                                                                                  | <b>December 31</b> |             |
|----------------------------------------------------------------------------------|--------------------|-------------|
|                                                                                  | <b>2023</b>        | <b>2022</b> |
| Liquidity:                                                                       |                    |             |
| Current Ratio                                                                    | <b>1.12</b>        | 1.22        |
| Quick Ratio                                                                      | <b>0.70</b>        | 0.77        |
| Solvency:                                                                        |                    |             |
| Debt to Equity Ratio                                                             | <b>2.70</b>        | 2.74        |
| Asset to Equity Ratio                                                            | <b>3.70</b>        | 3.74        |
| Profitability:                                                                   |                    |             |
| Return on Average Equity Attributable to Equity<br>Holders of the Parent Company | <b>0.07%</b>       | (4.24%)     |
| Interest Rate Coverage Ratio                                                     | <b>1.80</b>        | 1.66        |
| Return on Assets                                                                 | <b>1.84%</b>       | 1.20%       |
| Operating Efficiency:                                                            |                    |             |
| Volume Growth                                                                    | <b>6%</b>          | 20%         |
| Revenue Growth (Decline)                                                         | <b>(4%)</b>        | 60%         |
| Operating Margin                                                                 | <b>10%</b>         | 7%          |

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

| KPI                          | Formula                                                                                                                                                     |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Ratio                | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$                                                                                                  |
| Quick Ratio                  | $\frac{\text{Current Assets} - \text{Inventories} - \text{Current Portion of Biological Assets} - \text{Prepayments}}{\text{Current Liabilities}}$          |
| Debt to Equity Ratio         | $\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$                                                                                     |
| Asset to Equity Ratio        | $\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$                                                                                          |
| Return on Average Equity     | $\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$ |
| Interest Rate Coverage Ratio | $\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$                                                    |

| KPI              | Formula                                                                                                                 |
|------------------|-------------------------------------------------------------------------------------------------------------------------|
| Return on Assets | $\frac{\text{Net Income}}{\text{Average Total Assets}}$                                                                 |
| Volume Growth    | $\left( \frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$ |
| Revenue Growth   | $\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$                              |
| Operating Margin | $\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$                                                      |

## VI. OTHER MATTERS

### ▪ Commitments

The outstanding purchase commitments of the Group amounted to P248,484 million as at December 31, 2023.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position, Financial Performance and Cash Flows.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- There are no significant elements of income or loss that did not arise from continuing operations.
- Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

**ANNEX “C-1”**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
OF FINANCIAL POSITION AND FINANCIAL  
PERFORMANCE**

(As of March 31, 2024)



# SAN MIGUEL CORPORATION

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

### **INTRODUCTION**

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2024 (with comparative figures as at December 31, 2023 and for the period ended March 31, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2024, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

### **I. 2024 SIGNIFICANT TRANSACTIONS**

#### **INVESTING ACTIVITIES**

- **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the "Consortium"), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country's main international gateway.

On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, and Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan availment and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are on-going which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in San Miguel Global Power's gas-fired power plants, namely: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of preparing filings with the relevant regulatory agencies in relation to the joint investment by San Miguel Global Power and CGHI.

#### **AVAILMENT OF LONG-TERM DEBT**

##### **PESO TERM LOANS**

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) projects, and for payment of transaction costs.

- **Petron Corporation (Petron)**

On March 6, 2024, Petron availed of a P7,000 million term loan with a term of five years. The loan is subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years. The proceeds of the loan will be used for payment of existing indebtedness.

- **Infrastructure**

- **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

On January 15, 2024, SMC MRT 7 availed a total of P1,000 million term loans, subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

- **SMC NAIAX Corporation (SMC NAIAX)**

On March 4, 2024, SMC NAIAX drew a total of P469 million term loans from the P5,656 million OLSA with various banks executed on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

**FOREIGN CURRENCY-DENOMINATED LOANS**

▪ **SMC**

On various dates in the first quarter of 2024, SMC drew a total of US\$69 million term loans from the US\$2,165 million loan facility executed on March 31, 2022. The loans are subject to floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.

**PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS BY SMC**

On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by SMC in 2017.

The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

For the first quarter of 2024, the Group paid a total of P7,108 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

The Infrastructure business, Petron, the Energy, Packaging, Food and Beverage businesses, SMC and Cement business paid a total of P2,877 million, P2,270 million, P1,375 million, P436 million, P85 million, P40 million and P25 million, respectively, of their maturing obligations.

**EVENTS AFTER THE REPORTING DATE**

**a. Approval of the Issuance of P20,000 Million Fixed Rate Peso-denominated Bonds by the Board of Directors (BOD) of SMC**

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000 million, consisting of a Base Offer of P15,000 million and an Oversubscription Option of P5,000 million, out of the remainder of the existing P50,000 million shelf-registered fixed rate bonds with the Securities and Exchange Commission.

**b. Payment of P13,200 Million Series C Fixed Rate Peso-denominated Bonds by Petron**

On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds issued in 2019.

## II. FINANCIAL PERFORMANCE

### 2024 vs. 2023

|                                                                       | March            |           | Horizontal Analysis<br>Increase (Decrease) |        | Vertical<br>Analysis |       |
|-----------------------------------------------------------------------|------------------|-----------|--------------------------------------------|--------|----------------------|-------|
|                                                                       | 2024             | 2023      | Amount                                     | %      | 2024                 | 2023  |
| <i>(In Millions)</i>                                                  |                  |           |                                            |        |                      |       |
| Sales                                                                 | <b>P392,713</b>  | P346,725  | P45,988                                    | 13%    | <b>100%</b>          | 100%  |
| Cost of Sales                                                         | <b>(328,363)</b> | (290,182) | 38,181                                     | 13%    | <b>(84%)</b>         | (84%) |
| Gross Profit                                                          | <b>64,350</b>    | 56,543    | 7,807                                      | 14%    | <b>16%</b>           | 16%   |
| Selling and Administrative<br>Expenses                                | <b>(23,886)</b>  | (21,490)  | 2,396                                      | 11%    | <b>(6%)</b>          | (6%)  |
| Operating Income                                                      | <b>40,464</b>    | 35,053    | 5,411                                      | 15%    | <b>10%</b>           | 10%   |
| Interest Expense and<br>Other Financing<br>Charges                    | <b>(23,522)</b>  | (21,803)  | 1,719                                      | 8%     | <b>(6%)</b>          | (6%)  |
| Interest Income                                                       | <b>3,634</b>     | 3,453     | 181                                        | 5%     | <b>1%</b>            | 1%    |
| Equity in Net Earnings of<br>Associates and Joint<br>Ventures         | <b>416</b>       | 652       | (236)                                      | (36%)  | <b>0%</b>            | 0%    |
| Gain (Loss) on Sale of<br>Property and Equipment                      | <b>13</b>        | (45)      | 58                                         | 129%   | <b>0%</b>            | 0%    |
| Other Income (Charges)<br>- Net                                       | <b>(6,847)</b>   | 10,072    | (16,919)                                   | (168%) | <b>(2%)</b>          | 3%    |
| Income Before Income<br>Tax                                           | <b>14,158</b>    | 27,382    | (13,224)                                   | (48%)  | <b>3%</b>            | 8%    |
| Income Tax Expense                                                    | <b>(5,271)</b>   | (9,643)   | (4,372)                                    | (45%)  | <b>(1%)</b>          | (3%)  |
| <b>Net Income</b>                                                     | <b>P8,887</b>    | P17,739   | (P8,852)                                   | (50%)  | <b>2%</b>            | 5%    |
| Net Income Attributable<br>to Equity Holders of<br>the Parent Company | <b>P509</b>      | P8,832    | (P8,323)                                   | (94%)  | <b>0%</b>            | 2%    |
| Net Income Attributable<br>to Non-controlling<br>Interests            | <b>8,378</b>     | 8,907     | (529)                                      | (6%)   | <b>2%</b>            | 3%    |
| <b>Net Income</b>                                                     | <b>P8,887</b>    | P17,739   | (P8,852)                                   | (50%)  | <b>2%</b>            | 5%    |

Consolidated sales of P392,713 million for the first quarter of 2024 increased by 13% compared to last year, mainly on account of higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), and the higher average selling prices of San Miguel Brewery Inc. (SMB) and GSMI.

The Group's cost of sales increased by P38,181 million or 13%, mainly due to: (a) higher volume sold reduced by the lower cost per liter of petroleum products of Petron; and (b) higher LNG and coal consumption resulting from the resumption of operations of the Ilijan Power Plant in June 2023 and commissioning activities of the Mariveles Power Plant starting April 2023 and higher volume of power purchases in 2024 due to the increased demand from bilateral customers and the spot market, partly offset by lower cost of coal due to the decline in NewCastle coal price indices of the Energy business.

The increase in selling and administrative expenses by P2,396 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, distribution costs, and advertising and promotion expenses primarily from the Food and Beverage business and higher real property taxes paid by the Energy business.

Consolidated operating income increased by P5,411 million or 15% from the same period last year, mainly driven by the: (a) growth in volume from effective volume strategy and efficiency measures implemented by Petron; (b) higher sales volume of the Food division and GSML; (c) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services; (d) strong margins focusing on cost control initiatives implemented by the Cement business; and (e) sustained growth in traffic volumes backed by continued cost management initiatives of the Infrastructure business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and increased average level of loans of Petron and the Energy business.

The increase in interest income was primarily due to higher interest rates and average balance of short-term investments of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC and lower average interest rates on short-term investments of the Energy business.

The decrease in equity in net earnings of associates and joint ventures was mainly due to the share on the lower net income of Angat Hydropower Corporation (Angat Hydro), partly offset by the share in higher net income of Bank of Commerce (BankCom) for the first quarter in 2024 compared to the same period last year.

The gain on sale of property and equipment in 2024 pertains mainly to the sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P6,847 million was a turnaround from last year's other income - net of P10,072 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC and the Energy business resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSML in 2023. In March 2024, the Philippine Peso depreciated by P0.870 against the US Dollar, while in 2023, the Philippine Peso appreciated by P1.395 against the US Dollar.

The decrease in income tax expense was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in 2024 compared to unrealized foreign exchange gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 50% to P8,887 million, from P17,739 million last year, mainly on account of the loss on foreign exchange in the first quarter of 2024, a turnaround from the gain recognized in 2023 resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents mainly of SMC and the Energy business, partly offset by the improved operations of most businesses mainly Petron, the Energy and Infrastructure businesses, the Food division and GSML.

The net income attributable to equity holders of the Parent Company decreased mainly due to lower net income on account of the foreign exchange loss as compared to foreign exchange gain in the same period in 2023.

The decrease in the share of non-controlling interests (NCI) on the Group's net income was mainly due to the distribution on Senior Perpetual Capital Securities of Petron in 2023, partly offset by the higher net income of Petron in 2024.

The following are the highlights of the performance of the individual business segments:

## **1) FOOD AND BEVERAGE**

San Miguel Food and Beverage, Inc. (SMFB) sustained its steady performance in the first quarter of 2024, posting a 2% growth in consolidated revenues from the same period last year at P95,432 million on the back of robust volume growth from GSMI and the Food division.

Consolidated income from operations amounted to P13,119 million, up 13% from last year, while net income reflected a 1% increase to P9,974 million from last year's level.

### **a) Beer and Non-Alcoholic Beverages (NAB) Division**

SMB reported first quarter of 2024 consolidated sales volume at 58.9 million cases, 6% lower than the comparable period in 2023 due to last year's higher base and trade build-up from price adjustments. As a result, SMB's consolidated sales amounted to P37,367 million, slightly down 3% from the same period in 2023.

Similarly, consolidated operating income and net income ended slightly lower than last year at P8,131 million and P6,514 million, respectively.

#### **Domestic Operations**

SMB's domestic beer and NAB sales amounted to P33,055 million, down 3% compared to last year due to the aforementioned trade build-up for the March 2023 price adjustment slowing down the sales volume growth of beer by 7% to 51.3 million cases.

#### **International Operations**

SMB's international sales volume reported a slight decline of 1% in volumes due to market mix changes. However, global San Miguel brands continued to deliver strong volumes, growing 4% in first quarter of 2024.

### **b) Spirits Division**

GSMI continued its growth momentum in the first quarter of 2024, delivering a robust 17% growth in consolidated revenues to P15,117 million against the comparable period a year ago, primarily brought by the sustained volume growth of 8% to 12.5 million cases compared to the previous year.

GSMI's strong volume growth was secured by the strength of its core brands and its implemented initiatives to sustain strong brand equity, coupled with supply chain improvements developed over the years.

Income from operations, likewise, surged 40% to P2,278 million, on the back of operating efficiencies in imported alcohol purchase, second-hand bottle use and biogas generation at the distillery.

Meanwhile, consolidated net income stood at P1,907 million.

### **c) Food Division**

The Food division delivered P42,950 million in revenues, 2% higher than the previous year. This was mainly driven by higher volumes across most segments, resulting from aggressive marketing efforts to boost demand.

The Prepared and Packaged Food segment which consists of processed meats, dairy, spreads, and coffee businesses, led topline growth, with a 9% revenue increase, attributed to better selling prices and sustained volume growth.

The Protein segment, which includes the Poultry and Fresh Meats businesses, saw a 2% revenue improvement, fueled by strong chicken volume growth, which offset the impact of lower chicken prices caused by the proliferation of imported frozen chicken, and the lingering effects of African Swine Fever (ASF) on the hog industry.

The Animal Nutrition and Health segment experienced a 3% decline in revenue as it strategically aligned prices with lower raw material costs, maintaining a competitive edge amidst continuing challenges in the hog industry due to ASF.

The Flour segment revenue showed a slight 1% decrease due to strategic competitive pricing aimed at increasing volume.

Operating income recorded a 78% improvement to P2,730 million versus last year, buoyed by higher gross profits as key raw material prices eased and efficiencies from company-owned facilities were optimized.

Similarly, net income surged 139% to P1,771 million versus the relative period in the previous year.

## **2) PACKAGING**

The Packaging business recorded consolidated revenues of P8,407 million in the first quarter of 2024. The 18% decline was on account of the record-high volume requirements mainly from the Beer division reported in the comparable period last year.

Consequently, consolidated operating income saw a 13% decrease to P696 million versus last year.

## **3) ENERGY**

San Miguel Global Power reported a remarkable 7% rebound in first quarter of 2024 consolidated revenues amounting to P44,123 million from P41,124 million in first quarter of 2023. This was mainly attributable to the 71% increase in offtake volume brought by higher bilateral volumes from SPPC's emergency power supply agreements with Manila Electric Company and new retail supply customers of Limay Power Plant.

Moreover, ancillary services rendered by ten BESS facilities of San Miguel Global Power, with a combined capacity of 330 MW and commencing operations on various dates from August 2023 up to March 2024, contributed to the revenue growth.

In addition, the Energy business has successfully transitioned to fuel passthrough arrangements for most of its bilateral customers.

Net income ended lower at P1,547 million, dragged by the net loss on foreign exchange of P1,436 million, a turnaround from last year's gain of P3,695 million.

Operating income, however, reached P8,840 million a significant 17% increase from last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MW, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024.

The remaining BESS capacities of 630 MW are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of National Grid Corporation of the Philippines as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

On February 26, 2024, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) in favor of Mariveles Power Generation Corporation's (MPGC) Unit 1. Following the receipt of the PAO from the ERC, MPGC declared the commercial operations of its 150 MW Unit 1 with the IEMOP starting March 28, 2024.

#### **4) FUEL AND OIL**

Petron marked a robust performance for the first three months of the year, posting consolidated revenues of P227,637 million, 21% higher than last year's level primarily driven by its strong volume growth.

Petron's consolidated volumes reached 35.3 million barrels, up 23% versus the previous year backed by the recorded broad-based growth across all its business segments. This was also attributable to the higher production at Petron's refineries in Bataan and Port Dickson in Malaysia.

Consolidated operating income amounted to P10,171 million, up 21% from the same period last year on the back of its efficiency measures and volume strategies, as well as its resilience and response to macroeconomic volatility. Benchmark Dubai crude climbed 9% to US\$84.15 per barrel by March this year compared to \$77.33 per barrel in December 2023.

Moreover, consolidated net income jumped 16% versus last year to P3,933 million.

#### **5) INFRASTRUCTURE**

The Infrastructure business sustained its strong performance in the first quarter of 2024, posting consolidated revenues of P8,886 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 3% from last year's level to 1,022,521 vehicles complemented by the continued increase in travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted in a 6% increase in operating income to P4,768 million versus the same quarter last year.

Net income rose by 38% to P3,590 million driven by its higher interest income.

The Land Development Works of the MIA Project are ongoing and progressing well. Overall progress for the land development works is at 79.49% while airport development works is estimated to commence in 2025.

The Railway Component percentage accomplishment for the MRT 7 is at 72.82% while the Detailed Engineering Design and site development for the depot is still ongoing. In addition, 17 out of 36 trainsets were delivered on-site.

## **6) CEMENT**

The Cement business which includes Eagle Cement Corporation (ECC), Northern Cement Corporation and Southern Concrete Industries, Inc., recorded consolidated revenues of P9,276 million, down 10% from last year. The Cement business was able to maintain its volume versus last year, however, revenue declined due to market constriction coupled with the influx of cheaper imports resulting in declining prices of local cement.

Operating income, despite a challenging market environment, leaped by 36% versus last year to P1,811 million due to lower cost of inputs on the back of the business' cost containment initiatives and operating efficiencies.

The Cement business nearly doubled its net income to P1,199 million from P631 million in the comparable quarter in 2023 supported by lower net financing charges.

**2023 vs. 2022**

|                                                                 | March            |           | Horizontal Analysis<br>Increase (Decrease) |         | Vertical<br>Analysis |       |
|-----------------------------------------------------------------|------------------|-----------|--------------------------------------------|---------|----------------------|-------|
|                                                                 | 2023             | 2022      | Amount                                     | %       | 2023                 | 2022  |
| <i>(In Millions)</i>                                            |                  |           |                                            |         |                      |       |
| Sales                                                           | <b>P346,725</b>  | P316,765  | P29,960                                    | 9%      | <b>100%</b>          | 100%  |
| Cost of Sales                                                   | <b>(290,182)</b> | (264,531) | 25,651                                     | 10%     | <b>(84%)</b>         | (84%) |
| Gross Profit                                                    | <b>56,543</b>    | 52,234    | 4,309                                      | 8%      | <b>16%</b>           | 16%   |
| Selling and Administrative Expenses                             | <b>(21,490)</b>  | (19,767)  | 1,723                                      | 9%      | <b>(6%)</b>          | (6%)  |
| Operating Income                                                | <b>35,053</b>    | 32,467    | 2,586                                      | 8%      | <b>10%</b>           | 10%   |
| Interest Expense and Other Financing Charges                    | <b>(21,803)</b>  | (12,365)  | 9,438                                      | 76%     | <b>(6%)</b>          | (4%)  |
| Interest Income                                                 | <b>3,453</b>     | 1,037     | 2,416                                      | 233%    | <b>1%</b>            | 0%    |
| Equity in Net Earnings of Associates and Joint Ventures         | <b>652</b>       | 448       | 204                                        | 46%     | <b>0%</b>            | 0%    |
| Gain (Loss) on Sale of Property and Equipment                   | <b>(45)</b>      | 2         | (47)                                       | (2350%) | <b>(0%)</b>          | 0%    |
| Other Income (Charges) - Net                                    | <b>10,072</b>    | (1,465)   | 11,537                                     | 788%    | <b>3%</b>            | (0%)  |
| Income Before Income Tax                                        | <b>27,382</b>    | 20,124    | 7,258                                      | 36%     | <b>8%</b>            | 6%    |
| Income Tax Expense                                              | <b>(9,643)</b>   | (6,181)   | 3,462                                      | 56%     | <b>(3%)</b>          | (2%)  |
| <b>Net Income</b>                                               | <b>P17,739</b>   | P13,943   | P3,796                                     | 27%     | <b>5%</b>            | 4%    |
| Net Income Attributable to Equity Holders of the Parent Company | <b>P8,832</b>    | P6,336    | P2,496                                     | 39%     | <b>2%</b>            | 2%    |
| Net Income Attributable to Non-controlling Interests            | <b>8,907</b>     | 7,607     | 1,300                                      | 17%     | <b>3%</b>            | 2%    |
| <b>Net Income</b>                                               | <b>P17,739</b>   | P13,943   | P3,796                                     | 27%     | <b>5%</b>            | 4%    |

The Group recorded consolidated sales of P346,725 million for the first quarter of 2023, 9% higher than the same period in 2022 mainly on account of higher sales volume of Petron and SMB and the sales contribution of ECC which was consolidated effective December 2022. This was partly offset by the lower sales from the Energy business.

The Group's cost of sales increased by 10% mainly due to: (a) increase in sales volume partly offset by the lower cost per liter of fuel products of Petron; (b) higher sales volume of SMB; and (c) the cost of sales of ECC for the first quarter in 2023. This was partly offset by the lower overall power purchases of the Energy business relative to the decline in sales volume.

The increase in selling and administrative expenses of 9% is attributable mainly to higher distribution costs and amortization of deferred containers of SMB and the additional operating expenses of ECC.

Consolidated operating income rose 8% to P35,053 million driven by the sustained performance improvements of SMB and the Infrastructure business and the contribution of ECC in 2023. This was however softened by the effect of rising raw material prices which continues to challenge the businesses, particularly the Food division and the Energy business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and average loan balance of SMC and Petron.

The increase in interest income was mainly due to higher interest rates and average balance of short-term placements of the Infrastructure business, SMC, SMB and Petron and the higher balance of investment in debt securities of SMB, GSMI, and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of BankCom and Angat Hydro in the first quarter of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net in 2023 mainly represents the net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt. Other charges - net in 2022 mainly represents the net loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In March 2023, the Philippine Peso appreciated by P1.395 against the US Dollar, while in 2022, the Philippine Peso depreciated by P0.741 against the US Dollar.

The higher income tax expense of the Group was primarily due to SMC's turnaround from income tax benefit in 2022 to income tax expense in 2023, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to unrealized loss in the same period in 2022 and the higher unrealized gain on derivatives.

Consolidated net income rose 27% to P17,739 million, from P13,943 million in 2022, mainly on account of the significant gain on foreign exchange recognized in the first quarter of 2023, as a result of the appreciation of the Philippine Peso against the US Dollar in March 2023, compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,496 million mainly due to higher net income on account of the gain on foreign exchange in 2023 as compared to the loss on foreign exchange in the same period in 2022.

The increase in share of NCI on the Group's net income was mainly due to the higher net income of SMFB.

The following are the highlights of the performance of the individual business segments:

#### **1) FOOD AND BEVERAGE**

SMFB posted consolidated sales of P93,186 million during the first three months of 2023, 12% higher than the same period in 2022, brought about by the volume growth from the Beer division combined with higher selling prices across the Beer, Spirits and Food divisions.

However, while the Beer division posted strong operating income growth in the first quarter of 2023, the impact of rising cost of raw materials that affected the Food and Spirits divisions resulted in the decline in operating income of SMFB by 9% at P11,581 million.

SMFB's consolidated net income was up 8% ending at P9,875 million, mainly due to SMB's strong performance, including the gain recognized by GSMI from the assignment of product rights.

**a) Beer and NAB Division**

SMB's consolidated sales rose 29% to P38,335 million from P29,659 million in 2022, mainly due to volume growth and price adjustments implemented by both the domestic and international operations. Consolidated volumes reached 62.6 million cases, up 26% from 2022.

SMB's operating income grew 25% to P8,438 million from 2022 while consolidated net income reached P6,819 million, up 38% from P4,935 million in 2022.

**Domestic Operations**

SMB's domestic operations delivered beer volumes of 54.9 million cases for the first three months of 2023, 26% higher compared to the same period in 2022. The continued uptrend in volumes were mainly driven by the full return of business operations, on-premise recovery, and resumption of tourism activities complemented by new brand campaigns and offtake generating programs. Along with the impact of the price increase implementation, SMB domestic revenues grew 28% to P33,988 million from the same period in 2022.

NAB's volume sustained its growth momentum surpassing the 2022 level by 73%.

Combined with cost management and efficiency improvements, operating income and net income amounted to P7,309 million and P5,740 million, 17% and 29% growth, respectively.

To support its robust performance and further strengthen value proposition and consumption in key channels, SMB domestic launched new thematic brand campaigns namely: San Miguel Pale Pilsen's "*Samaritan*" advertisement and "*Sarap ng Beermen Predictions*" digital promotions; Red Horse' "*Magneto*" advertisement; and San Mig Light's ongoing "*Yass*" and "*Sweet Street*" thematic campaign. NAB also launched the new Magnolia Fruit Drink Mango in 250ml bottle last April 2023, affordably priced at P10.00 per bottle.

**International Operations**

SMB's international operations posted increase in volumes and sales of 29% and 27%, respectively, in the first three months of 2023. This was primarily driven by the strong performance from Hong Kong, Thailand, and exports.

**b) Spirits Division**

GSMI recorded sales volumes of 11.5 million cases, down by 5% from 2022, reflecting the effect of a temporary volume slowdown in February 2023 due to the price increase implementation on February 1, 2023, this was 15 days earlier compared to the 2022 price increase implementation. Nevertheless, the launching in March 2023 of the nationwide "*Ngiting Instanalo*" consumer promo drove the quick rebound in volumes posting a 10% growth in March 2023 compared to the same period in 2022. GSM Blue volumes, in particular, posted a year-to-date growth of 32% against 2022.

Sales reached P12,945 million, 3% higher from the P12,620 million reported in the same period in 2022. Operating income, however, was down 9% to P1,631 million mainly brought by lower volumes and higher input costs.

Net income amounted to P2,532 million, 81% higher than in 2022 mainly on account of the income from the assignment of product rights recognized in March 2023.

### **c) Food Division**

The Food division posted consolidated sales of P41,908 million during the first quarter of 2023, 3% higher than the same period in 2022. The Food division had a rough start as persistent high inflation rates started to impact consumer spending and limited poultry capacity curbed sales of the Poultry business. However, price increases implemented since 2022 across products categories to cope with rising raw material costs helped sustain topline growth.

While commodity prices have generally trended lower during the first quarter of 2023, absolute price levels remained elevated compared to 2022. The price gap between the first quarter of 2023 and the same period in 2022 is also heightened as inventories during the early part of 2022 were priced lower.

The continued escalation of raw material costs and other inputs squeezed operating income to P1,531 million, 63% lower compared to 2022. Consequently, net income ended at P740 million, 76% lower than same period in 2022.

The Food division is committed to recover from this temporary setback, seeing second quarter of 2023 improvements with prices of raw materials starting to stabilize. Better growing efficiencies in poultry is also expected with the recovery of some contract growers and addition of new capacities that will come onstream for the balance of 2023.

Revenues from the Animal Nutrition and Health segment grew by 8%, on account of higher selling prices. Volumes were behind in 2022 as ASF and avian flu persisted, dampening demand for feeds. At least half of the towns within the country remain affected by the ASF which has cut total hog population by almost one-fourth since its onset in 2018. Meanwhile, around 2.2 million birds were lost due to avian flu.

The Protein segment, consisting of Poultry and Meats businesses, posted sales 8% lower than in 2022, which has been affected by the aggressive capacity grabbing by other industry players which constricted volumes. Fresh Meats' lower volumes, on the other hand, reflected the deliberate strategy to downsize the hog operations.

The Prepared and Packaged Food segment's consolidated sales was 14% higher than in 2022. Demand for Tender Juicy Hotdogs and Purefoods Chicken Nuggets held steady despite price increases while sales of butter, margarine, cheese, and coffee registered growth. Purefoods luncheon meat, in particular, has been emerging as a viable alternative for SPAM.

The Flour segment posted a 13% growth in consolidated sales on the back of better selling prices combined with volume growth after regaining market share.

## **2) PACKAGING**

The Packaging business' consolidated sales for the first quarter of 2023 grew 27% to P10,195 million compared to the same period in 2022, sustaining its growth momentum since end of 2022. This was mainly driven by strong demand from glass, plastics, flexibles and beverage filling which continue to increase, together with the stable growth from Australia operations.

Operating income amounted to P803 million, 31% higher than same period in 2022.

### 3) ENERGY

San Miguel Global Power's offtake volumes for the first quarter in 2023 ended at 4,657 gigawatt hours, 33% lower than in 2022, mainly due to the absence of natural gas supply to the Ilijan Power Plant.

Consolidated sales amounted to P41,124 million, slightly lower than the P43,036 million registered in 2022. Volume decline was mitigated by the overall higher average tariff rate adjustments for pass-on fuel costs.

With better margins on its available net capacity, operating income reached P7,575 million, up 12% from P6,790 million in 2022.

Net income grew 177% to P5,345 million, which includes the impact of net foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

San Miguel Global Power recently accomplished several key milestones in its two landmark and game changing projects in the local power industry.

The 1,000 MW BESS project was inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

San Miguel Global Power also launched its foray into LNG power generation with the first ever shipment of LNG to the country which happened in the last week of April 2023. The LNG transfer was made to a Floating Storage Unit which eventually berthed on the first ever LNG terminal in the country strategically located between San Miguel Global Power's 1,200 MW Ilijan Power Plant and the new 1,313 MW Batangas Combined Cycled Power Plant. The LNG terminal is expected to provide LNG fuel to the Ilijan Power Plant in May 2023 and reintegrate its valuable baseload capacity to the Grid.

### 4) FUEL AND OIL

Petron sustained its recovery momentum in the first quarter of 2023, delivering significant growth across the business, registering consolidated sales of P188,753 million, 10% higher from P172,331 million in 2022. This was mainly boosted by growth in fuel demand from both Philippine and Malaysian operations registering 28.6 million barrels, up 11% from 25.7 million barrels in 2022.

Consolidated commercial sales grew 13% owing to higher demand from the aviation sector. Retail sales from both the Philippine and Malaysian markets similarly increased by 12% due to increased mobility. Polypropylene sales likewise expanded by 68%.

Despite the price movements of Dubai crude oil, which dipped by 16% to US\$80.32 per barrel in the first quarter of 2023 from US\$95.56 in 2022, operating income ended at P8,418 million, at par with 2022 while net income amounted to P3,399 million, slightly behind same period in 2022 of P3,598 million by 6%.

## **5) INFRASTRUCTURE**

The Infrastructure business sustained its growth momentum since end of 2022 recording combined average daily traffic volumes of 996,805 for the first quarter in 2023, 23% higher compared to the same period in 2022. This was mainly driven by the resumption of onsite work and face to face classes along with the increase in tourism-related travel. Correspondingly, consolidated revenues reached P8,170 million, 31% higher than 2022 level.

Operating income soared by 82% to P4,484 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The construction of MRT 7, South Luzon Expressway - Toll Road 4 (SLEX-TR4) and Skyway Stage 4 are all on track. The awarding of the Independent Contractor contract is in progress for the Pasig River Expressway, Northern Access Link Expressway, Southern Access Link Expressway, and South Luzon Expressway - Toll Road 5 projects. As at March 2023, the overall completion of the Land Development Works for the MIA Project was at 55.33%. The MIA project team continues to work on the Airport Masterplan along with the critical components of the Airport.

## **6) CEMENT**

The Cement business registered consolidated sales of P10,340 million for the first quarter of 2023 from P3,222 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P1,333 million from P293 million in 2022.

The current portfolio of the Cement business is expected to further solidify SMC's strong position in the domestic cement industry, which greatly complements and enhances its nation-building-through-infrastructure development agenda across multiple industries.

### III. FINANCIAL POSITION

#### 2024 vs. 2023

| (In Millions)                                                         |                   |                  | Horizontal Analysis |       | Vertical Analysis |      |
|-----------------------------------------------------------------------|-------------------|------------------|---------------------|-------|-------------------|------|
|                                                                       | March<br>2024     | December<br>2023 | Increase (Decrease) |       | 2024              | 2023 |
|                                                                       |                   |                  | Amount              | %     |                   |      |
| Cash and cash equivalents                                             | <b>P270,341</b>   | P261,358         | P8,983              | 3%    | <b>11%</b>        | 11%  |
| Trade and other<br>receivables - net                                  | <b>264,992</b>    | 263,119          | 1,873               | 1%    | <b>10%</b>        | 11%  |
| Inventories                                                           | <b>149,937</b>    | 161,986          | (12,049)            | (7%)  | <b>6%</b>         | 6%   |
| Current portion of biological<br>assets - net                         | <b>3,307</b>      | 3,515            | (208)               | (6%)  | <b>0%</b>         | 0%   |
| Prepaid expenses and<br>other current assets                          | <b>148,287</b>    | 141,424          | 6,863               | 5%    | <b>6%</b>         | 6%   |
| <b>Total Current Assets</b>                                           | <b>836,864</b>    | 831,402          | 5,462               | 1%    | <b>33%</b>        | 34%  |
| Investments and advances -<br>net                                     | <b>43,321</b>     | 37,089           | 6,232               | 17%   | <b>2%</b>         | 2%   |
| Investments in equity and<br>debt instruments                         | <b>19,426</b>     | 19,417           | 9                   | 0%    | <b>1%</b>         | 1%   |
| Property, plant and<br>equipment - net                                | <b>773,247</b>    | 753,472          | 19,775              | 3%    | <b>31%</b>        | 31%  |
| Right-of-use assets - net                                             | <b>106,830</b>    | 108,014          | (1,184)             | (1%)  | <b>4%</b>         | 4%   |
| Investment property - net                                             | <b>81,436</b>     | 79,513           | 1,923               | 2%    | <b>3%</b>         | 3%   |
| Biological assets - net of<br>current portion                         | <b>2,512</b>      | 2,667            | (155)               | (6%)  | <b>0%</b>         | 0%   |
| Goodwill - net                                                        | <b>182,723</b>    | 182,791          | (68)                | (0%)  | <b>7%</b>         | 7%   |
| Other intangible assets - net                                         | <b>312,878</b>    | 306,638          | 6,240               | 2%    | <b>13%</b>        | 12%  |
| Deferred tax assets                                                   | <b>21,124</b>     | 19,633           | 1,491               | 8%    | <b>1%</b>         | 1%   |
| Other noncurrent assets - net                                         | <b>127,167</b>    | 118,729          | 8,438               | 7%    | <b>5%</b>         | 5%   |
| <b>Total Noncurrent Assets</b>                                        | <b>1,670,664</b>  | 1,627,963        | 42,701              | 3%    | <b>67%</b>        | 66%  |
| <b>Total Assets</b>                                                   | <b>P2,507,528</b> | P2,459,365       | P48,163             | 2%    | <b>100%</b>       | 100% |
| Loans payable                                                         | <b>P231,538</b>   | P214,881         | P16,657             | 8%    | <b>9%</b>         | 9%   |
| Accounts payable and<br>accrued expenses                              | <b>236,480</b>    | 223,055          | 13,425              | 6%    | <b>9%</b>         | 9%   |
| Lease liabilities - current<br>portion                                | <b>15,491</b>     | 19,631           | (4,140)             | (21%) | <b>1%</b>         | 1%   |
| Income and other taxes<br>payable                                     | <b>49,335</b>     | 46,254           | 3,081               | 7%    | <b>2%</b>         | 2%   |
| Dividends and distributions<br>payable                                | <b>5,607</b>      | 4,605            | 1,002               | 22%   | <b>0%</b>         | 0%   |
| Current maturities of long-<br>term debt - net of debt<br>issue costs | <b>266,626</b>    | 236,798          | 29,828              | 13%   | <b>11%</b>        | 9%   |
| <b>Total Current Liabilities</b>                                      | <b>805,077</b>    | 745,224          | 59,853              | 8%    | <b>32%</b>        | 30%  |
| Long-term debt - net of<br>current maturities and<br>debt issue costs | <b>943,186</b>    | 953,786          | (10,600)            | (1%)  | <b>38%</b>        | 39%  |
| Lease liabilities - net of<br>current portion                         | <b>35,515</b>     | 36,941           | (1,426)             | (4%)  | <b>1%</b>         | 2%   |
| Deferred tax liabilities                                              | <b>30,219</b>     | 29,503           | 716                 | 2%    | <b>1%</b>         | 1%   |
| Other noncurrent liabilities                                          | <b>28,913</b>     | 28,745           | 168                 | 1%    | <b>1%</b>         | 1%   |
| <b>Total Noncurrent<br/>Liabilities</b>                               | <b>1,037,833</b>  | 1,048,975        | (11,142)            | (1%)  | <b>41%</b>        | 43%  |

Forward

| (In Millions)                 |                   |            | Horizontal Analysis |      | Vertical Analysis |      |
|-------------------------------|-------------------|------------|---------------------|------|-------------------|------|
|                               | March             | December   | Increase (Decrease) |      |                   |      |
|                               | 2024              | 2023       | Amount              | %    | 2024              | 2023 |
| Capital stock - common        | <b>P16,443</b>    | P16,443    | P -                 | 0%   | <b>1%</b>         | 1%   |
| Capital stock - preferred     | <b>10,187</b>     | 10,187     | -                   | 0%   | <b>0%</b>         | 0%   |
| Additional paid-in capital    | <b>177,442</b>    | 177,468    | (26)                | (0%) | <b>7%</b>         | 7%   |
| Capital securities            | <b>24,211</b>     | 24,211     | -                   | 0%   | <b>1%</b>         | 1%   |
| Equity reserves               | <b>7,036</b>      | 7,354      | (318)               | (4%) | <b>0%</b>         | 0%   |
| Retained earnings:            |                   |            |                     |      |                   |      |
| Appropriated                  | <b>93,128</b>     | 87,170     | 5,958               | 7%   | <b>4%</b>         | 4%   |
| Unappropriated                | <b>93,950</b>     | 103,151    | (9,201)             | (9%) | <b>4%</b>         | 4%   |
| Treasury stock                | <b>(109,763)</b>  | (109,763)  | -                   | 0%   | <b>(4%)</b>       | (4%) |
| <b>Equity Attributable to</b> |                   |            |                     |      |                   |      |
| Equity Holders of             |                   |            |                     |      |                   |      |
| the Parent Company            | <b>312,634</b>    | 316,221    | (3,587)             | (1%) | <b>13%</b>        | 13%  |
| Non-controlling Interests     | <b>351,984</b>    | 348,945    | 3,039               | 1%   | <b>14%</b>        | 14%  |
| <b>Total Equity</b>           | <b>664,618</b>    | 665,166    | (548)               | (0%) | <b>27%</b>        | 27%  |
| <b>Total Liabilities and</b>  |                   |            |                     |      |                   |      |
| <b>Equity</b>                 | <b>P2,507,528</b> | P2,459,365 | P48,163             | 2%   | <b>100%</b>       | 100% |

Consolidated total assets as at March 31, 2024 amounted to P2,507,528 million, P48,163 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets and other noncurrent assets, offset by the decrease in inventories.

The decrease in inventories by P12,049 million was attributable mainly to: (a) Petron's lower volume of crude oil, partly offset by higher volume of finished products and higher prices of both crude oil and finished products; (b) utilization of spare parts for combustor and turbine inspection conducted during the quarter and decline in LNG stockpile of Ilijan Power Plant; and (c) decline in coal inventory of the Sual, Masinloc, Limay and Malita Power Plants as a result of higher consumption.

The decrease in total biological assets of P363 million was mainly due to lower feed costs and decrease in volume of flocks loaded as compared to December 31, 2023 balances.

The increase in prepaid expenses and other current assets by P6,863 million was primarily due to: (a) higher input taxes of Petron, SMC Shipping and Lighterage Corporation and the Energy business; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron. The increase was partly offset by the application of fixed fee reduction credits by Sual Power Inc.

The increase in investments and advances - net by P6,232 million was mainly due to the: (a) advances for future investment to certain companies by SMC and the Energy business; (b) investment in NNIC by SMHC; and (c) Group's share in the net income of BankCom and Manila North Harbour Port, Inc. (MNHPI) in first quarter of 2024. The increase was partly offset by the dividend received from MNHPI.

The increase in deferred tax assets by P1,491 million was primarily due to the recognition by SMC of deferred tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P8,438 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project; (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses; and (c) transaction costs incurred by SMC for the US\$2,000 million term loan facility but not yet drawn as at March 31, 2024.

The increase in loans payable by P16,657 million was mainly due to the net availment made by SMC and the Food division, reduced by the net payment made by Petron.

The increase in accounts payable and accrued expenses by P13,425 million was mainly due to higher payables for capital expenditures of the Energy business and higher outstanding liabilities to the contractors and vendors of Petron, partly offset by the settlements made for fuel supplies, energy fees and power purchases of the Energy business.

The increase in income and other taxes payable by P3,081 million was mainly due to the higher: (a) income tax payable of SMB, GSML and Petron; and (b) excise duties on the inventory of Petron.

The increase in dividends and distributions payable by P1,002 million was mainly due to the: (a) declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on January 19, 2024, which were paid on April 4, 2024; and (b) declaration by The Purefoods-Hormel Company, Inc. (PF-Hormel) of dividends to common shareholders in March 2024, payable in July and December 2024.

The increase in total long-term debt, net of debt issue costs of P19,228 million was primarily due to the availment of Peso term loans mainly by the Energy business and Petron and foreign currency-denominated term loan by SMC, and translation adjustments for the period. The increase was partly offset by the payment of Series B Bonds by SMC and other maturing obligations of the Group.

The decrease in total lease liabilities by P5,566 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the Independent Power Producer Administration (IPPA) Agreements.

The increase in appropriated retained earnings by P5,958 million was mainly due to the net appropriations made by: (a) SMC SLEX, Inc. (SMC SLEX) for the capital expenditures of SLEX-TR4 Project in 2024 and 2025; and (b) PF-Hormel for the expansion of the Battered, Breaded and Fried capacity, storage and distribution capability and Plant 3 line automation.

The decrease in unappropriated retained earnings by P9,201 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

**2023 vs. 2022**

| <i>(In millions)</i>                                            | March             | December   | Horizontal Analysis |       | Vertical Analysis |      |
|-----------------------------------------------------------------|-------------------|------------|---------------------|-------|-------------------|------|
|                                                                 | 2023              | 2022       | Increase (Decrease) |       | 2023              | 2022 |
|                                                                 |                   |            | Amount              | %     |                   |      |
| Cash and cash equivalents                                       | <b>P243,616</b>   | P318,214   | (P74,598)           | (23%) | <b>10%</b>        | 13%  |
| Trade and other receivables - net                               | <b>225,762</b>    | 238,782    | (13,020)            | (5%)  | <b>10%</b>        | 10%  |
| Inventories                                                     | <b>182,606</b>    | 190,193    | (7,587)             | (4%)  | <b>8%</b>         | 8%   |
| Current portion of biological assets - net                      | <b>3,674</b>      | 3,418      | 256                 | 7%    | <b>0%</b>         | 0%   |
| Prepaid expenses and other current assets                       | <b>130,272</b>    | 133,691    | (3,419)             | (3%)  | <b>6%</b>         | 6%   |
| <b>Total Current Assets</b>                                     | <b>785,930</b>    | 884,298    | (98,368)            | (11%) | <b>34%</b>        | 37%  |
| Investments and advances - net                                  | <b>34,220</b>     | 32,523     | 1,697               | 5%    | <b>1%</b>         | 1%   |
| Investments in equity and debt instruments                      | <b>18,944</b>     | 18,921     | 23                  | 0%    | <b>1%</b>         | 1%   |
| Property, plant and equipment - net                             | <b>720,186</b>    | 708,192    | 11,994              | 2%    | <b>31%</b>        | 30%  |
| Right-of-use assets - net                                       | <b>110,873</b>    | 112,067    | (1,194)             | (1%)  | <b>5%</b>         | 5%   |
| Investment property - net                                       | <b>74,119</b>     | 74,660     | (541)               | (1%)  | <b>3%</b>         | 3%   |
| Biological assets - net of current portion                      | <b>2,821</b>      | 2,671      | 150                 | 6%    | <b>0%</b>         | 0%   |
| Goodwill - net                                                  | <b>183,788</b>    | 184,100    | (312)               | (0%)  | <b>8%</b>         | 8%   |
| Other intangible assets - net                                   | <b>259,354</b>    | 249,321    | 10,033              | 4%    | <b>11%</b>        | 10%  |
| Deferred tax assets                                             | <b>19,861</b>     | 22,554     | (2,693)             | (12%) | <b>1%</b>         | 1%   |
| Other noncurrent assets - net                                   | <b>106,981</b>    | 102,518    | 4,463               | 4%    | <b>5%</b>         | 4%   |
| <b>Total Noncurrent Assets</b>                                  | <b>1,531,147</b>  | 1,507,527  | 23,620              | 2%    | <b>66%</b>        | 63%  |
| <b>Total Assets</b>                                             | <b>P2,317,077</b> | P2,391,825 | (P74,748)           | (3%)  | <b>100%</b>       | 100% |
| Loans payable                                                   | <b>P216,482</b>   | P267,704   | (P51,222)           | (19%) | <b>9%</b>         | 11%  |
| Accounts payable and accrued expenses                           | <b>219,145</b>    | 227,126    | (7,981)             | (4%)  | <b>9%</b>         | 9%   |
| Lease liabilities - current portion                             | <b>21,102</b>     | 21,020     | 82                  | 0%    | <b>1%</b>         | 1%   |
| Income and other taxes payable                                  | <b>46,692</b>     | 37,694     | 8,998               | 24%   | <b>2%</b>         | 2%   |
| Dividends and distributions payable                             | <b>4,247</b>      | 4,037      | 210                 | 5%    | <b>0%</b>         | 0%   |
| Current maturities of long-term debt - net of debt issue costs  | <b>106,083</b>    | 170,032    | (63,949)            | (38%) | <b>5%</b>         | 7%   |
| <b>Total Current Liabilities</b>                                | <b>613,751</b>    | 727,613    | (113,862)           | (16%) | <b>26%</b>        | 30%  |
| Long-term debt - net of current maturities and debt issue costs | <b>956,030</b>    | 918,164    | 37,866              | 4%    | <b>42%</b>        | 39%  |
| Lease liabilities - net of current portion                      | <b>48,526</b>     | 54,455     | (5,929)             | (11%) | <b>2%</b>         | 2%   |
| Deferred tax liabilities                                        | <b>27,395</b>     | 26,297     | 1,098               | 4%    | <b>1%</b>         | 1%   |
| Other noncurrent liabilities                                    | <b>25,718</b>     | 26,144     | (426)               | (2%)  | <b>1%</b>         | 1%   |
| <b>Total Noncurrent Liabilities</b>                             | <b>1,057,669</b>  | 1,025,060  | 32,609              | 3%    | <b>46%</b>        | 43%  |

Forward

| (In millions)                 |                   |            | Horizontal Analysis |      | Vertical Analysis |      |
|-------------------------------|-------------------|------------|---------------------|------|-------------------|------|
|                               | March             | December   | Increase (Decrease) |      |                   |      |
|                               | 2023              | 2022       | Amount              | %    | 2023              | 2022 |
| Capital stock - common        | <b>P16,443</b>    | P16,443    | P -                 | 0%   | <b>1%</b>         | 1%   |
| Capital stock - preferred     | <b>10,187</b>     | 10,187     | -                   | 0%   | <b>0%</b>         | 0%   |
| Additional paid-in capital    | <b>177,719</b>    | 177,719    | -                   | 0%   | <b>8%</b>         | 7%   |
| Capital securities            | <b>24,211</b>     | 24,211     | -                   | 0%   | <b>1%</b>         | 1%   |
| Equity reserves               | <b>11,872</b>     | 12,753     | (881)               | (7%) | <b>1%</b>         | 1%   |
| Retained earnings:            |                   |            |                     |      |                   |      |
| Appropriated                  | <b>80,427</b>     | 71,004     | 9,423               | 13%  | <b>4%</b>         | 3%   |
| Unappropriated                | <b>125,676</b>    | 129,239    | (3,563)             | (3%) | <b>5%</b>         | 6%   |
| Treasury stock                | <b>(156,763)</b>  | (156,763)  | -                   | 0%   | <b>(7%)</b>       | (7%) |
| <b>Equity Attributable to</b> |                   |            |                     |      |                   |      |
| Equity Holders of             |                   |            |                     |      |                   |      |
| the Parent Company            | <b>289,772</b>    | 284,793    | 4,979               | 2%   | <b>13%</b>        | 12%  |
| Non-controlling Interests     | <b>355,885</b>    | 354,359    | 1,526               | 0%   | <b>15%</b>        | 15%  |
| <b>Total Equity</b>           | <b>645,657</b>    | 639,152    | 6,505               | 1%   | <b>28%</b>        | 27%  |
| <b>Total Liabilities and</b>  |                   |            |                     |      |                   |      |
| <b>Equity</b>                 | <b>P2,317,077</b> | P2,391,825 | (P74,748)           | (3%) | <b>100%</b>       | 100% |

Consolidated total assets as at March 31, 2023 amounted to P2,317,077 million, P74,748 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents.

The decrease in cash and cash equivalents of P74,598 million was mainly due to the net payment of long-term debt and short-term loans, capital expenditures for the ongoing projects of Petron, the Infrastructure, Energy, Food and Beverage and Cement businesses and payment of interest and dividends and distributions. This was partly offset by cash generated from operations.

The decrease in trade and other receivables - net by P13,020 million was mainly attributable to the: (a) lower trade customer balances of Petron on account of the lower prices of petroleum products; (b) lower receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia; and (c) collection of receivables from peak season sales by the Food division. The decrease was partly offset by the increase in excise tax refund claims of Petron.

The increase in total biological assets by P406 million was due to higher volume of chicken loaded in the farm, higher growing costs due to higher feeds and chick costs and additional hog farms with the increase in production of breeding stocks.

The increase in investments and advances - net by P1,697 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of MNHPI, BankCom and Angat Hydro in 2023.

The decrease in deferred tax assets by P2,693 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of foreign currency-denominated long-term debt and derivatives.

The decrease in loans payable by P51,222 million was mainly due to the net payment made by SMC and Petron.

The increase in income and other taxes payable by P8,998 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022 and higher income tax payable from the improved performance of SMB and GSML; and (b) higher excise tax liability of Petron Philippines.

The increase in dividends and distributions payable by P210 million was mainly due to the dividend declaration on March 16, 2023 by SMC Skyway Corporation, net of payment to a non-controlling shareholder.

The decrease in total long-term debt, net of debt issue costs by P26,083 million was primarily due to the: (a) payment of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC and other maturing obligations by the Group; and (b) translation adjustments for the period. The decrease was partly offset by the availment of foreign currency-denominated and Peso term loans by the Group.

The decrease in total lease liabilities by P5,847 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by P881 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings was attributable to: (a) appropriation of SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (b) net appropriations of SMC SLEX for capital expenditures in 2023.

#### IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| <i>(In Millions)</i>                                      | <b>March 31</b> |             |
|-----------------------------------------------------------|-----------------|-------------|
|                                                           | <b>2024</b>     | <b>2023</b> |
| Net cash flows provided by operating activities           | <b>P47,177</b>  | P45,535     |
| Net cash flows used in investing activities               | <b>(51,646)</b> | (36,519)    |
| Net cash flows provided by (used in) financing activities | <b>12,668</b>   | (79,338)    |

Net cash flows provided by operating activities for the period basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities included the following:

| <i>(In Millions)</i>                           | <b>March 31</b>  |             |
|------------------------------------------------|------------------|-------------|
|                                                | <b>2024</b>      | <b>2023</b> |
| Additions to:                                  |                  |             |
| Property, plant and equipment                  | <b>(P27,866)</b> | (P16,113)   |
| Intangible assets                              | <b>(8,282)</b>   | (11,850)    |
| Investments and advances                       | <b>(6,216)</b>   | (998)       |
| Advances to contractors and suppliers          | <b>(3,778)</b>   | (2,290)     |
| Investment property                            | <b>(2,490)</b>   | (934)       |
| Investments in debt instruments                | <b>(174)</b>     | (130)       |
| Increase in other noncurrent assets and others | <b>(7,150)</b>   | (7,201)     |
| Interest received                              | <b>3,713</b>     | 2,776       |
| Dividends received                             | <b>350</b>       | 14          |
| Proceeds from:                                 |                  |             |
| Disposal of investments in debt instruments    | <b>179</b>       | 125         |
| Sale of property and equipment                 | <b>68</b>        | 82          |

Net cash flows provided by (used in) financing activities included the following:

| <i>(In Millions)</i>                                                                      | <b>March 31</b> |             |
|-------------------------------------------------------------------------------------------|-----------------|-------------|
|                                                                                           | <b>2024</b>     | <b>2023</b> |
| Proceeds from (payment of) short-term loans - net                                         | <b>P16,748</b>  | (P50,721)   |
| Proceeds from (payment of) long-term debt - net                                           | <b>9,779</b>    | (13,689)    |
| Payment of lease liabilities                                                              | <b>(5,923)</b>  | (5,356)     |
| Cash dividends and distributions paid to non-controlling shareholders                     | <b>(4,843)</b>  | (5,273)     |
| Cash dividends and distributions paid                                                     | <b>(3,035)</b>  | (2,892)     |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | <b>(32)</b>     | (265)       |
| Share issuance costs from re-issuance of treasury shares                                  | <b>(26)</b>     | -           |
| Repurchase of capital securities of a subsidiary                                          | <b>-</b>        | (1,142)     |

The effect of exchange rate changes on cash and cash equivalents amounted to P784 million and (P4,276) million in March 31, 2024 and 2023, respectively.

## V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Items II “Financial Performance” and III “Financial Position” for the discussion of certain Key Performance Indicators.

|                                                                               | March 2024                   | December 2023 |
|-------------------------------------------------------------------------------|------------------------------|---------------|
| <u>Liquidity:</u>                                                             |                              |               |
| Current Ratio                                                                 | 1.04                         | 1.12          |
| Quick Ratio                                                                   | 0.66                         | 0.70          |
| <u>Solvency:</u>                                                              |                              |               |
| Debt to Equity Ratio                                                          | 2.77                         | 2.70          |
| Asset to Equity Ratio                                                         | 3.77                         | 3.70          |
| <u>Profitability:</u>                                                         |                              |               |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | (2.58%)                      | 0.07%         |
| Interest Rate Coverage Ratio                                                  | 1.60                         | 1.80          |
| Return on Assets                                                              | 1.44%                        | 1.84%         |
|                                                                               | <b>Period Ended March 31</b> |               |
|                                                                               | 2024                         | 2023          |
| <u>Operating Efficiency:</u>                                                  |                              |               |
| Volume Growth                                                                 | 21%                          | 7%            |
| Revenue Growth                                                                | 13%                          | 9%            |
| Operating Margin                                                              | 10%                          | 10%           |

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

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

\* Annualized for quarterly reporting.

## VI. OTHER MATTERS

### a. Commitments

The outstanding purchase commitments of the Group amounted to P248,851 million as at March 31, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

- c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- e. There are no significant elements of income or loss that did not arise from continuing operations.
- f. Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

|                  |
|------------------|
| <b>ANNEX “D”</b> |
|------------------|

**MINUTES OF THE ANNUAL STOCKHOLDERS’  
MEETING HELD ON JUNE 13, 2023**

**MINUTES OF THE REGULAR MEETING OF STOCKHOLDERS  
OF**

**SAN MIGUEL CORPORATION**

Held on June 13, 2023

Via livestreaming at <https://www.sanmiguel.com.ph/ASM2023>

**SHAREHOLDERS PRESENT:**

*See Record of Attendance attached as Annex "A" to these minutes.*

**DIRECTORS:**

Ramon S. Ang  
John Paul L. Ang  
Aurora T. Calderon  
Joselito D. Campos, Jr.  
Teresita J. Leonardo-De Castro  
Jose C. De Venecia, Jr.  
Menardo R. Jiménez  
Estelito P. Mendoza  
Diosdado M. Peralta  
Ernesto M. Pernia  
Alexander J. Poblador  
Reynato S. Puno  
Margarito B. Teves  
Ramon F. Villavicencio  
Iñigo Zobel

**In attendance:**

Virgilio S. Jacinto, Corporate Secretary  
Ferdinand K. Constantino, Chief Finance Officer  
Joseph N. Pineda, SVP-Head of Treasury  
Mary Rose S. Tan, Assistant Corporate Secretary  
Darwin Virocel, R. G. Manabat & Co.  
Reynabeth D. De Guzman, Head – Investor Relations

**I. CALL TO ORDER**

The meeting was called to order at 2:00 p.m. Mr. Ramon S. Ang, President and Chief Executive Officer of the Company was requested to preside over the meeting. The singing of the National Anthem was followed by an invocation led by Ms. Reynabeth D. De Guzman, Head of Investor Relations.

**II. CERTIFICATION OF NOTICE AND QUORUM**

The Corporate Secretary, Atty. Virgilio S. Jacinto, certified that notices duly sent to the stockholders and there were present in the meeting, in person or by proxy, 79.66% of the outstanding common stock of the Company.

The Corporate Secretary stated that, for the record, proxies for 79.57% of the outstanding common shares of the Company have been issued by the stockholders in favor of the Chairman of the Meeting, Mr. Ramon S. Ang, authorizing him to vote for the election of the members of the Board of Directors and the approval of all corporate actions in the agenda for the meeting.

**III. APPROVAL OF THE MINUTES OF THE REGULAR STOCKHOLDERS' MEETING HELD ON JUNE 14, 2022**

Upon motion duly made and seconded, the stockholders approved and ratified the minutes of the Regular Annual Meeting of Stockholders held on June 14, 2022.

**IV. CHAIRMAN'S MESSAGE AND PRESENTATION OF ANNUAL REPORT**

Mr. Ramon S. Ang, delivered the following message to the stockholders.

"2022 was a good year for us, having delivered a strong set of results across the group despite a very difficult environment.

Our strategic priorities have provided us with a clear sense of direction and enabled us to stay focused on what truly matters.

In fact, the challenges we faced only strengthened our commitment to continue helping grow our economy and boost shared prosperity for all.

Our projects today serve the purpose of making meaningful change and preparing us for tomorrow.

These will help our country attain food and energy security, support regional growth and local industries, and make opportunities available to many Filipinos. By doing so, we help the Philippines succeed. And when more Filipinos thrive, San Miguel also prospers and grows.

All of these are reflected in our new Group vision and purpose statements.

We have also set ambitious sustainability goals to help us become better — socially, environmentally, and as a business. These include: uplifting the lives of at least 15 million people by 2030, adopting a circular economy approach and building a fully-sustainable supply chain by 2040, and lastly, achieving net-zero emissions by 2050.

All our businesses are working to complete a comprehensive roadmap to allow us to reach these goals.

Thank you for your continued trust and support. I'm proud of what we have achieved together. I am confident we will accomplish more in the coming years."

After the delivery of the message, Mr. Ramon S. Ang requested the Chief Finance Officer, Mr. Ferdinand K. Constantino, to report to the stockholders the financial performance of the Company. The report is set forth below.

“Thank you, Mr. President.

Fellow stockholders, as Mr. Ang mentioned, our businesses continued to recover strongly from the lingering effects of the pandemic, even as new challenges emerged in 2022.

- We posted our highest-ever revenue of P1.5 trillion, 60% higher than in 2021 and 48% better than the pre-pandemic 2019 level, with the full reopening of the economy.
- Consolidated income from operations rose 10% to P134.5 billion, driven by solid topline growth from Petron, San Miguel Food and Beverages, San Miguel Yamamura Packaging Corp., and SMC Infrastructure.

Group-wide cost-management initiatives helped mitigate higher operating costs, particularly for San Miguel Global Power, which had to contend with unprecedented increases in global fuel costs and supply limitations.

- Consolidated core net income amounted to P43.2 billion.
- However, the depreciation of the peso and the series of interest rate hikes implemented to stem inflation, resulted to a consolidated net income of P26.8 billion.

Nearly all our businesses reported strong results for 2022.

- San Miguel Food and Beverage reported significant growth across its Beer, Spirits and Food Divisions.
  - SMB sustained its growth momentum as both domestic and international operations posted higher volumes with the reopening of markets.
  - Ginebra San Miguel again delivered record results including its highest-ever net income.
  - San Miguel Foods sustained its robust top-line performance throughout the year, amid rising inflation and despite challenges in commodity prices.
- San Miguel Yamamura Packaging likewise turned in good results, with increased domestic demand particularly in Glass, Metals and 2-Pc Aluminum can products, and growth in its International Operations.
- San Miguel Global Power registered higher offtake volumes on increased demand along with higher average realization prices. However, the unprecedented spikes in global coal prices brought about by the war in Ukraine, together with the deration of the Ilijan plant resulting from Malampaya gas supply restrictions, combined with higher WESM prices, pushed up its costs. Lower margins, and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of the peso against the US dollar, also affected profitability.
- Meanwhile Petron ended the year strong, as demand from the industrial and aviation sectors recovered. Demand for gasoline and diesel also remained high. Operating costs were minimized and use of refinery assets was optimized, helping Petron’s overall performance.

- SMC Infrastructure likewise registered a robust full-year performance, with average daily volume at its expressways increasing by 25%, as travel and mobility returned to normal.

We are also off to a solid start this 2023, with our first-quarter consolidated revenues improving 9% over the same period last year to P346.7 billion.

Consolidated operating income is up 8% to P35.1 billion, while reported net income ended at P17.7 billion, 27% higher than in 2022.

Consolidated EBITDA likewise improved, by 13%, to P50.7 billion.

We are cautiously optimistic about the operating environment this year. While the war between Russia and Ukraine is a continuing threat, the general outlook is that raw material prices will be more stable this year.

With the pandemic winding down, we're also looking to sustain and further build on the gains we've already made.

As Mr. Ang pointed out, these are still uncertain times and many challenges remain.

But if there is anything San Miguel and RSA have consistently shown these past decades, it is that we are ready to do what it takes--to go beyond what is expected, to give even more of ourselves--to deliver on our promise of nation-building."

We thank you for your continued support of San Miguel and look forward to reporting to you again next year.

Thank you very much."

After the presentation of Mr. Constantino, the Chairman of the Meeting Ramon S. Ang opened the floor for questions. The questions that were responded to were those that were submitted ahead of the meeting via email as provided in the Company's website.

Ms. Vivian Andres from Quezon City, submitted the question:

*What is SMC's outlook and expectations for the rest of 2023?*

*Mr. Ang replied as follows: "I think 2023 is a challenging year. Inflation is high, combined with high cost of raw materials such as crude oil prices and coal, compounded by lower power demand and lower demand for our food products. Alam nyo po, 2022 was an election year at maganda po ang performance natin noon kaya po napaka suwerte po natin kung matumabasan natin by the end of this year yung performance natin last year.*

*We believe that SMC's healthy growth in the 1st quarter will be sustained and for the rest of the year. If raw material costs stabilize, economic activities return back to normal, and inflation shall be moderate, all these will improve profitability for the rest of the year."*

Another stockholder, Dwight de Guzman from Sta. Rosa, Laguna, submitted the following question: *"Kailan po ibabalik ang face-to-face na Annual Stockholder's Meeting?"*

*Mr. Ang replied as follows: "While the Covid-19 restrictions have almost entirely eased, we still prioritize the safety of everyone while also considering weather disruptions.*

*Hindi po ba mas maganda na itong zoom meeting? Hindi po kasi natin alam kung anong mangyayari sa covid situation natin kaya hindi po natin alam kung kailan po tayo makakabalik sa face to face na stockholders meeting. Titingnan po natin ang kalagayan ng bansa sa susunod na mga buwan at baka next year ay maari na po natin gawin ang ASM face-to-face."*

A stockholder moved to close the open forum and approve and ratify the annual report as presented. Another stockholder seconded the motion and the Chairman of the Meeting declared the motion as carried.

#### **V. RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS**

The Chairman of the Meeting proceeded to the next item on the agenda which is the ratification of all acts of the Board of Directors and corporate officers since the date of the last stockholders' meeting.

The following acts were presented to the Stockholders, namely:

- a) election of Mr. Ernesto M. Pernia as director of the Corporation;
- b) offering and issuance of Php60 billion fixed rate, peso-denominated bonds, with an oversubscription option of Php20 billion;
- c) redemption of Series "2" Preferred Shares –Subseries H at a redemption price of Php75.00 per share plus any accumulated and unpaid cash dividends;
- d) acquisition of Eagle Cement Corporation by San Miguel Equity Investments Inc.;
- e) declaration of cash dividends for the common and preferred shares;
- f) appointment of corporate officers; and
- g) approval of signing authorities and limits.

A stockholder moved to approve, confirm and ratify all acts, resolutions and proceedings of the Board of Directors and corporate officers since the June 14, 2022 regular meeting of stockholders until June 13, 2023, as set forth in the minutes of the meetings of the Board of Directors.

Upon motion duly made and seconded, the following resolution was approved:

**Resolution No. 2023-06-13-01**

“RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and corporate officers of the Company since the Annual Meeting of the Stockholders on June 14, 2022 until today June 13, 2023, as set forth in the minutes of the meetings of the Board of Directors be approved, confirmed and ratified.”

**VI. APPROVAL AND RATIFICATION OF THE DIRECTORS’ FEES**

Atty. Jacinto reported that the Corporate Governance Committee favorably endorsed to the Board of Directors, during the meeting held earlier today, June 13, 2023, the payment of Directors’ fees for 2022 in the amount of P72.39 million. The Chairman of the Corporate Governance Committee, Independent Director Reynato S. Puno confirmed the same.

Upon motion duly made and seconded, the following resolution was approved:

**Resolution No. 2023-06-13-02**

“RESOLVED, as it is hereby resolved, that the Directors’ Fees for the year 2022 in the amount of P72.39 million, as presented, be approved.”

**VII. APPOINTMENT OF EXTERNAL AUDITORS AND RATIFICATION OF EXTERNAL AUDITOR’S FEES**

The Chairman of the Audit and Risk Oversight Committee, Mr. Margarito B. Teves confirmed the summary presented by the Corporate Secretary that after the evaluation of the Audit and Risk Oversight Committee, the Committee recommended the appointment of the accounting firm of R.G. Manabat & Co./KPMG, CPAs as the external auditors of the Company for fiscal year 2023 and approval and ratification of the auditor’s fees for the preparation of the Audited Financial Statements of the Company and its subsidiaries.

Upon motion duly made and seconded, the following resolution was approved:

**Resolution No. 2023-06-13-03**

“RESOLVED, as it is hereby resolved, that the accounting firm of R.G. Manabat & Co./KPMG, CPAs be, as they are hereby appointed as the external auditors of the Company for fiscal year 2023, and that the auditor’s fees for the preparation of the Audited Financial Statements of the Company and its subsidiaries, be confirmed and ratified.”

**VIII. ELECTION OF THE BOARD OF DIRECTORS**

The Chairman of the Meeting asked the Corporate Secretary to inform the assembly of the nominees to be elected as members of the Board of Directors.

The Corporate Secretary read the names of the qualified nominees, as follows, namely:

|                                |                      |
|--------------------------------|----------------------|
| Ramon S. Ang                   | Director             |
| John Paul L. Ang               | Director             |
| Aurora T. Calderon             | Director             |
| Joselito D. Campos, Jr.        | Director             |
| Jose C. de Venecia, Jr.        | Director             |
| Menardo R. Jimenez             | Director             |
| Estelito P. Mendoza            | Director             |
| Alexander J. Poblador          | Director             |
| Ernesto M. Pernia              | Director             |
| Ramon F. Villavicencio         | Director             |
| Iñigo Zobel                    | Director             |
| Teresita J. Leonardo-De Castro | Independent Director |
| Diosdado M. Peralta            | Independent Director |
| Reynato S. Puno                | Independent Director |
| Margarito B. Teves             | Independent Director |

In addition, the Corporate Secretary advised that the Proxy Statement circulated to the stockholders identified the nominees for election as independent directors, namely: Reynato S. Puno, Margarito B. Teves, Teresita J. Leonardo-De Castro and Diosdado M. Peralta. This is in accordance with the requirements of the Securities and Exchange Commission.

The Corporate Secretary stated that, in the annual stockholders meeting of the Company in 2022, the stockholders, with the favorable endorsement of the Board of Directors, approved and confirmed the re-election of Messrs. Reynato S. Puno and Margarito B. Teves as independent directors of the Company.

Upon motion of a stockholder, the following resolution was passed:

**Resolution No. 2023-06-13-04**

**“RESOLVED**, as it is hereby resolved, that considering there are only fifteen (15) nominees and there are only fifteen (15) seats in the Board to be filled up, the balloting for the election of directors will be dispensed with and all fifteen (15) nominees, including Independent Directors Messrs. Reynato S. Puno and Margarito B. Teves be considered unanimously elected as Directors of the Company for the ensuing year, until their successors are elected and qualified, and that the votes of the stockholders present and represented by proxies be distributed and recorded accordingly.”

With the resolution, the Chairman of the Meeting declared all the nominees elected. The Chairman of the Meeting, on behalf of management, welcomed the newly-elected Board of Directors and thanked the stockholders for their vote of confidence.

**IX. ADJOURNMENT**

The Chairman of the Meeting asked if there are any other matters that any stockholder wished to bring up and there being none, entertained a motion for adjournment.

A stockholder moved to adjourn the meeting, duly seconded by another stockholder. The Chairman of the Meeting adjourned the meeting and thanked all stockholders for attending.

A copy of the voting results is attached as Annex "B".

ATTESTED BY:

**RAMON S. ANG**  
Chairman of the Meeting

**VIRGILIO S. JACINTO**  
Corporate Secretary

**SAN MIGUEL CORPORATION 2023 ANNUAL STOCKHOLDERS' MEETING**  
**LIST OF VOTING STOCKHOLDERS**  
**Shares as of May 5, 2023 (Record Date)**

|                                            | COMMON<br>SHARES     | % to TOTAL<br>COMMON |
|--------------------------------------------|----------------------|----------------------|
| <b>Stockholders with Submitted Proxy</b>   |                      |                      |
| <b>Principal Stockholders</b>              |                      |                      |
| Privado Holdings Corp.                     | 373,623,796          | 15.67%               |
| Top Frontier Investment Holdings, Inc.     | 1,472,668,340        | 61.78%               |
| <b>Principal Stockholders Total</b>        | <b>1,846,292,136</b> | <b>77.45%</b>        |
| <b>Banks</b>                               |                      |                      |
| Deutsche Bank AG Manila Branch             | 2,490                | 0.00%                |
| HSBC                                       | 14,004,595           | 0.59%                |
| Standard Chartered Bank                    | 11,166,989           | 0.47%                |
| Citibank                                   | 25,446,379           | 1.07%                |
| <b>Banks Total</b>                         | <b>50,620,453</b>    | <b>2.12%</b>         |
| <b>TOTAL WITH PROXIES</b>                  | <b>1,896,912,589</b> | <b>79.57%</b>        |
| <b>Stockholders with Submitted Ballots</b> |                      |                      |
| <b>Directors</b>                           |                      |                      |
| Ramon F. Villavicencio                     | 44,000               | 0.00%                |
| Jose C. de Venecia, Jr.                    | 5,000                | 0.00%                |
| Ernesto M. Pernia                          | 5,000                | 0.00%                |
| <b>Directors Total</b>                     | <b>54,000</b>        | <b>0.00%</b>         |
| <b>Others</b>                              |                      |                      |
| Jessie F. Ramirez                          | 266                  | 0.00%                |
| Roderick Alain Fernandez                   | 100                  | 0.00%                |
| Manuel M. Blanco                           | 793                  | 0.00%                |
| Julius Sanvictores                         | 325                  | 0.00%                |
| <b>Others Total</b>                        | <b>1,484</b>         | <b>0.00%</b>         |
| <b>Total with Ballots</b>                  | <b>55,484</b>        | <b>0.00%</b>         |
| <b>Stockholders Attending in Person</b>    |                      |                      |
| Ramon S. Ang                               | 1,345,429            | 0.06%                |
| John Paul L. Ang                           | 5,000                | 0.00%                |
| Joselito D. Campos, Jr.                    | 9,149                | 0.00%                |
| Menardo R. Jimenez                         | 5,000                | 0.00%                |
| Estelito P. Mendoza                        | 31,972               | 0.00%                |

|                                        |         |       |
|----------------------------------------|---------|-------|
| Aurora T. Calderon                     | 22,600  | 0.00% |
| Alexander J. Poblador                  | 5,000   | 0.00% |
| Reynato S. Puno                        | 5,000   | 0.00% |
| Margarito B. Teves                     | 5,000   | 0.00% |
| Iñigo Zobel                            | 16,171  | 0.00% |
| Teresita J. Leonardo de Castro         | 5,000   | 0.00% |
| Diosdado M. Peralta                    | 5,000   | 0.00% |
| Ferdinand K. Constantino               | 477,692 | 0.02% |
| Virgilio S. Jacinto                    | 180,830 | 0.01% |
| Mary Rose S. Tan                       | 1,724   | 0.00% |
| Ishmael Sam Canua (lodged COL)         | 44      | 0.00% |
| Adrian Bondoc (lodged COL)             | 300     | 0.00% |
| Vivian Andres                          | 3,381   | 0.00% |
| Dwight de Guzman (lodged Landbank Sec) | 100     | 0.00% |

|                                  |                  |              |
|----------------------------------|------------------|--------------|
| <b>Total attending in person</b> | <b>2,124,392</b> | <b>0.09%</b> |
|----------------------------------|------------------|--------------|

|                                                                |                      |               |
|----------------------------------------------------------------|----------------------|---------------|
| <b>TOTAL WITH PROXIES, BALLOTS<br/>and ATTENDING IN PERSON</b> | <b>1,899,092,465</b> | <b>79.66%</b> |
|----------------------------------------------------------------|----------------------|---------------|

**WITHOUT PROXIES**

|                         |             |        |
|-------------------------|-------------|--------|
| PCD Nominee Corporation | 299,530,250 | 12.56% |
| Others                  | 185,273,873 | 7.77%  |

|                              |                    |               |
|------------------------------|--------------------|---------------|
| <b>Without Proxies Total</b> | <b>484,804,123</b> | <b>20.34%</b> |
|------------------------------|--------------------|---------------|

|                                        |                      |                |
|----------------------------------------|----------------------|----------------|
| <b>TOTAL OUTSTANDING COMMON SHARES</b> | <b>2,383,896,588</b> | <b>100.00%</b> |
|----------------------------------------|----------------------|----------------|

sspx024  
2023-06-13  
05:10:50 PM

San Miguel Corporation  
PROXY VOTING MODULE  
List of Stockholder Attendees

PAGE 1

| BALLOT<br>NUMBER                              | ATTENDEE NAME                                                             | SHARES     |
|-----------------------------------------------|---------------------------------------------------------------------------|------------|
| 000007                                        | VILLAVICENCIO*RAMON F.                                                    | 35,000     |
| 000008                                        | VENECIA, JR.*JOSE C. DE                                                   | 5,000      |
| 000009                                        | PERNIA*ERNESTO M.                                                         | 5,000      |
| 000010                                        | RAMIREZ*JESSIE F.                                                         | 266        |
| 000011                                        | ALVAREZ*RODERICK ALAIN                                                    | 100        |
| 000012                                        | SANVICTORES*JULIUS J.                                                     | 325        |
|                                               | ANDRES*VIVIAN                                                             | 3,381      |
|                                               | ANG*RAMON S.                                                              | 1,345,429  |
|                                               | ANG*JOHN PAUL LIM                                                         | 5,000      |
|                                               | CAMPOS*JOSELITO D.*JR. &/OR OLIVIA M. CAMPOS                              | 9,149      |
|                                               | JIMENEZ*MENARDO R.                                                        | 5,000      |
|                                               | MENDOZA*ESTELITO P.                                                       | 25,122     |
|                                               | MENDOZA*ESTELITO P.                                                       | 6,850      |
|                                               | CALDERON*AURORA T.                                                        | 22,600     |
|                                               | POBLADOR*ALEXANDER J.                                                     | 5,000      |
|                                               | PUNO*REYNATO S.                                                           | 5,000      |
|                                               | TEVES*MARGARITO B.                                                        | 5,000      |
|                                               | ZOBEL*INIGO                                                               | 16,171     |
|                                               | CASTRO*TERESITA LEONARDO DE                                               | 5,000      |
|                                               | PERALTA*DIOSDADO MADARANG                                                 | 5,000      |
|                                               | CONSTANTINO*FERDINAND K.                                                  | 415,092    |
|                                               | CONSTANTINO*FERDINAND K.                                                  | 62,600     |
|                                               | JACINTO*VIRGILIO S.                                                       | 155,208    |
|                                               | JACINTO*VIRGILIO                                                          | 25,122     |
|                                               | TAN*MARY ROSE S.                                                          | 1,724      |
|                                               | CANUA, ISHMAEL SAM (COL FINANCIAL GROUP, INC.)                            | 44         |
|                                               | BONDOC, ADRIAN (COL FINANCIAL GROUP, INC.)                                | 300        |
|                                               | VILLAVICENCIO*RAMON F. (LODGED)                                           | 9,000      |
| 000013                                        | BLANCO*MANUEL                                                             | 793        |
|                                               | DE GUZMAN, DWIGHT (LANDBANK SECURITIES, INC.)                             | 100        |
|                                               | PETRON CORP. EMPLOYEES RETIREMENT PLAN (ASIASEC EQUITIES, INC.)           | 2,013,800  |
|                                               | PETRON CORPORATION EMPLOYEES' RETIREMENT PLAN                             | 12,237,100 |
|                                               | SMITS INC. RETIREMENT PLAN (ASIASEC EQUITIES, INC.)                       | 918,550    |
|                                               | SMITS INC. RETIREMENT PLAN (ASIASEC EQUITIES, INC.)                       | 90,000     |
|                                               | SMITS, INC. RETIREMENT PLAN                                               | 160,000    |
|                                               | ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN (ASIASEC EQUITIES, INC.) | 115,500    |
|                                               | ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN (ASIASEC EQUITIES, INC.) | 40,000     |
|                                               | ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN (ASIASEC EQUITIES, INC.) | 5,500      |
|                                               | ANCHOR INSURANCE BROKERAGE CORPORATION RETIREMENT PLAN                    | 40,000     |
| TOTAL NO. OF ATTENDEES : 39                   |                                                                           |            |
| TOTAL NO. OF SHARES WITH BALLOT : 46,484      |                                                                           |            |
| TOTAL NO. OF SHARES W/OUT BALLOT : 17,753,342 |                                                                           |            |
| TOTAL NO. OF SHARES : 17,799,826              |                                                                           |            |

\*\*\* END OF REPORT \*\*\*

ssp045  
2023-06-13  
05:35:12 PM

San Miguel Corporation  
PROXY VOTING MODULE  
Stockholders' Meeting Vote Canvassing Results

PAGE

1

| NOM. NO.                                           | NOMINEE                        | VOTES          |
|----------------------------------------------------|--------------------------------|----------------|
| 1                                                  | RAMON S. ANG                   | 1,894,486,067  |
| 2                                                  | JOHN PAUL L. ANG               | 1,864,562,525  |
| 3                                                  | AURORA T. CALDERON             | 1,864,375,466  |
| 4                                                  | JOSELITO D. CAMPOS, JR.        | 1,864,501,687  |
| 5                                                  | JOSE C. DE VENECIA, JR.        | 1,864,879,995  |
| 6                                                  | MENARDO R. JIMENEZ             | 1,865,055,374  |
| 7                                                  | ESTELITO P. MENDOZA            | 1,865,155,464  |
| 8                                                  | ERNESTO M. PERNIA              | 1,865,329,995  |
| 9                                                  | ALEXANDER J. POBLADOR          | 1,865,330,765  |
| 10                                                 | RAMON F. VILLAVICENCIO         | 1,865,330,765  |
| 11                                                 | IÑIGO ZOBEL                    | 1,864,880,765  |
| 12                                                 | TERESITA J. LEONARDO-DE CASTRO | 1,896,885,203  |
| 13                                                 | DIOSDADO M. PERALTA            | 1,896,854,593  |
| 14                                                 | REYNATO S. PUNO                | 1,894,666,419  |
| 15                                                 | MARGARITO B. TEVES             | 1,894,761,536  |
| Total votes registered                             |                                | 28,454,386,095 |
| Total votes counted for election of board nominees |                                | 28,127,056,619 |
| Total uncast votes for election of board nominees  |                                | 327,329,476    |

| RES. NO. | RESOLUTION                                                                                                         | SHARES VOTED    | % TO<br>TOTAL O.S. |
|----------|--------------------------------------------------------------------------------------------------------------------|-----------------|--------------------|
| 2        | Approval of the Minutes of the 2022 Annual Stockholders' Meeting ("2022 ASM")                                      | 1,896,959,073   | 79.574%            |
|          | For                                                                                                                | 1,896,959,073 - | 79.574%            |
|          | Against                                                                                                            | 0 -             | 0.000%             |
|          | Abstain                                                                                                            | 0 -             | 0.000%             |
| 3        | Approval of the Annual Report and the Audited Financial Statements of the Company for Year ended December 31, 2022 | 1,896,959,073   | 79.574%            |
|          | For                                                                                                                | 1,896,224,183 - | 79.543%            |
|          | Against                                                                                                            | 0 -             | 0.000%             |
|          | Abstain                                                                                                            | 734,890 -       | 0.031%             |
| 4        | Ratification of all Acts of the Board of Directors and Management since the 2022 ASM                               | 1,896,959,073   | 79.574%            |
|          | For                                                                                                                | 1,896,213,598 - | 79.543%            |
|          | Against                                                                                                            | 0 -             | 0.000%             |
|          | Abstain                                                                                                            | 745,475 -       | 0.031%             |
| 5        | Approval of Directors Fees for 2022                                                                                | 1,896,959,073   | 79.574%            |
|          | For                                                                                                                | 1,896,130,765 - | 79.539%            |
|          | Against                                                                                                            | 828,308 -       | 0.035%             |
|          | Abstain                                                                                                            | 0 -             | 0.000%             |
| 6        | Appointment of External Auditors of the Company for 2023                                                           | 1,896,959,073   | 79.574%            |
|          | For                                                                                                                | 1,896,509,073 - | 79.555%            |
|          | Against                                                                                                            | 450,000 -       | 0.019%             |
|          | Abstain                                                                                                            | 0 -             | 0.000%             |

sspx045  
2023-06-13  
05:35:12 PM

San Miguel Corporation  
PROXY VOTING MODULE  
Stockholders' Meeting Vote Canvassing Results

PAGE 2

| SUMMARY REPORT                                              |               | % TO<br>TOTAL O.S. |
|-------------------------------------------------------------|---------------|--------------------|
| OUTSTANDING COMMON SHARES                                   | 2,383,896,588 |                    |
| OUTSTANDING PREFERRED SHARES                                | 843,238,467   |                    |
| TOTAL OUTSTANDING SHARES AS OF RECORD DATE                  | 3,227,135,055 |                    |
| TOTAL SHARES IN ATTENDANCE :                                |               |                    |
| Attending proxy assignees                                   | 1,896,912,589 |                    |
| Attending stockholders                                      | 17,799,826    |                    |
|                                                             | 1,914,712,415 | 59.332%            |
| LESS :                                                      |               |                    |
| Invalidated / knocked-off / Uncast shares - Proxy Assignees | 0             |                    |
| Knock-off by attending stockholder                          | 0             |                    |
| Invalidated shares - Stockholders                           | 0             |                    |
| Uncast shares of stockholders                               | 17,753,342    |                    |
| TOTAL SHARES/VOTES COUNTED                                  | 1,896,959,073 | 79.574%            |
| NOTE:                                                       |               |                    |
| Total no. of stockholders in attendance                     | 39            |                    |
| Total no. of stockholder with ballots                       | 7             |                    |

\*\*\* END OF REPORT \*\*\*

sspx015  
2023-06-13  
05:06:00 PM

San Miguel Corporation  
PROXY VOTING MODULE  
Voting Instructions (Grouped by Entry Date)  
Jun 13, 2023

PAGE 1

| ENTRY DATE | PX FORM | SH NUMBER    | STOCKHOLDER NAME                                               | ASSIGNED SHARES | PX GROUP | VOTING INSTRUCTIONS |
|------------|---------|--------------|----------------------------------------------------------------|-----------------|----------|---------------------|
| 06/13/2023 | 0000001 | 000001000410 | TOP FRONTIER INVESTMENT HOLDINGS, INC.                         | 1,424,111,661   | 01       | YYYYY               |
| 06/13/2023 | 0000002 | PCD000000389 | TOP FRONTIER INVESTMENT HOLDINGS, INC.<br>(LODGED)             | 48,556,679      | 01       | YYYYY               |
| 06/13/2023 | 0000003 | 000001009278 | PRIVADO HOLDINGS, CORP.                                        | 368,140,516     | 01       | YYYYY               |
| 06/13/2023 | 0000004 | PCD000000390 | PRIVADO HOLDINGS, CORP. (LODGED)                               | 5,483,280       | 01       | YYYYY               |
| 06/13/2023 | 0000005 | PCD000000077 | CITIBANK N.A.                                                  | 510             | 01       | YYYYY               |
| 06/13/2023 | 0000006 | PCD000000077 | CITIBANK N.A.                                                  | 324,018         | 01       | YYYYY               |
| 06/13/2023 | 0000007 | PCD000000077 | CITIBANK N.A.                                                  | 73,360          | 01       | YYYYY               |
| 06/13/2023 | 0000008 | PCD000000077 | CITIBANK N.A.                                                  | 4,864,616       | 01       | YYYYY               |
| 06/13/2023 | 0000009 | PCD000000077 | CITIBANK N.A.                                                  | 1,213,110       | 01       | YYYYY               |
| 06/13/2023 | 0000010 | PCD000000077 | CITIBANK N.A.                                                  | 3,617,830       | 01       | YYYYY               |
| 06/13/2023 | 0000011 | PCD000000077 | CITIBANK N.A.                                                  | 173,420         | 01       | YYYYY               |
| 06/13/2023 | 0000012 | PCD000000077 | CITIBANK N.A.                                                  | 123,300         | 01       | YYYYY               |
| 06/13/2023 | 0000013 | PCD000000077 | CITIBANK N.A.                                                  | 16,534          | 01       | YYYYY               |
| 06/13/2023 | 0000014 | PCD000000077 | CITIBANK N.A.                                                  | 46,220          | 01       | YYYYY               |
| 06/13/2023 | 0000015 | PCD000000078 | CITIBANK N.A.                                                  | 2,309,249       | 01       | YYYYY               |
| 06/13/2023 | 0000016 | PCD000000077 | CITIBANK N.A.                                                  | 57,492          | 01       | YYYYY               |
| 06/13/2023 | 0000017 | PCD000000079 | CITIBANK N.A.                                                  | 1,789,040       | 01       | YYYYY               |
| 06/13/2023 | 0000018 | PCD000000079 | CITIBANK N.A.                                                  | 10,837,680      | 01       | YYYYY               |
| 06/13/2023 | 0000019 | PCD000000094 | DEUTSCHE BANK MANILA-CLIENTS A/C                               | 2,490           | 01       | YYYYY               |
| 06/13/2023 | 0000020 | PCD000000335 | THE HONGKONG AND SHANGHAI BANKING CORP. LTD.<br>-CLIENTS ACCT. | 318,240         | 01       | YYNN                |
| 06/13/2023 | 0000021 | PCD000000335 | THE HONGKONG AND SHANGHAI BANKING CORP. LTD.<br>-CLIENTS ACCT. | 131,760         | 01       | YYNN                |
| 06/13/2023 | 0000022 | PCD000000335 | THE HONGKONG AND SHANGHAI BANKING CORP. LTD.<br>-CLIENTS ACCT. | 13,554,595      | 01       | YYYYY               |
| 06/13/2023 | 0000023 | PCD000000313 | STANDARD CHARTERED BANK                                        | 2,080,010       | 01       | YYYYY               |
| 06/13/2023 | 0000024 | PCD000000313 | STANDARD CHARTERED BANK                                        | 4,352,800       | 01       | YYYYY               |
| 06/13/2023 | 0000025 | PCD000000312 | STANDARD CHARTERED BANK                                        | 510,068         | 01       | YAANY               |
| 06/13/2023 | 0000026 | PCD000000312 | STANDARD CHARTERED BANK                                        | 224,822         | 01       | YAAYY               |
| 06/13/2023 | 0000027 | PCD000000312 | STANDARD CHARTERED BANK                                        | 10,585          | 01       | YYAYY               |
| 06/13/2023 | 0000028 | PCD000000312 | STANDARD CHARTERED BANK                                        | 3,988,704       | 01       | YYYYY               |

TOTAL PROXIES : 28  
TOTAL SHARES ASSIGNED : 1,896,912,589  
TOTAL UNASSIGNED SHARES : 8,342,219  
TOTAL PROXIES SUPERCEDED : 0  
TOTAL SHARES SUPERCEDED : 0

\*\*\* END OF REPORT \*\*\*

|                  |
|------------------|
| <b>ANNEX “E”</b> |
|------------------|

**TOP 20 STOCKHOLDERS**  
**(As of March 31, 2024)**

| RANK | STOCKHOLDER NAME                                            | Common        | Preferred 2-F | Preferred 2-I | Preferred 2-J | Preferred 2-K | Preferred 2-L | Preferred 2-M | Preferred 2-N | Preferred 2-O | TOTAL SHARES  | % OF O/S    |
|------|-------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| 1    | TOP FRONTIER INVESTMENT HOLDINGS, INC.                      | 1,424,111,661 | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 1,424,111,661 | 36.953423 % |
| 2    | PCD NOMINEE CORPORATION (FILIPINO)                          | 294,515,816   | 194,628,090   | 150,226,560   | 128,934,087   | 180,586,575   | 161,404,670   | 0             | 90,830,200    | 142,530,430   | 1,343,656,428 | 34.865738 % |
| 3    | PRIVADO HOLDINGS, CORE.                                     | 368,140,516   | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 368,140,516   | 9.552658 %  |
| 4    | GOVERNMENT SERVICE INSURANCE SYSTEM                         | 0             | 0             | 0             | 0             | 0             | 0             | 133,333,330   | 0             | 0             | 133,333,330   | 3.459787 %  |
| 5    | PCD NOMINEE CORPORATION (NON-FILIPINO)                      | 116,167,684   | 1,216,500     | 1,360,120     | 778,510       | 2,367,675     | 1,084,330     | 0             | 1,616,000     | 681,920       | 125,272,739   | 3.250627 %  |
| 6    | SOCIAL SECURITY SYSTEM                                      | 0             | 7,328,500     | 0             | 0             | 0             | 0             | 17,333,333    | 0             | 27,800,000    | 52,461,833    | 1.361301 %  |
| 7    | REPUBLIC OF THE PHILIPPINES                                 | 27,636,339    | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 27,636,339    | 0.717119 %  |
| 8    | SQCC HOLDINGS CORPORATION                                   | 1,512,895     | 0             | 2,700,000     | 16,098,000    | 0             | 0             | 0             | 0             | 0             | 20,310,895    | 0.527035 %  |
| 9    | SAN MIGUEL BREWERY INC. RETIREMENT PLAN                     | 0             | 8,000,000     | 6,153,600     | 0             | 0             | 1,333,400     | 0             | 2,666,700     | 2,000,000     | 20,153,700    | 0.522956 %  |
| 10   | SOCIAL SECURITY SYSTEM ASSIGNED TO MANDATORY PROVIDENT FUND | 0             | 0             | 0             | 0             | 0             | 0             | 7,999,999     | 0             | 10,000,000    | 17,999,999    | 0.467071 %  |
| 11   | CCJ HOLDINGS CORPORATION                                    | 0             | 0             | 0             | 16,098,000    | 0             | 0             | 0             | 0             | 0             | 16,098,000    | 0.417717 %  |
| 12   | LOCC HOLDINGS CORPORATION                                   | 0             | 0             | 0             | 16,098,000    | 0             | 0             | 0             | 0             | 0             | 16,098,000    | 0.417717 %  |
| 13   | TINCOCAR HOLDINGS CORPORATION                               | 0             | 0             | 0             | 16,098,000    | 0             | 0             | 0             | 0             | 0             | 16,098,000    | 0.417717 %  |
| 14   | SAINT BRUNO HOLDINGS CORPORATION                            | 0             | 0             | 0             | 16,098,000    | 0             | 0             | 0             | 0             | 0             | 16,098,000    | 0.417717 %  |
| 15   | JUAN BRUNO HOLDINGS OPC                                     | 252,148       | 0             | 450,000       | 13,415,000    | 0             | 0             | 0             | 0             | 0             | 14,117,148    | 0.366317 %  |
| 16   | THE INSULAR LIFE ASSURANCE COMPANY LTD.                     | 0             | 0             | 0             | 0             | 0             | 0             | 13,333,330    | 0             | 0             | 13,333,330    | 0.345979 %  |
| 17   | PETRON CORPORATION EMPLOYEES' RETIREMENT PLAN               | 12,237,160    | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 12,237,160    | 0.317533 %  |
| 18   | GREATER REUNION HOLDINGS INC.                               | 0             | 0             | 382,500       | 11,402,750    | 0             | 0             | 0             | 0             | 0             | 11,785,250    | 0.305808 %  |
| 19   | MILLENNIUM ENERGY, INC.                                     | 10,807,380    | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 10,807,380    | 0.280434 %  |
| 20   | SAN MIGUEL CORP. RETIREMENT PLAN FIP                        | 0             | 5,333,400     | 2,900,000     | 0             | 0             | 0             | 0             | 0             | 0             | 8,233,400     | 0.213644 %  |
|      |                                                             | 2,255,381,539 | 216,506,490   | 164,172,780   | 235,020,347   | 182,954,250   | 163,822,400   | 171,999,992   | 95,112,900    | 183,012,350   | 3,667,983,048 | 95.178301 % |

TOTAL NO. OF SHARES : 3,853,801,780  
TOTAL NO. OF DISTINCT STOCKHOLDERS : 33,570  
TOTAL NO. OF ACCOUNTS : 33,586