COVER SHEET

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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

SEC FORM (2nd Quarter-2025)

2nd Tuesday of June

1	2

Month

3	1

Day

			1	7	-	Q		

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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

1. For the quarterly period ended **June 30, 2025**

2. Commission identification number **PW00000227**

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

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. **No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila** — **1550**
   Address of issuer's principal office — Postal Code

8. **(632) 8632-3000**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

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

	Number of Shares of Stock and Debt Outstanding as of June 30, 2025
Common Shares	2,383,896,588
Series "2-F" Preferred Shares	223,333,500
Series "2-I" Preferred Shares	169,333,400
Series "2-J" Preferred Shares	266,666,667
Series "2-K" Preferred Shares	183,904,900
Series "2-L" Preferred Shares	165,358,600
Series "2-M" Preferred Shares	173,333,325
Series "2-N" Preferred Shares	100,115,100
Series "2-O" Preferred Shares	187,859,700
TOTAL	**3,853,801,780**

Total Liabilities — P1,879,892 million

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

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

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

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.
Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [√] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended June 30, 2025 (with comparative figures as of December 31, 2024 and for the period ended June 30, 2024) 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	**BRYAN U. VILLANUEVA** Chief Finance Officer
Date	August 14, 2025
Signature and Title	**BELLA O. NAVARRA** Comptrollership Manager/ Principal Accounting Officer
Date	August 14, 2025

ANNEX "A"

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND DECEMBER 31, 2024
(In Millions)

	Note	2025 Unaudited	2024 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*9, 10*	**P321,139**	P293,677
Trade and other receivables - net	*5, 9, 10*	**242,903**	266,981
Inventories		**157,400**	178,355
Current portion of biological assets - net		**3,427**	3,241
Prepaid expenses and other current assets	*5, 9, 10*	**136,205**	158,180
Total Current Assets		**861,074**	900,434
Noncurrent Assets			
Investments and advances - net	*2, 3*	**108,584**	52,948
Investments in equity and debt instruments	*5, 9, 10*	**21,126**	21,050
Property, plant and equipment - net	*6*	**801,698**	891,450
Right-of-use assets - net		**43,218**	43,302
Investment property - net		**88,161**	87,909
Biological assets - net of current portion		**2,612**	2,652
Goodwill - net		**185,182**	184,994
Other intangible assets - net		**347,047**	340,496
Deferred tax assets		**18,844**	22,045
Other noncurrent assets - net	*5, 9, 10*	**140,240**	129,650
Total Noncurrent Assets		**1,756,712**	1,776,496
		P2,617,786	P2,676,930
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*5, 9, 10*	**P215,544**	P293,230
Accounts payable and accrued expenses	*5, 9, 10*	**246,724**	289,038
Lease liabilities - current portion	*5, 9, 10*	**6,472**	11,736
Income and other taxes payable		**37,831**	43,628
Dividends and distributions payable	*5, 8, 9, 10*	**5,221**	5,160
Current maturities of long-term debt - net of debt issue costs	*5, 9, 10*	**125,230**	94,123
Total Current Liabilities		**637,022**	736,915
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*5, 9, 10*	**1,163,526**	1,173,146
Lease liabilities - net of current portion	*5, 9, 10*	**28,701**	30,809
Deferred tax liabilities		**27,514**	34,861
Other noncurrent liabilities	*5, 9, 10*	**23,129**	24,758
Total Noncurrent Liabilities		**1,242,870**	1,263,574
Total Liabilities		**1,879,892**	2,000,489

Forward

	Note	**2025 Unaudited**	2024 Audited
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common		**P16,443**	P16,443
Capital stock - preferred		**10,187**	10,187
Additional paid-in capital		**177,442**	177,442
Capital securities		**24,211**	24,211
Equity reserves	*2*	**17,743**	(5,275)
Retained earnings:			
Appropriated		**85,276**	79,849
Unappropriated		**118,185**	89,413
Treasury stock		**(109,763)**	(109,763)
		339,724	282,507
Non-controlling Interests		**398,170**	393,934
Total Equity		**737,894**	676,441
		P2,617,786	P2,676,930

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 JUNE 30, 2025 AND 2024
(In Millions, Except Per Share Data)

		For the Quarter Ended			
	Note	**2025 Unaudited**	2024 Unaudited	**2025 Unaudited**	2024 Unaudited
SALES	*3, 5*	**P718,205**	P789,021	**P357,294**	P396,308
COST OF SALES		**583,338**	655,195	**292,027**	326,832
GROSS PROFIT		**134,867**	133,826	**65,267**	69,476
SELLING AND ADMINISTRATIVE EXPENSES		**(47,209)**	(48,737)	**(23,214)**	(24,851)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*5*	**(48,929)**	(47,645)	**(24,309)**	(24,123)
INTEREST INCOME	*5*	**7,842**	7,324	**3,835**	3,690
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES		**5,139**	1,237	**3,124**	821
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		**866**	58	**401**	45
OTHER INCOME (CHARGES) - Net	*2, 4, 9, 10*	**31,653**	(24,387)	**6,315**	(17,540)
INCOME BEFORE INCOME TAX		**84,229**	21,676	**31,419**	7,518
INCOME TAX EXPENSE		**17,462**	8,098	**8,033**	2,827
NET INCOME		**P66,767**	P13,578	**P23,386**	P4,691
Attributable to:					
Equity holders of the Parent Company		**P40,780**	(P8,703)	**P10,565**	(P9,212)
Non-controlling interests		**25,987**	22,281	**12,821**	13,903
		P66,767	P13,578	**P23,386**	P4,691
Basic and Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	*7*	**P15.10**	(P5.64)	**P3.43**	(P4.86)
Cash Dividends Declared Per Common Share	*8*	**P0.70**	P0.70	**P 0.35**	P0.35

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2025 AND 2024
(In Millions)

				For the Quarter Ended	
	Note	**2025 Unaudited**	2024 Unaudited	**2025 Unaudited**	2024 Unaudited
NET INCOME		**P66,767**	P13,578	**P23,386**	P4,691
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss					
Remeasurement loss on defined benefit retirement plan		**(6)**	(1)	**-**	-
Income tax benefit		**2**	-	**-**	-
Net gain (loss) on financial assets at fair value through other comprehensive income	*2*	**22,951**	130	**(2)**	137
Income tax expense	*2*	**(690)**	(14)	**-**	(15)
Share in other comprehensive income of associates and joint ventures - net		**-**	6	**-**	5
		22,257	121	**(2)**	127
Items that may be reclassified to profit or loss					
Net gain on exchange differences on translation of foreign operations		**989**	2,511	**1,513**	3,136
Net gain (loss) on financial assets at fair value through other comprehensive income		**23**	(6)	**1**	(15)
Income tax benefit (expense)		**(6)**	2	**(1)**	4
Net gain (loss) on cash flow hedges	*10*	**376**	(948)	**198**	(1,194)
Income tax benefit (expense)		**(94)**	237	**(49)**	298
Share in other comprehensive income (loss) of associates and joint ventures - net		**80**	(121)	**31**	(70)
		1,368	1,675	**1,693**	2,159
OTHER COMPREHENSIVE INCOME - Net of tax		**23,625**	1,796	**1,691**	2,286
TOTAL COMPREHENSIVE INCOME - Net of tax		**P90,392**	P15,374	**P25,077**	P6,977
Attributable to:					
Equity holders of the Parent Company		**P64,221**	(P8,450)	**P11,718**	(P8,647)
Non-controlling interests		**26,171**	23,824	**13,359**	15,624
		P90,392	P15,374	**P25,077**	P6,977

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 JUNE 30, 2025 AND 2024
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company															
						Equity Reserves					Retained Earnings						
	Note	Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appro-priated	Unappro-priated	Treasury Stock		Total	Non-controlling Interests	Total Equity
		Common	Preferred										Common	Preferred			
As at January 1, 2025 (Audited)		P16,443	P10,187	P177,442	P24,211	(P11,767)	(P681)	P671	P5,089	P1,413	P79,849	P89,413	(P67,093)	(P42,670)	P282,507	P393,934	P676,441
Net gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	795	-	-	-	-	-	795	194	989
Share in other comprehensive income (loss) of associates and joint ventures - net		-	-	-	-	-	-	83	8	-	-	-	-	-	91	(11)	80
Net gain on cash flow hedges		-	-	-	-	-	282	-	-	-	-	-	-	-	282	-	282
Net gain on financial assets at fair value through other comprehensive income	2	-	-	-	-	-	-	15	-	22,262	-	-	-	-	22,277	1	22,278
Remeasurement loss on defined benefit retirement plan		-	-	-	-	(4)	-	-	-	-	-	-	-	-	(4)	-	(4)
Other comprehensive income (loss)		-	-	-	-	(4)	282	98	803	22,262	-	-	-	-	23,441	184	23,625
Net income		-	-	-	-	-	-	-	-	-	-	40,780	-	-	40,780	25,987	66,767
Total comprehensive income (loss)		-	-	-	-	(4)	282	98	803	22,262	-	40,780	-	-	64,221	26,171	90,392
Net addition (reduction) to non-controlling interests and others		-	-	-	-	(269)	-	-	53	(207)	-	(133)	-	-	(556)	(1,540)	(2,096)
Appropriations - net		-	-	-	-	-	-	-	-	-	5,427	(5,427)	-	-	-	-	-
Cash dividends and distributions:	8																
Common		-	-	-	-	-	-	-	-	-	-	(1,669)	-	-	(1,669)	(7,675)	(9,344)
Preferred		-	-	-	-	-	-	-	-	-	-	(3,708)	-	-	(3,708)	(852)	(4,560)
Capital securities		-	-	-	-	-	-	-	-	-	-	(1,071)	-	-	(1,071)	(11,868)	(12,939)
As at June 30, 2025 (Unaudited)		P16,443	P10,187	P177,442	P24,211	(P12,040)	(P399)	P769	P5,945	P23,468	P85,276	P118,185	(P67,093)	(P42,670)	P339,724	P398,170	P737,894

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company															
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Equity Reserves					Retained Earnings		Treasury Stock		Total	Non-controlling Interests	Total Equity
		Common	Preferred			Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appro-priated	Unappro-priated	Common	Preferred			
As at January 1, 2024 (Audited)		P16,443	P10,187	P177,468	P24,211	(P10,465)	(P403)	P330	P2,974	P14,918	P87,170	P103,151	(P67,093)	(P42,670)	P316,221	P348,945	P665,166
Net gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	979	-	-	-	-	-	979	1,532	2,511
Share in other comprehensive income (loss) of associates and joint ventures - net		-	-	-	-	-	-	(118)	(3)	-	-	-	-	-	(121)	6	(115)
Net loss on cash flow hedges		-	-	-	-	-	(711)	-	-	-	-	-	-	-	(711)	-	(711)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	107	-	-	-	-	-	-	107	5	112
Remeasurement loss on defined benefit retirement plan		-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Other comprehensive income (loss)		-	-	-	-	(1)	(711)	(11)	976	-	-	-	-	-	253	1,543	1,796
Net income (loss)		-	-	-	-	-	-	-	-	-	-	(8,703)	-	-	(8,703)	22,281	13,578
Total comprehensive income (loss)		-	-	-	-	(1)	(711)	(11)	976	-	-	(8,703)	-	-	(8,450)	23,824	15,374
Share issuance costs from reissuance of treasury shares		-	-	(26)	-	-	-	-	-	-	-	-	-	-	(26)	-	(26)
Net addition (reduction) to non-controlling interests and others		-	-	-	-	-	-	-	-	(4,940)	-	(54)	-	-	(4,994)	3,380	(1,614)
Appropriations - net		-	-	-	-	-	-	-	-	-	1,298	(1,298)	-	-	-	-	-
Cash dividends and distributions:	8																
Common		-	-	-	-	-	-	-	-	-	-	(1,669)	-	-	(1,669)	(7,128)	(8,797)
Preferred		-	-	-	-	-	-	-	-	-	-	(3,972)	-	-	(3,972)	(789)	(4,761)
Capital securities		-	-	-	-	-	-	-	-	-	-	(1,032)	-	-	(1,032)	(9,031)	(10,063)
As at June 30, 2024 (Unaudited)		P16,443	P10,187	P177,442	P24,211	(P10,466)	(P1,114)	P319	P3,950	P9,978	P88,468	P86,423	(P67,093)	(P42,670)	P296,078	P359,201	P655,279

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

CERTIFIED CORRECT:

BELLA C. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2025 AND 2024
(In Millions)

	Note	2025 Unaudited	2024 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P84,229**	P21,676
Adjustments for:			
Interest expense and other financing charges		**48,929**	47,645
Depreciation, amortization and others - net	*4, 6*	**9,910**	28,217
Loss (gain) on foreign exchange - net	*4*	**(11,546)**	25,120
Interest income		**(7,842)**	(7,324)
Equity in net earnings of associates and joint ventures		**(5,139)**	(1,237)
Gain on sale of investments and property and equipment		**(866)**	(58)
Operating income before working capital changes		**117,675**	114,039
Changes in noncash current assets, certain current liabilities and others		**2,889**	17,919
Cash generated from operations		**120,564**	131,958
Interest and other financing charges paid		**(49,368)**	(45,803)
Income taxes paid		**(12,988)**	(11,547)
Net cash flows provided by operating activities		**58,208**	74,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds of:			
Redemption of investment in redeemable preferred shares held by a subsidiary	*2*	**78,717**	-
Sale of property and equipment		**3,430**	482
Disposal of investments in debt instruments		**445**	519
Disposal of a subsidiary, net of cash and cash equivalents disposed of		**-**	8
Collection of advances		**12,084**	-
Dividends received		**11,887**	363
Interest received		**7,718**	6,505
Additions to:			
Property, plant and equipment	*6*	**(19,166)**	(48,178)
Intangible assets		**(11,740)**	(23,476)
Investments and advances		**(10,178)**	(7,007)
Contract assets		**(4,724)**	(7,742)
Advances to contractors and suppliers		**(2,082)**	(2,349)
Investment property		**(2,070)**	(4,212)
Investments in equity and debt instruments		**(463)**	(532)
Increase in other noncurrent assets and others		**(9,728)**	(8,270)
Cash and cash equivalents of deconsolidated subsidiaries	*2*	**(5,679)**	-
Net cash flows provided by (used in) investing activities		**48,451**	(93,889)

Forward

	Note	2025 Unaudited	2024 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds of:			
Short-term borrowings		**P608,499**	P630,730
Long-term borrowings		**80,953**	58,906
Payments of:			
Short-term borrowings		**(681,265)**	(583,917)
Long-term borrowings		**(45,982)**	(61,288)
Cash dividends and distributions paid to non-controlling shareholders		**(20,339)**	(17,063)
Payments of lease liabilities		**(9,132)**	(11,500)
Cash dividends and distributions paid	*8*	**(6,444)**	(5,717)
Redemption of capital securities of subsidiaries		**(6,288)**	(45,040)
Acquisition of treasury shares of a subsidiary		**(1,119)**	-
Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others		**(1,093)**	31
Net proceeds of issuance of capital securities of subsidiaries		**5,750**	43,481
Share issuance costs from reissuance of treasury shares		**-**	(26)
Net cash flows provided by (used in) financing activities		**(76,460)**	8,597
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,737)**	3,216
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**27,462**	(7,468)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**293,677**	261,358
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P321,139**	P253,890

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
June 30, 2025
(In Millions)

		Total		Current		Past Due			
						1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade	P	157,210	P	113,195	P	9,544	P 2,430	P 1,971	P 30,070
Non-trade		76,407		46,596		274	680	2,451	26,406
Amounts Owed by Related Parties		24,232		19,266		1,277	1,038	951	1,700
Total		257,849	**P**	**179,057**	**P**	**11,095**	**P 4,148**	**P 5,373**	**P 58,176**
Less allowance for impairment losses		14,946							
Net	**P**	**242,903**							

San Miguel Corporation
Proceeds of the Offering of Series "O" and Series "P" Fixed-Rate Bonds
June 30, 2025
(Amounts in Millions)

i) Gross and Net Proceeds as Disclosed in the Final Prospectus

Gross Proceeds			**P**	20,000
Estimated Fees, Commissions and Expenses Relating to the Issue:				
Taxes to be paid by the Company	**P**	150		
Underwriting fees		80		
Estimated legal and other professional fees		6		
Philippine SEC filing and legal research fee		5		
Estimated other expenses		10		251
Net Proceeds			**P**	19,749

ii) Actual Gross and Net Proceeds

Gross Proceeds	**P**	20,000	
Expenses related to the Offering		270	*
Net Proceeds	**P**	19,730	

iii) Each Expenditure Item Where the Proceeds were Used

Partial redemption of Series "I" Fixed-Rate Bonds	**P**	11,240
Repayment of Series "F" Fixed-Rate Bonds		2,438
Additional investment in the Manila International Airport		2,765
Total Expenditure Where the Proceeds Were Used	**P**	16,443

iv) Balance of the Proceeds as of End of Reporting Period **P** 3,287

* *Expenses of the Offering include: (i) payment of filing fees with the SEC; (ii) other miscellaneous fees (i.e., expenses for publication, marketing and other out-of-pocket expenses); (iii) issue management, underwriting and selling agent fees; (iv) payment of documentary stamp taxes; (v) listing application, listing and maintenance fees with the PDEx; (iv) additional miscellaneous fees; and (vii) registry fees with PDTC.*

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, 2024.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 7, 2025.

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

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

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

Adoption of Amendments to Standards

The Group has adopted the Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*) effective January 1, 2025. The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. 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 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, 2025 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

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

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

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

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

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

- Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7). The amendments clarify the application of the own-use exemption for contracts referencing electricity from nature-dependent renewable energy sources, amend the hedge accounting requirements to allow these contracts to be designated as hedging instruments if certain conditions are met, and introduce additional disclosure requirements on the impact of these contracts on the financial performance and future cash flow.

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

- Annual Improvements to PFRS Accounting Standards - Volume 11. This cycle of improvements contains amendments to two standards:

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

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

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

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

  The amendments apply for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1, *Presentation of Financial Statements*. The new standard introduces the following key requirements:

  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss;

  - Management-defined performance measures are disclosed in a single note to the financial statements; and

  - Enhanced guidance is provided on how to group information in the financial statements.

  In addition, all entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

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

- 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.

On February 14, 2025, the FSRSC further deferred the date of initial application by two years, making PFRS 17 effective for annual reporting periods beginning on or after January 1, 2027, with comparative figures required. Early adoption is permitted. The Insurance Commission issued CL No. 2025-04, aligning with this deferral.

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

2. Investments and Advances

On March 1, 2024, Meralco PowerGen Corporation [MGen, a subsidiary of Manila Electric Company (Meralco)] and Therma NatGas Power, Inc. (TNGP, a subsidiary of Aboitiz Power Corporation), through their jointly owned entity, Chromite Gas Holdings Inc. (CGHI), have entered into binding agreements with San Miguel Global Power Holdings Corp. (San Miguel Global Power) and its relevant subsidiaries, for MGen and TNGP to jointly invest for a 67% equity interest in San Miguel Global Power's gas-fired power plants, namely: (i) the brownfield 1,278 megawatts (MW) Ilijan Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the greenfield 1,320 MW Batangas Combined Cycle Power Plant (BCCPP) owned by Excellent Energy Resources Inc. (EERI); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. (IPIEC) where the gas-fired power plant and related facilities of EERI as well as the Batangas Liquefied Natural Gas (LNG) Terminal are located.

The transaction also involved the joint acquisition by CGHI and San Miguel Global Power of Linseed Field Corporation (LFC), the owner of the Batangas LNG Terminal, which receives, stores and processes LNG to fuel for SPPC's Ilijan Power Plant and for EERI's BCCPP.

The transaction has customary closing conditions and has been issued the requisite regulatory approvals, including the review and approval of the Philippine Competition Commission (PCC). On May 17, 2024, Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) filed its application for the approval of the transaction with the PCC. On December 23, 2024, PCC publicly disclosed its approval of the joint acquisition of power facilities and Batangas LNG Terminal by MGen, TNGP and San Miguel Global Power, subject to certain commitments from the parties aimed at ensuring fair competition and promoting transparency in the power industry.

On January 27, 2025, San Miguel Global Power completed the following transactions pursuant to the agreements executed on March 1, 2024 with CGHI:

- Investment by CGHI of 67% equity interests in SPPC, EERI and IPIEC; and

- Acquisition by CGHI and San Miguel Global Power of 67% and 32.98% equity interests, respectively, in LFC.

As a result of the transactions, San Miguel Global Power's equity interests in SPPC, EERI and IPIEC were diluted from 100% to 33%, thereby resulting in a loss of control and deconsolidation of the assets and liabilities of the three subsidiaries. The 33% equity interests retained in SPPC, EERI and IPIEC were recognized at fair market value, totaling to P52,706, included as part of "Investments in shares of stock of associates" under "Investments and advances - net" account, in the consolidated statement of financial position as at June 30, 2025. The revaluation of the investment in SPPC, EERI and IPIEC resulted in a gain amounting to P21,933, included as part of "Other income (charges) - net" account, in the consolidated statement of income for the period ended June 30, 2025 (Note 4).

The following summarizes the derecognized accounts at the deconsolidation date:

Current assets	**P62,420**
Noncurrent assets	**99,364**
Current liabilities	**(71,748)**
Noncurrent liabilities	**(59,263)**
Net Assets	**P30,773**

Total consideration paid by San Miguel Global Power for the acquisition of 32.98% equity interest in LFC amounted to P4,340, included as part of "Investments in shares of stock of associates" under "Investments and advances - net" account, in the consolidated statement of financial position as at June 30, 2025.

Subsequently, SPPC, EERI and IPIEC redeemed and paid their respective redeemable preferred shares issued to San Miguel Global Power at a redemption price totaling to P78,717. Consequently, San Miguel Global Power recognized a net gain on investments in equity instruments amounting to P22,262, presented under "Equity reserves" account in the consolidated statement of financial position as at June 30, 2025 and under "Net gain on financial assets at fair value through other comprehensive income" account in the consolidated statement of comprehensive income for the period ended June 30, 2025.

3. Segment Information

Operating Segments

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

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

The food and beverage segment is engaged in: (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as “Prepared and Packaged Food”); (ii) the production and sale of feeds, veterinary medicine and pet care products (“Animal Nutrition and Health”); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats (“Protein”); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice, and international operations (“Others”). It is also engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets; and production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

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

The energy segment sells, retails and distributes power, through power supply agreements, retail supply contracts, ancillary service procurement agreements and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Meralco, electric cooperatives, industrial customers and National Grid Corporation of the Philippines) or through the Philippine Wholesale Electricity Spot Market.

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

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

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

The real estate segment is primarily engaged in leasing, sale of real estate, management services, and hotel operations.

Segment Assets and Liabilities

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

Inter-segment Transactions

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

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Operating Segments

Financial information about reportable segments as at and for the periods ended June 30, 2025, December 31, 2024 and June 30, 2024 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	June 2025	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024
Sales																		
External sales	**P201,016**	P192,784	**P11,914**	P12,138	**P75,704**	P94,939	**P382,017**	P439,464	**P19,422**	P18,072	**P17,491**	P18,619	**P10,641**	P13,005	**P -**	P -	**P718,205**	P789,021
Inter-segment sales	**184**	98	**7,370**	5,836	**4,443**	4,005	**4,378**	5,026	**435**	421	**331**	343	**19,662**	18,117	**(36,803)**	(33,846)	-	-
Total sales	**P201,200**	P192,882	**P19,284**	P17,974	**P80,147**	P98,944	**P386,395**	P444,490	**P19,857**	P18,493	**P17,822**	P18,962	**P30,303**	P31,122	**(P36,803)**	(P33,846)	**P718,205**	P789,021
Result																		
Segment result	**P30,041**	P26,641	**P1,592**	P1,362	**P22,120**	P22,988	**P15,146**	P17,449	**P11,142**	P9,856	**P3,493**	P3,952	**P2,613**	P2,412	**P1,511**	P429	**P87,658**	P85,089
Interest expense and other financing charges																	**(48,929)**	(47,645)
Interest income																	**7,842**	7,324
Equity in net earnings of associates and joint ventures																	**5,139**	1,237
Gain on sale of investments and property and equipment																	**866**	58
Other income (charges) - net																	**31,653**	(24,387)
Income tax expense																	**(17,462)**	(8,098)
Net Income																	**P66,767**	P13,578

	June 2025	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024
Other Information																		
Segment assets	**P317,383**	P317,550	**P49,162**	P49,218	**P687,535**	P790,293	**P433,657**	P457,756	**P510,444**	P492,423	**P113,933**	P113,340	**P356,662**	P366,344	**(P187,246)**	(P193,154)	**P2,281,530**	P2,393,770
Investments in and advances to associates and joint ventures	**-**	-	**-**	-	**73,999**	19,894	**8**	11	**9,093**	9,334	**819**	819	**24,665**	22,890	**-**	-	**108,584**	52,948
Goodwill and trademarks																	**185,396**	185,212
Other assets																	**23,432**	22,955
Deferred tax assets																	**18,844**	22,045
Consolidated Total Assets																	**P2,617,786**	P2,676,930

Forward

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	June 2025	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024	**June 2025**	December 2024
Segment liabilities	**P83,485**	P83,615	**P10,288**	P10,689	**P79,317**	P124,537	**P86,748**	P81,162	**P59,434**	P59,873	**P7,230**	P6,805	**P89,423**	P98,598	**(P151,152)**	(P157,705)	**P264,773**	P307,574
Loans payable																	**215,544**	293,230
Long-term debt																	**1,288,756**	1,267,269
Lease liabilities																	**35,173**	42,545
Income and other taxes payable																	**37,831**	43,628
Dividends and distributions payable and others																	**10,301**	11,382
Deferred tax liabilities																	**27,514**	34,861
Consolidated Total Liabilities																	**P1,879,892**	P2,000,489

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments for the periods ended June 30, 2025 and 2024:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Consolidated	
	June 2025	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024	**June 2025**	June 2024
Timing of recognition																
Sales recognized at point in time	**P201,010**	P192,777	**P11,375**	P11,749	**P -**	P -	**P382,017**	P439,464	**P -**	P -	**P17,491**	P18,619	**P7,648**	P10,935	**P619,541**	P673,544
Sales recognized over time	**6**	7	**539**	389	**75,704**	94,939	**-**	-	**19,422**	18,072	**-**	-	**2,993**	2,070	**98,664**	115,477
Total external sales	**P201,016**	P192,784	**P11,914**	P12,138	**P75,704**	P94,939	**P382,017**	P439,464	**P19,422**	P18,072	**P17,491**	P18,619	**P10,641**	P13,005	**P718,205**	P789,021

4. Other Income (Charges) - Net

Other income (charges) - net consists of:

		For the Periods Ended June 30	
	Note	**2025**	2024
Gain on fair valuation of investment	*2*	**P21,933**	P -
Construction revenue		**19,869**	30,992
Gain (loss) on foreign exchange - net	*9*	**11,797**	(27,206)
Construction costs		**(19,869)**	(30,992)
Gain (loss) on derivatives - net	*10*	**(2,853)**	2,313
Others		**776**	506
		P31,653	(P24,387)

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

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

Gain on fair valuation of the retained investment in SPPC, EERI and IPIEC was recognized, following the dilution of San Miguel Global Power's ownership interest from 100% to 33% (Note 2).

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

5. 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/payable in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at June 30, 2025 and December 31, 2024:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	**June 30, 2025**	**P2**	**P -**	**P -**	**P516**	Settled on dividend payment date	Unsecured
	December 31, 2024	9	-	-	516		
	June 30, 2025	**-**	**-**	**3,037**	**-**	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest-bearing	Unsecured; no impairment
	December 31, 2024	-	-	3,037	-		
Retirement plans	**June 30, 2025**	**15**	**-**	**2,877**	**-**	On demand; non-interest-bearing	Unsecured; no impairment
	December 31, 2024	30	-	3,166	-		
	June 30, 2025	**101**	**-**	**3,110**	**-**	On demand; interest-bearing	Unsecured; no impairment
	December 31, 2024	234	-	4,127	-		
Associates	**June 30, 2025**	**2,713**	**-**	**15,523**	**206**	On demand; non-interest-bearing	Unsecured; no impairment
	December 31, 2024	1,984	-	940	161		
	June 30, 2025	**382**	**1,126**	**9,743**	**30,027**	Less than 1 to 12 years; interest-bearing	Unsecured and secured; no impairment
	December 31, 2024	637	1,394	9,720	34,208		
Joint ventures	**June 30, 2025**	**332**	**1,528**	**90**	**364**	On demand; non-interest-bearing	Unsecured; no impairment
	December 31, 2024	88	1,103	7	456		
	June 30, 2025	**14**	**-**	**621**	**-**	On demand; interest-bearing	Unsecured; with impairment
	December 31, 2024	13	-	621	-		
	June 30, 2025	**40**	**-**	**1,780**	**-**	Less than 1 to 10.5 years; interest-bearing	Unsecured; no impairment
	December 31, 2024	81	-	1,746	-		
Shareholder of the Ultimate Parent Company	**June 30, 2025**	**-**	**-**	**1,200**	**-**	On demand; non-interest-bearing	Unsecured; no impairment
	December 31, 2024	-	-	1,300	-		
Shareholders in subsidiaries	**June 30, 2025**	**25**	**693**	**95**	**1,387**	On demand; non-interest-bearing	Unsecured; no impairment
	December 31, 2024	43	1,265	96	1,368		
Others	**June 30, 2025**	**376**	**1,486**	**325**	**101**	On demand; non-interest-bearing	Unsecured; no impairment
	December 31, 2024	543	1,559	208	126		
Total	**June 30, 2025**	**P4,000**	**P4,833**	**P38,401**	**P32,601**		
Total	December 31, 2024	P3,662	P5,321	P24,968	P36,835		

1) Revenue consists primarily of sale of power, fuel and other products and services to related parties.

2) Purchases consist primarily 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 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.

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* On September 27, 2019, the parties agreed in writing that the amounts plus 5.75% interest rate per annum of any portion thereof unpaid shall be payable and the interest shall be accrued, upon commencement of commercial operations of the Nonoc Project.

The Nonoc Project is primarily focused on extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte, and is undertaken by Philnico Industrial Corporation, Pacific Nickel Philippines, Inc., and Philnico Processing Corp., all indirect subsidiaries of Clariden. As at June 30, 2025 and December 31, 2024, the Nonoc Project has not yet started commercial operations.

These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statements of financial position as at June 30, 2025 and December 31, 2024.

b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P5,987 and P6,311 as at June 30, 2025 and December 31, 2024, 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. Interest income earned from the advances amounted to P91 and P94 for the periods ended June 30, 2025 and 2024, respectively.

c) Petron Corporation (Petron) has advances to Petron Corporation Employee Retirement Plan amounting to P982 as at December 31, 2024, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statement of financial position, which was fully paid on March 20, 2025. Portion of the advances are subject to interest of 5% per annum. Interest income earned from the advances amounted to P10 and P23 for the periods ended June 30, 2025 and 2024, respectively.

d) The amounts owed by associates mainly consist of advances granted and management and shared service fees charged to SPPC and EERI amounting to P14,362, presented as part of "Trade and other receivables - net" and "Other noncurrent assets - net" accounts in the consolidated statement of financial position as at June 30, 2025.

e) Amounts owed by related parties include investments in equity and debt instruments under an investment management agreement with Bank of Commerce (BankCom) amounting to P9,743 and P9,718 as at June 30, 2025 and December 31, 2024, 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. Interest income earned from investments in equity and debt instruments amounted to P162 for the periods ended June 30, 2025 and 2024.

f) Amounts owed by related parties include an interest-bearing receivable from joint ventures amounting to P621 included as part of "Trade and other receivables - net" account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 as at June 30, 2025 and December 31, 2024. Interest income earned from the receivable amounted to P14 and P13 for the periods ended June 30, 2025 and 2024, respectively.

g) Amounts owed by joint ventures include the interest-bearing loans granted to Angat Hydropower Corporation (Angat Hydro) by PowerOne Ventures Energy Inc. (PVEI).

In January 2017, PVEI granted shareholder advances to Angat Hydro amounting to US$32 (P1,579). The advances are subject to interest of 4.5% per annum and were due on April 30, 2017. The due date of the advances was extended to December 31, 2025, as agreed by the parties. As at June 30, 2025 and December 31, 2024, the remaining balance of the shareholder advances amounted to US$2 (P129) and US$2 (P132), respectively.

In February 2023 and June and October 2021, PVEI granted additional shareholder advances to Angat Hydro amounting to P344, P600 and P409, respectively. The advances are subject to interest of 6.125%, 4.6% and 6.125% per annum, respectively, and are due on January 5, 2032.

As at June 30, 2025 and December 31, 2024, the outstanding balance of advances amounted to P1,482 and P1,485, respectively, presented as part of "Trade and other receivables - net" and "Other noncurrent assets - net" accounts in the consolidated statements of financial position. Interest income earned from the advances amounted to P40 for the periods ended June 30, 2025 and 2024.

h) Amounts owed by related parties include the receivable from Far East Holdings, Inc. on the assignment by Eagle Cement Corporation of the advances for future investment in KB Space Holdings, Inc. amounting to P1,200 and P1,300, as at June 30, 2025 and December 31, 2024, respectively, presented as part of "Trade and other receivables - net" account in the consolidated statements of financial position.

4) Amounts owed to related parties consist of trade payables, professional fees and lease obligations. Amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" amounted to P5 and P9 as at June 30, 2025 and December 31, 2024, respectively, and as part of "Lease liabilities - net of current portion" amounted to P34 and P35 as at June 30, 2025 and December 31, 2024, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.

The interest-bearing loans payable to BankCom presented as part of "Loans payable" account amounted to P2,953 and P6,941 and "Long-term debt" account amounted to P27,074 and P27,267 in the consolidated statements of financial position as at June 30, 2025 and December 31, 2024, respectively. Interest expense incurred on the loans amounted to P1,126 and P938 for the periods ended June 30, 2025 and 2024, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P20,000 and P20,584 as at June 30, 2025 and December 31, 2024, 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.

6. Property, Plant and Equipment

Property, plant and equipment consist of:

June 30, 2025 and December 31, 2024

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost										
January 1, 2024 (Audited)		P58,324	P93,452	P225,369	P194,507	P19,845	P260,596	P12,681	P198,417	P1,063,191
Additions		3,757	855	2,741	968	893	7,258	389	78,200	95,061
Acquisition of subsidiaries		1,414	-	-	-	-	22	-	14	1,450
Disposals/retirement		(135)	(110)	-	(36)	(1,459)	(3,689)	(1)	(39)	(5,469)
Reclassifications and others		1,907	8,633	128,627	3,343	122	18,121	4,040	(84,396)	80,397
Currency translation adjustments		215	449	-	1,963	725	1,259	(21)	91	4,681
December 31, 2024 (Audited)		65,482	103,279	356,737	200,745	20,126	283,567	17,088	192,287	1,239,311
Additions		64	51	1,049	189	165	2,870	144	22,615	27,147
Deconsolidation of subsidiaries	*2*	(1,619)	(422)	(78,260)	-	-	(467)	-	(20,716)	(101,484)
Disposals/retirement		(7)	(36)	-	-	(1)	(5,091)	-	(87)	(5,222)
Reclassifications and others		126	3,104	28,564	2,431	132	7,133	2,096	(40,741)	2,845
Currency translation adjustments		85	(155)	-	795	296	(511)	4	22	536
June 30, 2025 (Unaudited)		**64,131**	**105,821**	**308,090**	**204,160**	**20,718**	**287,501**	**19,332**	**153,380**	**1,163,133**
Accumulated Depreciation										
January 1, 2024 (Audited)		4,962	24,789	40,308	76,218	15,376	130,322	3,342	-	295,317
Depreciation		585	2,826	10,850	6,536	784	13,609	782	-	35,972
Disposals/retirement		-	(76)	-	(34)	(1,406)	(2,842)	(1)	-	(4,359)
Reclassifications		(773)	89	-	-	293	3,386	(2)	-	2,993
Currency translation adjustments		2	244	-	920	398	762	(7)	-	2,319
December 31, 2024 (Audited)		4,776	27,872	51,158	83,640	15,445	145,237	4,114	-	332,242
Depreciation		267	1,457	7,275	3,761	393	7,308	418	-	20,879
Deconsolidation of subsidiaries	*2*	(9)	(38)	(4,260)	-	-	(31)	-	-	(4,338)
Disposals/retirement		(7)	(25)	-	-	(1)	(2,737)	-	-	(2,770)
Reclassifications		17	107	(439)	-	-	133	(9)	-	(191)
Currency translation adjustments		(1)	(61)	-	374	178	(216)	4	-	278
June 30, 2025 (Unaudited)		**5,043**	**29,312**	**53,734**	**87,775**	**16,015**	**149,694**	**4,527**	**-**	**346,100**
Accumulated Impairment										
January 1, 2024 (Audited)		-	3,303	-	-	-	11,008	26	65	14,402
Impairment		-	460	-	-	-	179	-	207	846
Disposals/retirement		-	-	-	-	-	(92)	-	-	(92)
Reclassifications		-	(1)	-	-	-	-	-	-	(1)
Currency translation adjustments		-	104	-	-	-	361	(1)	-	464
December 31, 2024 (Audited)		-	3,866	-	-	-	11,456	25	272	15,619
Impairment		-	-	-	-	-	64	-	-	64
Disposals/retirement		-	(7)	-	-	-	(5)	-	-	(12)
Reclassifications		-	-	-	-	-	43	-	-	43
Currency translation adjustments		-	(98)	-	-	-	(282)	1	-	(379)
June 30, 2025 (Unaudited)		**-**	**3,761**	**-**	**-**	**-**	**11,276**	**26**	**272**	**15,335**
Carrying Amount										
December 31, 2024 (Audited)		P60,706	P71,541	P305,579	P117,105	P4,681	P126,874	P12,949	P192,015	P891,450
June 30, 2025 (Unaudited)		**P59,088**	**P72,748**	**P254,356**	**P116,385**	**P4,703**	**P126,531**	**P14,779**	**P153,108**	**P801,698**

June 30, 2024

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost									
January 1, 2024 (Audited)	P58,324	P93,452	P225,369	P194,507	P19,845	P260,596	P12,681	P198,417	P1,063,191
Additions	976	103	1,877	129	679	2,944	293	41,177	48,178
Disposals/retirement	(67)	(20)	-	(2)	(1,286)	(1,409)	(1)	(3)	(2,788)
Reclassifications and others	6	3,568	22,618	(4)	1	10,145	3,905	(35,845)	4,394
Currency translation adjustments	44	479	-	861	324	1,627	16	34	3,385
June 30, 2024 (Unaudited)	59,283	97,582	249,864	195,491	19,563	273,903	16,894	203,780	1,116,360
Accumulated Depreciation									
January 1, 2024 (Audited)	4,962	24,789	40,308	76,218	15,376	130,322	3,342	-	295,317
Depreciation	285	1,355	4,922	2,854	405	6,619	363	-	16,803
Disposals/retirement	-	(20)	-	-	(1,236)	(961)	(1)	-	(2,218)
Reclassifications	(776)	(148)	-	-	-	3,110	1	-	2,187
Currency translation adjustments	(1)	209	-	401	186	864	3	-	1,662
June 30, 2024 (Unaudited)	4,470	26,185	45,230	79,473	14,731	139,954	3,708	-	313,751
Accumulated Impairment									
January 1, 2024 (Audited)	-	3,303	-	-	-	11,008	26	65	14,402
Reversal of impairment	-	-	-	-	-	(10)	-	(1)	(11)
Disposals/retirement	-	-	-	-	-	(81)	-	-	(81)
Currency translation adjustments	-	174	-	-	-	550	1	-	725
June 30, 2024 (Unaudited)	-	3,477	-	-	-	11,467	27	64	15,035
Carrying Amount									
June 30, 2024 (Unaudited)	P54,813	P67,920	P204,634	P116,018	P4,832	P122,482	P13,159	P203,716	P787,574

Depreciation charged to operations amounted to P20,879 and P16,803 for the periods ended June 30, 2025 and 2024, 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 the capital projects in progress account to specific property, plant and equipment accounts.

As at June 30, 2025 and December 31, 2024, certain property, plant and equipment amounting to P280,758 and P269,015, respectively, were pledged as security for syndicated project finance loans.

7. 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:

	For the Periods Ended June 30	
	2025	2024
Net income (loss) attributable to equity holders of the Parent Company	**P40,780**	(P8,703)
Less: Dividends on preferred shares for the period	**3,708**	3,708
Distributions on capital securities for the period	**1,071**	1,032
Net income (loss) attributable to common shareholders of the Parent Company (a)	**P36,001**	(P13,443)
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	**2,384**	2,384
Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	**P15.10**	(P5.64)

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

The Parent Company has no dilutive debt or equity instruments for the periods ended June 30, 2025 and 2024.

8. 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:

2025

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	March 13, 2025	March 28, 2025	April 25, 2025	**P0.35**
	June 10, 2025	June 27, 2025	July 23, 2025	**0.35**
Preferred				
SMC2F	January 16, 2025	March 21, 2025	April 4, 2025	**1.27635**
	May 8, 2025	June 20, 2025	July 4, 2025	**1.27635**
SMC2I	January 16, 2025	March 21, 2025	April 4, 2025	**1.18790625**
	May 8, 2025	June 20, 2025	July 4, 2025	**1.18790625**
SMC2J	January 16, 2025	March 21, 2025	April 4, 2025	**0.890625**
	May 8, 2025	June 20, 2025	July 4, 2025	**0.890625**
SMC2K	January 16, 2025	March 21, 2025	April 4, 2025	**0.84375**
	May 8, 2025	June 20, 2025	July 4, 2025	**0.84375**

Forward

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Preferred				
SMC2L	January 16, 2025	March 21, 2025	April 4, 2025	**P1.48396875**
	May 8, 2025	June 20, 2025	July 4, 2025	**1.48396875**
SMC2M	January 16, 2025	March 21, 2025	April 4, 2025	**1.5703125**
	May 8, 2025	June 20, 2025	July 4, 2025	**1.5703125**
SMC2N	January 16, 2025	March 21, 2025	April 4, 2025	**1.5649875**
	May 8, 2025	June 20, 2025	July 4, 2025	**1.5649875**
SMC2O	January 16, 2025	March 21, 2025	April 4, 2025	**1.611300**
	May 8, 2025	June 20, 2025	July 4, 2025	**1.611300**

2024

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	March 11, 2024	March 27, 2024	April 26, 2024	P0.35
	June 11, 2024	June 28, 2024	July 26, 2024	0.35
Preferred				
SMC2F	January 18, 2024	March 21, 2024	April 4, 2024	1.27635
	May 14, 2024	June 21, 2024	July 4, 2024	1.27635
SMC2I	January 18, 2024	March 21, 2024	April 4, 2024	1.18790625
	May 14, 2024	June 21, 2024	July 4, 2024	1.18790625
SMC2J	January 18, 2024	March 21, 2024	April 4, 2024	0.890625
	May 14, 2024	June 21, 2024	July 4, 2024	0.890625
SMC2K	January 18, 2024	March 21, 2024	April 4, 2024	0.84375
	May 14, 2024	June 21, 2024	July 4, 2024	0.84375
	May 14, 2024	June 21, 2024	July 4, 2024	0.1031250
SMC2L	January 18, 2024	March 21, 2024	April 4, 2024	1.48396875
	May 14, 2024	June 21, 2024	July 4, 2024	1.48396875
	May 14, 2024	June 21, 2024	July 4, 2024	0.329770833333333
SMC2M	January 18, 2024	March 21, 2024	April 4, 2024	1.5703125
	May 14, 2024	June 21, 2024	July 4, 2024	1.5703125
	May 14, 2024	June 21, 2024	July 4, 2024	0.505989583333333
SMC2N	January 18, 2024	March 21, 2024	April 4, 2024	1.5649875
	May 14, 2024	June 21, 2024	July 4, 2024	1.5649875
	May 14, 2024	June 21, 2024	July 4, 2024	0.347775
SMC2O	January 18, 2024	March 21, 2024	April 4, 2024	1.611300
	May 14, 2024	June 21, 2024	July 4, 2024	1.611300
	May 14, 2024	June 21, 2024	July 4, 2024	0.358066666666667

On August 7, 2025, the BOD of the Parent Company declared cash dividends to all preferred shareholders of record as at September 19, 2025 on the following shares to be paid on October 3, 2025, as follows:

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

Distributions

The Parent Company paid P1,071 and P1,032 for the periods ended June 30, 2025 and 2024, respectively, to the holders of Senior Perpetual Capital Securities (SPCS) as distributions, in accordance with the terms and conditions of their respective separate subscription agreements.

On July 29, 2025, the Parent Company paid distributions amounting to P1,051 to the holders of SPCS.

9. 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. (PSE).

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

Interest Rate Risk

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

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

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

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

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

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

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

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

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

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

June 30, 2025	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine Peso-denominated	**P79,521**	**P88,715**	**P138,163**	**P61,815**	**P65,591**	**P159,249**	**P593,054**
Interest rate	**3.284% - 8.7815%**	**3.284% - 8.7815%**	**3.5483% - 8.7815%**	**3.5483% - 8.7815%**	**3.5483% - 8.7815%**	**4.8356% - 8.6074%**	
Foreign currency-denominated (expressed in Philippine Peso)	**1,446**	**1,513**	**1,580**	**18,554**	**1,731**	**7,581**	**32,405**
Interest rate	**8.331%**	**8.331%**	**8.331%**	**6.55% - 8.331%**	**8.331%**	**8.331%**	
Floating Rate							
Philippine Peso-denominated	**3,266**	**4,932**	**5,820**	**6,079**	**11,420**	**40,516**	**72,033**
Interest rate	**Bloomberg Valuation (BVAL) + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	
Foreign currency-denominated (expressed in Philippine Peso)	**42,046**	**135,279**	**154,275**	**167,368**	**23,909**	**82,885**	**605,762**
Interest rate	**Secured Overnight Financing Rate (SOFR)/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	
	P126,279	**P230,439**	**P299,838**	**P253,816**	**P102,651**	**P290,231**	**P1,303,254**

December 31, 2024	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P69,559	P75,072	P111,758	P93,032	P81,440	P172,129	P602,990
Interest rate	3.284% - 9.635%	3.284% - 9.635%	3.5483% - 9.635%	3.5483% - 9.635%	3.5483% - 9.635%	4.8356% - 9.635%	
Foreign currency-denominated (expressed in Philippine Peso)	1,453	1,519	1,588	10,338	10,416	8,674	33,988
Interest rate	8.331%	8.331%	8.331%	6.55% - 8.331%	6.68% - 8.331%	8.331%	
Floating Rate							
Philippine Peso-denominated	1,895	2,923	4,045	4,383	10,936	29,632	53,814
Interest rate	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine Peso)	22,207	105,707	115,771	146,395	138,428	63,382	591,890
Interest rate	SOFR/ applicable reference rate + margin	SOFR/ applicable reference rate + margin	SOFR/ applicable reference rate + margin	SOFR/ applicable reference rate + margin	SOFR/ applicable reference rate + margin	SOFR/ applicable reference rate + margin	
	P95,114	P185,221	P233,162	P254,148	P241,220	P273,817	P1,282,682

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P3,389 and P6,457 for the period ended June 30, 2025 and for the year ended December 31, 2024, 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 transactions. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

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

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

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

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

- changes in the timing of the hedged transactions.

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

	June 30, 2025		December 31, 2024	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$2,511**	**P141,515**	US$1,619	P93,731
Trade and other receivables	**914**	**51,491**	952	55,088
Prepaid expenses and other current assets	**39**	**2,194**	18	1,046
Noncurrent receivables	**40**	**2,335**	37	2,184
	3,504	**197,535**	2,626	152,049
Liabilities				
Loans payable	**220**	**12,327**	720	41,630
Accounts payable and accrued expenses	**2,110**	**117,605**	2,405	139,067
Long-term debt (including current maturities)	**11,329**	**638,167**	10,820	625,878
Lease liabilities (including current portion)	**246**	**13,895**	369	21,417
Other noncurrent liabilities	**11**	**612**	30	1,775
	13,916	**782,606**	14,344	829,767
Net foreign currency-denominated monetary liabilities	**US$10,412**	**P585,071**	US$11,718	P677,718

The Group reported net gain (loss) on foreign exchange amounting to P11,797 and (P27,206) for the periods ended June 30, 2025 and 2024, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 4). These mainly resulted from the movements of the Philippine Peso against the US Dollar as shown in the following table:

	US Dollar to Philippine Peso
June 30, 2025	**P56.330**
December 31, 2024	57.845
June 30, 2024	58.610
December 31, 2023	55.370

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
June 30, 2025	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,978)**	**(P2,157)**	**P1,978**	**P2,157**
Trade and other receivables	**(441)**	**(873)**	**441**	**873**
Prepaid expenses and other current assets	**(23)**	**(33)**	**23**	**33**
Noncurrent receivables	**(34)**	**(32)**	**34**	**32**
	(2,476)	**(3,095)**	**2,476**	**3,095**
Loans payable	**200**	**169**	**(200)**	**(169)**
Accounts payable and accrued expenses	**812**	**1,649**	**(812)**	**(1,649)**
Long-term debt (including current maturities)	**11,295**	**8,759**	**(11,295)**	**(8,759)**
Lease liabilities (including current portion)	**150**	**209**	**(150)**	**(209)**
Other noncurrent liabilities	**7**	**9**	**(7)**	**(9)**
	12,464	**10,795**	**(12,464)**	**(10,795)**
	P9,988	**P7,700**	**(P9,988)**	**(P7,700)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2024	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,454)	(P1,307)	P1,454	P1,307
Trade and other receivables	(431)	(898)	431	898
Prepaid expenses and other current assets	(10)	(15)	10	15
Noncurrent receivables	(34)	(28)	34	28
	(1,929)	(2,248)	1,929	2,248
Loans payable	425	612	(425)	(612)
Accounts payable and accrued expenses	1,874	2,387	(1,874)	(2,387)
Long-term debt (including current maturities)	10,786	8,123	(10,786)	(8,123)
Lease liabilities (including current portion)	277	301	(277)	(301)
Other noncurrent liabilities	28	23	(28)	(23)
	13,390	11,446	(13,390)	(11,446)
	P11,461	P9,198	(P11,461)	(P9,198)

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

Commodity Price Risk

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

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

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

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

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

Liquidity Risk

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

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

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

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

June 30, 2025	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P321,139**	**P321,139**	**P321,139**	**P -**	**P -**	**P -**
Trade and other receivables - net	**242,903**	**242,903**	**242,903**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**3,945**	**3,945**	**1,749**	**290**	**1,906**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**943**	**943**	**443**	**-**	**-**	**500**
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)	**9,022**	**9,183**	**65**	**54**	**796**	**8,268**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,194**	**14,882**	**1,409**	**895**	**12,533**	**45**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**8,778**	**9,018**	**252**	**3,366**	**1,757**	**3,643**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**25,850**	**25,850**	**20,347**	**3,628**	**1,694**	**181**
Financial Liabilities						
Loans payable	**215,544**	**216,927**	**216,927**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO) and deferred income)	**242,907**	**242,907**	**242,907**	**-**	**-**	**-**
Dividends and distributions payable	**5,221**	**5,221**	**5,221**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**1,951**	**1,951**	**1,614**	**-**	**337**	**-**
Long-term debt (including current maturities)	**1,288,756**	**1,623,515**	**208,582**	**301,544**	**770,229**	**343,160**
Lease liabilities (including current portion)	**35,173**	**46,250**	**7,444**	**10,787**	**11,606**	**16,413**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	**5,302**	**5,302**	**-**	**1,784**	**1,602**	**1,916**

December 31, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P293,677	P293,677	P293,677	P -	P -	P -
Trade and other receivables - net	266,981	266,981	266,981	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,782	2,782	1,198	275	1,309	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	896	896	438	-	-	458
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	8,988	9,239	54	54	821	8,310
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,180	15,245	1,345	846	12,731	323
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	8,797	9,000	35	3,669	141	5,155
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	23,822	23,822	18,422	3,578	2	1,820
Financial Liabilities						
Loans payable	293,230	295,002	295,002	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO and deferred income)	285,456	285,456	285,456	-	-	-
Dividends and distributions payable	5,160	5,160	5,160	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	2,017	2,017	1,890	-	127	-
Long-term debt (including current maturities)	1,267,269	1,627,846	178,609	260,245	857,456	331,536
Lease liabilities (including current portion)	42,545	52,752	12,655	8,750	16,299	15,048
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	7,068	7,068	-	2,824	1,738	2,506

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 comprise of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

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

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

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

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

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

	June 30, 2025	December 31, 2024
Cash and cash equivalents (excluding cash on hand)	**P318,406**	P287,803
Trade and other receivables - net	**242,903**	266,981
Derivative assets	**3,945**	2,782
Investment in debt instruments at FVPL	**443**	438
Investment in debt instruments at FVOCI	**693**	669
Investment in debt instruments at amortized cost	**12,194**	12,180
Noncurrent receivables and deposits - net	**8,778**	8,797
Restricted cash	**25,850**	23,822
	P613,212	P603,472

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

	June 30, 2025					
	Financial Assets at Amortized Cost					
	12-Month ECL	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P318,406**	**P -**	**P -**	**P -**	**P -**	**P318,406**
Trade and other receivables	**-**	**242,903**	**14,946**	**-**	**-**	**257,849**
Derivative assets	**-**	**-**	**-**	**1,773**	**2,172**	**3,945**
Investment in debt instruments at FVPL	**-**	**-**	**-**	**443**	**-**	**443**
Investment in debt instruments at FVOCI	**-**	**-**	**-**	**-**	**693**	**693**
Investment in debt instruments at amortized cost	**12,194**	**-**	**-**	**-**	**-**	**12,194**
Noncurrent receivables and deposits	**-**	**8,778**	**268**	**-**	**-**	**9,046**
Restricted cash	**25,850**	**-**	**-**	**-**	**-**	**25,850**

	December 31, 2024					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P287,803	P -	P -	P -	P -	P287,803
Trade and other receivables	-	266,981	15,343	-	-	282,324
Derivative assets	-	-	-	1,230	1,552	2,782
Investment in debt instruments at FVPL	-	-	-	438	-	438
Investment in debt instruments at FVOCI	-	-	-	-	669	669
Investment in debt instruments at amortized cost	12,180	-	-	-	-	12,180
Noncurrent receivables and deposits	-	8,797	590	-	-	9,387
Restricted cash	23,822	-	-	-	-	23,822

The aging of receivables is as follows:

June 30, 2025	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P113,195**	**P46,596**	**P19,266**	**P179,057**
Past due:				
1 - 30 days	**9,544**	**274**	**1,277**	**11,095**
31 - 60 days	**2,430**	**680**	**1,038**	**4,148**
61 - 90 days	**1,971**	**2,451**	**951**	**5,373**
Over 90 days	**30,070**	**26,406**	**1,700**	**58,176**
	P157,210	**P76,407**	**P24,232**	**P257,849**

December 31, 2024	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P130,568	P40,453	P9,120	P180,141
Past due:				
1 - 30 days	23,898	2,197	105	26,200
31 - 60 days	5,447	5,572	38	11,057
61 - 90 days	2,309	151	30	2,490
Over 90 days	34,664	26,227	1,545	62,436
	P196,886	P74,600	P10,838	P282,324

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 related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken and hogs in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

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

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

Other Market Price Risk

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

Capital Management

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

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

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

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

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

10. 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 it is a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for financial assets and financial liabilities at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

Financial Liabilities at Amortized Costs. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial recognition, financial liabilities at amortized costs are measured using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the 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 "passthrough" 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 financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

	June 30, 2025		December 31, 2024	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P321,139**	**P321,139**	P293,677	P293,677
Trade and other receivables - net	**242,903**	**242,903**	266,981	266,981
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**3,945**	**3,945**	2,782	2,782
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**943**	**943**	896	896
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	**9,022**	**9,022**	8,988	8,988
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,194**	**12,194**	12,180	12,180
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**8,778**	**8,778**	8,797	8,797
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**25,850**	**25,850**	23,822	23,822

Forward

	June 30, 2025		December 31, 2024	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Loans payable	**P215,544**	**P215,544**	P293,230	P293,230
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO and deferred income)	**242,907**	**242,907**	285,456	285,456
Dividends and distributions payable	**5,221**	**5,221**	5,160	5,160
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**1,951**	**1,951**	2,017	2,017
Long-term debt (including current maturities)	**1,288,756**	**1,354,597**	1,267,269	1,306,606
Lease liabilities (including current portion)	**35,173**	**35,173**	42,545	42,545
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**5,302**	**5,302**	7,068	7,068

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

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

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

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

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

Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at the reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.1% to 7.1% and 4.7% to 7.8% as at June 30, 2025 and December 31, 2024, respectively. The discount rates used for foreign currency-denominated loans range from 3.7% to 4.3% and 4.2% to 4.4% as at June 30, 2025 and December 31, 2024, 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.

The Group has outstanding derivatives accounted for as cash flow hedge as at June 30, 2025 and December 31, 2024.

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

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

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

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

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

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

The Group has embedded derivatives as at June 30, 2025 and December 31, 2024.

Derivative Instruments Accounted for as Cash Flow Hedges
The Group designated the following derivative financial instruments as cash flow hedges:

	Maturity		
June 30, 2025	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk:			
Call spread swaps:			
Notional amount	**US$80**	**US$935**	**US$1,015**
Average strike rate	**P51.35 to P59.00**	**P55.35 to P61.845**	
Interest rate risk:			
Interest rate options:			
Notional amount	**US$225**	**US$1,050**	**US$1,275**
Interest rate	**0.39% to 2.91%**	**0.50% to 6.25%**	
Foreign currency and interest rate risks:			
Non-deliverable swap:			
Notional amount	**JPY -**	**JPY8,500**	**JPY8,500**
Average strike rate	**P -**	**P0.3809**	
Fixed interest rate	**-**	**6.25%**	

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

The following are the amounts relating to hedged items:

June 30, 2025	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US Dollar-denominated borrowings	**P651**	**P -**	**(P206)**
Interest rate risk:			
US Dollar-denominated borrowings	**2**	**321**	**(475)**
Foreign currency and interest rate risks:			
Japanese Yen-denominated borrowings	**345**	**(326)**	**287**

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

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

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

June 30, 2025	**Notional Amount**	**Carrying Amount**		**Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included**	**Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income**	**Cost of Hedging Recognized in Other Comprehensive Income**	**Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income**	**Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income**	**Line Item in the Consolidated Statement of Income Affected by the Reclassification**
		Assets	**Liabilities**						
Foreign currency risk:									
Call spread swaps	**US$1,015**	**P2,003**	**P -**	Other noncurrent assets - net	**(P651)**	**P497**	**P651**	**P264**	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk:									
Interest rate options	**1,275**	**132**	**(337)**	Other noncurrent assets - net, and Other noncurrent liabilities	**(2)**	**(253)**	**(77)**	**-**	Interest expense and other financing charges
Foreign currency and interest rate risks:									
Non-deliverable swap	**JPY8,500**	**37**	**-**	Other noncurrent assets - net	**(345)**	**382**	**(90)**	**-**	Interest expense and other financing charges, and Other income (charges) - net

December 31, 2024	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign currency risk:									
Call spread swaps	US$555	P1,297	P -	Other noncurrent assets - net	P880	(P892)	(P880)	P276	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk:									
Interest rate options	1,275	255	(127)	Other noncurrent assets - net, and Other noncurrent liabilities	516	(68)	(207)	-	Interest expense and other financing charges
Foreign currency and interest rate risks:									
Cross currency swap	-	-	-		75	(27)	(44)	-	Interest expense and other financing charges, and Other income (charges) - net

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized for the periods ended June 30, 2025 and 2024 consolidated statements of income.

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

	June 30, 2025		December 31, 2024	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**P380**	**(P1,061)**	P125	(P528)
Changes in fair value:				
Foreign currency risk	**(651)**	**497**	880	(892)
Interest rate risk	**(2)**	**(253)**	516	(68)
Foreign currency and interest rate risks	**(345)**	**382**	75	(27)
Amount reclassified to profit or loss	**484**	**264**	(1,131)	276
Tax effect	**129**	**(223)**	(85)	178
Ending balance	**(P5)**	**(P394)**	P380	(P1,061)

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$100 as at June 30, 2025 and US$75 as at March 31, 2025 and December 31, 2024. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2029. The net positive fair value of the swap amounted to P24, P26 and P32 as at June 30 and March 31, 2025 and December 31, 2024, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,677, US$1,528 and US$1,259 as at June 30 and March 31, 2025 and December 31, 2024, respectively, and with various maturities in 2025. The net negative fair value of these currency forwards amounted to P156, P583 and P991 as at June 30 and March 31, 2025 and December 31, 2024, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US$1,002, US$1,508 and US$50 as at June 30 and March 31, 2025 and December 31, 2024, respectively, and with various maturities in 2025. The net negative fair value of these currency options amounted to P251, P140 and P5 as at June 30 and March 31, 2025 and December 31, 2024, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2025 and 2027. 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 was 58.4 million barrels, 66.7 million barrels and 100.6 million barrels as at June 30 and March 31, 2025 and December 31, 2024, respectively. The net positive fair value of these swaps amounted to P631, P472 and P339 as at June 30 and March 31, 2025 and December 31, 2024, 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$172, US$187 and US$170 as at June 30 and March 31, 2025 and December 31, 2024, 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 P89, P21 and P35 as at June 30 and March 31, 2025 and December 31, 2024, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to (P2,853), P2,313, (P951) and P358 for the periods ended June 30, 2025 and 2024, and March 31, 2025 and 2024, respectively (Note 4).

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

	June 30, 2025	December 31, 2024
Balance at beginning of year	**P765**	P1,187
Net change in fair value of derivatives:		
Designated as accounting hedge	**(372)**	1,751
Not designated as accounting hedge	**(2,853)**	614
	(2,460)	3,552
Less fair value of settled instruments	**(4,454)**	2,787
Balance at end of period	**P1,994**	P765

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 reassessing the categorization at the end of each reporting period.

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

Fair Value Hierarchy

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

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

	June 30, 2025			December 31, 2024		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P3,945**	**P3,945**	P -	P2,782	P2,782
Financial assets at FVPL	**443**	**500**	**943**	438	458	896
Financial assets at FVOCI	**1,675**	**7,347**	**9,022**	1,635	7,353	8,988
Financial Liabilities						
Derivative liabilities	**-**	**1,951**	**1,951**	-	2,017	2,017

The Group has no financial instruments valued based on Level 3 as at June 30, 2025 and December 31, 2024. For the period ended June 30, 2025 and for the year ended December 31, 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

11. Events After the Reporting Date

Parent Company

a. Approval by the SEC of the Amendments to the Articles of Incorporation

On July 7, 2025, the SEC approved the amendments to the Articles of Incorporation of the Parent Company, specifically:

1. the reclassification of the 904,752,537 common shares currently held as treasury shares, into Series "2" Preferred Shares held in treasury; and

2. the amendment of the authorized capital stock of the Parent Company from P30,000 with a par value of P5.00 per share or 6,000,000,000 shares divided into 3,790,000,000 common shares and 2,210,000,000 Series “2” Preferred Shares to 2,885,247,463 common shares and 3,114,752,537 Series “2” Preferred Shares.

Such amendments were approved by the BOD on January 16, 2025, and confirmed and ratified by the Stockholders of the Parent Company on March 27, 2025.

b. Redemption of SPCS

On July 29, 2025, the Parent Company redeemed all the outstanding US$500 SPCS under the US$3,000 Medium Term Note and Securities Programme (the "Redeemed Securities"). The Redeemed Securities were issued on July 29, 2020, with distribution rate of 5.5% per annum.

The redemption of US$500 SPCS was approved by the BOD of the Parent Company on June 10, 2025 and was funded by a bridge loan facility from a foreign bank.

c. Redemption of Series "2" Preferred Shares - Subseries “2-F” (SMC2F Preferred Shares), Subseries “2-J” (SMC2J Preferred Shares) and Subseries “2-K” (SMC2K Preferred Shares)

On August 7, 2025, the BOD of the Parent Company approved the redemption of 223,333,500 SMC2F Preferred Shares on September 21, 2025 at a redemption price of P75.00 per share, together with any unpaid cash dividends.

On the same day, the BOD of the Parent Company approved the offer exchange to the holders of 266,666,667 SMC2J Preferred Shares and 183,904,900 SMC2K Preferred Shares (collectively, the “Exchange Share”) at a rate of one Exchange Share to one of any of the Series “2” Preferred Shares, to be reissued in three subseries, namely Subseries “2-P”, Subseries “2-Q” and Subseries “2-R” which will be reissued from the treasury Series “2” Preferred Shares of the Parent Company. The holders of the SMC2J Preferred Shares and SMC2K Preferred Shares who opt not to avail of the exchange offer will receive their redemption proceeds on October 29, 2025 and December 10, 2025, respectively, at a redemption price of P75.00 per share.

Upon redemption, the SMC2F Preferred Shares, SMC2J Preferred Shares and SMC2K Preferred Shares shall not be considered retired and may be reissued by the Parent Company. The trading of the SMC2F Preferred Shares, SMC2J Preferred Shares and SMC2K Preferred Shares will be suspended upon redemption and may only be tradeable upon application by the Parent Company for lifting of trading suspension in the event the Parent Company decides to reissue it in the future, subject to compliance with the listing rules of the PSE.

d. Issuance of Series “2” Preferred Shares - Subseries “2-S”, Subseries “2-T” and Subseries “2-U”

On August 7, 2025, the BOD of the Parent Company authorized the public offering of P20,000 worth of 266,666,667 Series “2” Preferred Shares, with an oversubscription option of up to P10,000 worth of 133,333,334 Series “2” Preferred Shares, at an offer price of P75.00 per share, to be issued in three subseries, namely Subseries “2-S”, Subseries “2-T” and Subseries “2-U”.

Petron

a. Issuance of Series G, Series H, and Series I Fixed Rate Peso-denominated Bonds

On July 7, 2025, Petron issued and listed on the Philippine Dealing and Exchange Corp. a total of P32,000 Fixed Rate Peso-denominated Bonds.

The bonds consist of: (i) P15,910 Series G Bonds maturing in 2030 with an interest rate of 6.5945% per annum; (ii) P4,604 Series H Bonds maturing in 2032 with an interest rate of 6.9761% per annum; and (iii) P11,486 Series I Bonds maturing in 2035 with an interest rate of 7.3896% per annum.

The proceeds of the bond issuance shall be used for: (a) the payment of Series D and Series E Fixed Rate Peso-denominated Bonds, maturing on October 19 and October 12, 2025, respectively; (b) other existing indebtedness; and (c) general corporate purposes.

b. Acquisition of Common Treasury Shares

On various dates in July 2025, Petron repurchased a total of 2,623,000 common shares at an average price of P2.46 per share, pursuant to the common share buyback program approved by the BOD of Petron on March 4, 2025.

San Miguel Global Power

a. Purchase of Common Shares of Meralco

On July 23, 2025, San Miguel Global Power purchased a total of 43,229,796 common shares of Meralco at P90.00 per share from Land Bank of the Philippines through a special block sale crossed through the PSE, by virtue of the Deed of Absolute Sale of Shares which contained the terms and conditions mutually determined by and acceptable to both parties and conformably with the decision of the Court of Appeals.

b. Issuance of US$400 SPCS

On July 24, 2025, San Miguel Global Power completed the issuance of US$400 SPCS (the "US$400 SPCS"), at an issue price of 100%, with an initial rate of distribution of 8.95% per annum. The issuance consists of US$223 in aggregate principal amount of SPCS (the "Concurrent Exchange Offers") issued in exchange for the 7.00% SPCS issued on October 21 and December 15, 2020 and 5.70% SPCS issued on January 21, 2020 (collectively, the "Existing Securities"), and US$177 in aggregate principal amount of new securities (the "Additional New Securities"). The US$400 SPCS was listed on the Singapore Exchange Securities Trading Limited on July 25, 2025.

The net proceeds from the issuance of the US$400 SPCS will be applied to the following: (i) costs and expenses related to the Concurrent Exchange Offers, including payment of accrued distribution amount in respect of the Existing Securities accepted for exchange pursuant to the terms and conditions of the Concurrent Exchange Offers; (ii) costs and expenses related to the issuance of the Additional New Securities; (iii) purchase, repurchase and/or redemption of all remaining outstanding Existing Securities following the Concurrent Exchange Offers; and (iv) for pre-development costs of solar and hydropower energy projects, and capital expenditures related to battery energy storage system (BESS) projects.

c. Issuance of US$115 SPCS

On August 11, 2025, San Miguel Global Power completed the issuance of US$115 SPCS (the "US$115 SPCS") at an issue price of 100% plus an amount corresponding to accrued distribution from and including July 24, 2025 to, but excluding, August 11, 2025.

The US$115 SPCS is consolidated into and formed a single series with the US$400 SPCS issued on July 24, 2025, bringing the total securities to US$515. The US$400 SPCS and US$115 SPCS are identical in all respects, except for the date of issuance and issue price.

San Miguel Global Power intends to apply the net proceeds towards: (i) the partial purchase, repurchase and/or redemption of the remaining outstanding 7.00% SPCS issued on October 21 and December 15, 2020 and 5.70% SPCS issued on January 21, 2020; and (ii) for pre-development costs of solar and hydropower energy projects and capital expenditures related to BESS projects.

12. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P189,641 and P245,288 as at June 30, 2025 and December 31, 2024, respectively.

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

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

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

d. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of June 30, 2025 and December 31, 2024 for liquidity, solvency and profitability ratios and for the periods ending June 30, 2025 and 2024 for operating efficiency ratios.

	June 30, 2025	December 31, 2024
Liquidity:		
Current Ratio	**1.35**	1.22
Quick Ratio	**0.89**	0.76
Solvency:		
Debt to Equity Ratio	**2.55**	2.96
Asset to Equity Ratio	**3.55**	3.96
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**13.52%**	(2.48%)
Interest Rate Coverage Ratio	**2.72**	1.65
Return on Assets	**3.39%**	1.43%

	Period Ended June 30	
	2025	2024
Operating Efficiency:		
Volume Growth (Decline)	**(6%)**	19%
Revenue Growth (Decline)	**(9%)**	15%
Operating Margin	**12%**	11%

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

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

Forward

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

** Annualized for quarterly reporting.*

SAN MIGUEL CORPORATION

ANNEX "B"

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended June 30, 2025 (with comparative figures as at December 31, 2024 and for the period ended June 30, 2024). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at June 30, 2025, 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. 2025 SIGNIFICANT TRANSACTIONS

The following are the major developments in 2025:

INVESTING ACTIVITIES

Joint Investments with Manila Electric Company (Meralco) and Aboitiz Power Corporation (AboitizPower) into the Country's First Integrated Liquefied Natural Gas (LNG)-to-Power Facility Projects in Batangas City

On March 1, 2024, Meralco PowerGen Corporation (MGen, a subsidiary of Meralco) and Therma NatGas Power, Inc. (TNGP, a subsidiary of AboitizPower), through their jointly owned entity, Chromite Gas Holdings Inc. (CGHI), have entered into binding agreements with San Miguel Global Power Holdings Corp. (San Miguel Global Power) and its relevant subsidiaries, for MGen and TNGP to jointly invest for a 67% equity interest in San Miguel Global Power's gas-fired power plants, namely: (i) the brownfield 1,278 megawatts (MW) Ilijan Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the greenfield 1,320 MW Batangas Combined Cycle Power Plant (BCCPP) owned by Excellent Energy Resources Inc. (EERI); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. (IPIEC) where the gas-fired power plant and related facilities of EERI as well as the Batangas LNG Terminal are located.

The transaction also involved the joint acquisition by CGHI and San Miguel Global Power of Linseed Field Corporation (LFC), the owner of the Batangas LNG Terminal, which receives, stores and processes LNG to fuel for SPPC's Ilijan Power Plant and for EERI's BCCPP.

The transaction has customary closing conditions and has been issued the requisite regulatory approvals, including the review and approval of the Philippine Competition Commission (PCC). On May 17, 2024, Top Frontier Investment Holdings, Inc., the Ultimate Parent Company, filed its application for the approval of the transaction with the PCC. On December 23, 2024, PCC publicly disclosed its approval of the joint acquisition of power facilities and Batangas LNG Terminal by MGen, TNGP and San Miguel Global Power, subject to certain commitments from the parties aimed at ensuring fair competition and promoting transparency in the power industry.

On January 27, 2025, San Miguel Global Power completed the following transactions pursuant to the agreements executed on March 1, 2024 with CGHI:

- Investment by CGHI of 67% equity interests in SPPC, EERI and IPIEC; and

- Acquisition by CGHI and San Miguel Global Power of 67% and 32.98% equity interests, respectively, in LFC.

As a result of the transactions, San Miguel Global Power's equity interests in SPPC, EERI and IPIEC were diluted from 100% to 33%, thereby resulting in a loss of control and deconsolidation of the assets and liabilities of the three subsidiaries. The 33% equity interests retained in SPPC, EERI and IPIEC were recognized at fair market value, totaling to P52,706 million, included as part of "Investments in shares of stock of associates" under "Investments and advances - net" account, in the consolidated statement of financial position as at June 30, 2025. The revaluation of the investment in SPPC, EERI and IPIEC resulted in a gain amounting to P21,933 million, included as part of "Other income (charges) - net" account, in the consolidated statement of income for the period ended June 30, 2025.

Total consideration paid by San Miguel Global Power for the acquisition of 32.98% equity interest in LFC amounted to P4,340 million, included as part of "Investments in shares of stock of associates" under "Investments and advances - net" account, in the consolidated statement of financial position as at June 30, 2025.

Subsequently, SPPC, EERI and IPIEC redeemed and paid their respective redeemable preferred shares issued to San Miguel Global Power at a redemption price totaling to P78,717 million. Consequently, San Miguel Global Power recognized a net gain on investments in equity instruments amounting to P22,262 million, presented under "Equity reserves" account in the consolidated statement of financial position as at June 30, 2025 and under "Net gain on financial assets at fair value through other comprehensive income" account in the consolidated statement of comprehensive income for the period ended June 30, 2025.

In 2025, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

FOREIGN CURRENCY-DENOMINATED LOANS

- **SMC**

  a. On various dates in 2025, SMC drew a total of US$61 million 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 of the loan were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.

  b. On May 8, 2025, SMC availed of a JPY61,600 million corporate notes, subject to a floating interest rate and with a term of up to five years. The proceeds of the loan are being used for general corporate purposes.

- **San Miguel Global Power**

  On May 19, 2025, San Miguel Global Power availed of a total of US$200 million term loan, subject to a floating interest rate and with maturities of up to May 2030. The proceeds of the loan were used to refinance the US$100 million matured term loan drawn on May 24, 2022 and will be used for general corporate purposes, including advances for capital expenditures.

PESO TERM LOANS

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

  On various dates in 2025, SMC MRT 7 drew a total of P9,500 million from the P100,000 million Omnibus Loan and Security Agreement (OLSA) executed with various local banks on May 18, 2023. The loans are subject to a floating interest rate and with a term of 15 years. The proceeds of the loans are being used to partially finance the Mass Rail Transit 7 (MRT 7) Project.

- **San Miguel Yamamura Packaging Corporation (SMYPC)**

  On January 30, 2025, SMYPC availed of a P5,000 million term loan, subject to a fixed interest rate and with a term of five years. The proceeds of the loan were used to partially refinance maturing obligations and fund general corporate requirements.

- **Petron Corporation (Petron)**

  On February 28, 2025, Petron availed of a P5,000 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 the bridge loan availed on September 3, 2024, which had been used to fund working capital requirements and the payment of existing indebtedness.

- **Mariveles Power Generation Corporation (MPGC)**

  On March 27, 2025, MPGC drew a total of P9,400 million from its OLSA executed with various local banks on December 17, 2024. The loan is subject to a fixed interest rate and is payable quarterly up to December 2034. The proceeds of the loan were used to finance the Mariveles Greenfield Power Plant Project.

- **San Miguel Brewery Inc. (SMB)**

  On May 15, 2025, SMB availed of a P4,000 million term loan subject to a fixed interest rate and maturing in May 2030. The proceeds of the loan were used to refinance existing debt obligations.

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

  On June 17, 2025, SMC NAIAX drew a total of P584 million 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 will be used to partially finance the construction and development of the NAIA Expressway (NAIAX) Tramo Extension and the NAIAX Westbound Off-Ramp to Terminal 3 Projects. The OLSA was fully drawn as at June 30, 2025.

PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

- **Series A Bonds by San Miguel Food and Beverage, Inc. (SMFB)**

  On March 10, 2025, SMFB paid the P8,000 million Series A Fixed Rate Peso-denominated Bonds, which formed part of the P15,000 million Series A and Series B Fixed Rate Peso-denominated Bonds, issued in March 2020.

  The payment was funded by the P4,000 million term loan subject to a floating interest rate and another P4,000 million term loan subject to a fixed interest rate. The loans were availed on March 7, 2025, with a term of seven years.

- **Series F Bonds by SMC**

  On March 19, 2025, SMC paid the P2,439 million Series F Fixed Rate Peso-denominated Bonds which formed part of the third tranche of the P20,000 million Series E, Series F and Series G Fixed Rate Peso-denominated Bonds issued in March 2018.

  The payment was funded by the proceeds of Series O and Series P Bonds issued in July 2024.

- **Series C Bonds by SMC SLEX Inc. (SMC SLEX)**

  On May 22, 2025, SMC SLEX paid the P2,500 million Series C Fixed Rate Peso-denominated Bonds. The Series C Bonds formed part of the P7,300 million Fixed Rate Bonds issued in May 2015.

  The payment was funded by cash from operations and the net proceeds of P2,500 million term loan drawn on May 19, 2025. The loan is subject to a fixed interest rate with a term of seven years and six months.

PAYMENT OF PESO TERM LOAN BY SAN MIGUEL GLOBAL POWER

On May 28, 2025, San Miguel Global Power paid in full the balance of its P5,000 million term loan facility executed in May 2021, amounting to P4,825 million. The payment was funded by the proceeds of a short-term loan.

PAYMENT OF OTHER MATURING OBLIGATIONS

For the first half of 2025, the Group paid a total of P16,956 million of its other scheduled amortizations and maturing obligations funded by the proceeds of short-term loan facilities and from cash generated from operations.

ISSUANCE AND REDEMPTION OF SENIOR PERPETUAL CAPITAL SECURITIES (SPCS) BY SAN MIGUEL GLOBAL POWER

a. On February 19, 2025, San Miguel Global Power completed the issuance of US$100 million SPCS (the “Additional US$100 million SPCS”), at an issue price of 100.503% of the principal amount, plus an amount corresponding to accrued distributions from, and including, December 2, 2024 to, but excluding, February 19, 2025. The Additional US$100 million SPCS was consolidated into and formed a single series with the US$500 million SPCS issued on December 2, 2024, bringing the total securities to US$600 million. The Additional US$100 million SPCS are identical in all respects to the US$500 million SPCS, except for the date of issuance and issue price.

The net proceeds will be used for the partial purchase, repurchase and/or redemption of the outstanding 7.00% SPCS issued in October and December 2020.

b. In May 2025, San Miguel Global Power completed the redemption of the US$113 million SPCS, pursuant to the terms and conditions of the securities. The US$113 million SPCS is the remaining securities out of the US$500 million SPCS issued in November 2019. The redemption price included the principal amount and any accrued but unpaid distributions up to, but excluding, the redemption date.

   The US$113 million SPCS were redeemed using part of the proceeds of the US$500 million SPCS issued in December 2024.

ACQUISITION OF COMMON TREASURY SHARES BY PETRON

On March 18, 2025, Petron repurchased and held as treasury shares all of the 459,156,097 common shares held by Petron Corporation Employees' Retirement Plan via a block sale, based on the simple average of the three-day close prior to the execution date, aggregating to P1,119 million.

On various dates in July 2025, Petron repurchased a total of 2,623,000 common shares at an average price of P2.46 per share, pursuant to the common share buyback program approved by the Board of Directors (BOD) of Petron on March 4, 2025.

EVENTS AFTER THE REPORTING DATE

Parent Company

a. Approval by the SEC of the Amendments to the Articles of Incorporation

On July 7, 2025, the SEC approved the amendments to the Articles of Incorporation of the Parent Company, specifically:

1. the reclassification of the 904,752,537 common shares currently held as treasury shares, into Series "2" Preferred Shares held in treasury; and

2. the amendment of the authorized capital stock of SMC from P30,000 million with a par value of P5.00 per share or 6,000,000,000 shares divided into 3,790,000,000 common shares and 2,210,000,000 Series “2” Preferred Shares to 2,885,247,463 common shares and 3,114,752,537 Series “2” Preferred Shares.

Such amendments were approved by the BOD on January 16, 2025, and confirmed and ratified by the Stockholders of the Parent Company on March 27, 2025.

b. Redemption of SPCS

On July 29, 2025, the Parent Company redeemed all the outstanding US$500 million SPCS under the US$3,000 million Medium Term Note and Securities Programme (the "Redeemed Securities"). The Redeemed Securities were issued on July 29, 2020, with distribution rate of 5.5% per annum.

The redemption of US$500 million SPCS was approved by the BOD of the Parent Company on June 10, 2025 and was funded by a bridge loan facility from a foreign bank.

c. Redemption of Series "2" Preferred Shares - Subseries “2-F” (SMC2F Preferred Shares) and Offer to Exchange Subseries “2-J” (SMC2J Preferred Shares) and Subseries “2-K” (SMC2K Preferred Shares)

On August 7, 2025, the BOD of the Parent Company approved the redemption of 223,333,500 SMC2F Preferred Shares on September 21, 2025 at a redemption price of P75.00 per share, together with any unpaid cash dividends.

On the same day, the BOD of the Parent Company approved the offer exchange to the holders of 266,666,667 SMC2J Preferred Shares and 183,904,900 SMC2K Preferred Shares (collectively, the “Exchange Share”) at a rate of one Exchange Share to one of any of the Series “2” Preferred Shares, to be reissued in three subseries namely Subseries “2-P”, Subseries “2-Q” and Subseries “2-R” which will be reissued from the treasury Series “2” Preferred Shares of the Parent Company. The holders of the SMC2J Preferred Shares and SMC2K Preferred Shares who opt not to avail of the exchange offer will receive their redemption proceeds on October 29, 2025 and December 10, 2025, respectively, at a redemption price of P75.00 per share.

Upon redemption, the SMC2F Preferred Shares, SMC2J Preferred Shares and SMC2K Preferred Shares shall not be considered retired and may be reissued by the Parent Company. The trading of the SMC2F Preferred Shares, SMC2J Preferred Shares and SMC2K Preferred Shares will be suspended upon redemption and may only be tradeable upon application by the Parent Company for lifting of trading suspension in the event the Parent Company decides to reissue it in the future, subject to compliance with the listing rules of the Philippine Stock Exchange (PSE).

d. Issuance of Series “2” Preferred Shares - Subseries “2-S”, Subseries “2-T” and Subseries “2-U”

On August 7, 2025, the BOD of the Parent Company authorized the public offering of P20,000 million worth of 266,666,667 Series “2” Preferred Shares, with an oversubscription option of up to P10,000 million worth of 133,333,334 Series “2” Preferred Shares, at an offer price of P75.00 per share to be issued in three subseries, namely Subseries “2-S”, Subseries “2-T” and Subseries “2-U”.

Petron

Issuance of Series G, Series H and Series I Fixed Rate Peso-denominated Bonds

On July 7, 2025, Petron issued and listed on the Philippine Dealing and Exchange Corp. a total of P32,000 million Fixed Rate Peso-denominated Bonds.

The bonds consist of: (i) P15,910 million Series G Bonds maturing in 2030 with an interest rate of 6.5945% per annum; (ii) P4,604 million Series H Bonds maturing in 2032 with an interest rate of 6.9761% per annum; and (iii) P11,486 million Series I Bonds maturing in 2035 with an interest rate of 7.3896% per annum.

The proceeds of the bond issuance shall be used for: (a) the payment of Series D and Series E Fixed Rate Peso-denominated Bonds, maturing on October 19 and October 12, 2025, respectively; (b) other existing indebtedness; and (c) for general corporate purposes.

San Miguel Global Power

a. Purchase of Common Shares of Meralco

On July 23, 2025, San Miguel Global Power purchased a total of 43,229,796 common shares of Meralco at P90.00 per share from Land Bank of the Philippines through a special block sale crossed through the PSE, by virtue of the Deed of Absolute Sale of Shares which contained the terms and conditions mutually determined by and acceptable to both parties and conformably with the decision of the Court of Appeals.

b. Issuance of US$400 Million SPCS

On July 24, 2025, San Miguel Global Power completed the issuance of US$400 million SPCS (the "US$400 million SPCS"), at an issue price of 100%, with an initial rate of distribution of 8.95% per annum. The issuance consists of US$223 million in aggregate principal amount of SPCS (the "Concurrent Exchange Offers") issued in exchange for the 7.00% SPCS issued on October 21 and December 15, 2020 and 5.70% SPCS issued on January 21, 2020 (collectively, the "Existing Securities"), and US$177 million in aggregate principal amount of new securities (the "Additional New Securities"). The US$400 million SPCS was listed on the Singapore Exchange Securities Trading Limited on July 25, 2025.

The net proceeds from the issuance of the US$400 million SPCS will be applied to the following: (i) costs and expenses related to the Concurrent Exchange Offers, including payment of accrued distribution amount in respect of the Existing Securities accepted for exchange pursuant to the terms and conditions of the Concurrent Exchange Offers; (ii) costs and expenses related to the issuance of the Additional New Securities; (iii) purchase, repurchase and/or redemption of all remaining outstanding Existing Securities following the Concurrent Exchange Offers; and (iv) for pre-development costs of solar and hydropower energy projects, and capital expenditures related to battery energy storage system (BESS) projects.

c. Issuance of US$115 Million SPCS

On August 11, 2025, San Miguel Global Power completed the issuance of US$115 million SPCS (the "US$115 million SPCS") at an issue price of 100% plus an amount corresponding to accrued distribution from and including July 24, 2025 to, but excluding, August 11, 2025.

The US$115 million SPCS is consolidated into and formed a single series with the US$400 million SPCS issued on July 24, 2025, bringing the total securities to US$515 million. The US$400 million SPCS and US$115 million SPCS are identical in all respects, except for the date of issuance and issue price.

San Miguel Global Power intends to apply the net proceeds towards: (i) the partial purchase, repurchase and/or redemption of the remaining outstanding 7.00% SPCS issued on October 21 and December 15, 2020 and 5.70% SPCS issued on January 21, 2020; and (ii) for pre-development costs of solar and hydropower energy projects and capital expenditures related to BESS projects.

II. FINANCIAL PERFORMANCE

2025 vs. 2024

	For the Periods Ended June 30		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
(Amounts in Millions)	**2025**	**2024**	**Amount**	**%**	**2025**	**2024**
Sales	**P718,205**	P789,021	(P70,816)	(9%)	**100%**	100%
Cost of sales	**(583,338)**	(655,195)	(71,857)	(11%)	**(81%)**	(83%)
Gross profit	**134,867**	133,826	1,041	1%	**19%**	17%
Selling and administrative expenses	**(47,209)**	(48,737)	(1,528)	(3%)	**(7%)**	(6%)
Operating income	**87,658**	85,089	2,569	3%	**12%**	11%
Interest expense and other financing charges	**(48,929)**	(47,645)	1,284	3%	**(7%)**	(6%)
Interest income	**7,842**	7,324	518	7%	**1%**	1%
Equity in net earnings of associates and joint ventures	**5,139**	1,237	3,902	315%	**1%**	0%
Gain on sale of investments and property and equipment	**866**	58	808	1393%	**0%**	0%
Other income (charges) - net	**31,653**	(24,387)	56,040	230%	**4%**	(3%)
Income before income tax	**84,229**	21,676	62,553	289%	**11%**	3%
Income tax expense	**(17,462)**	(8,098)	9,364	116%	**(2%)**	(1%)
Net Income	**P66,767**	P13,578	P53,189	392%	**9%**	2%
Net income (loss) attributable to:						
Equity holders of the Parent Company	**P40,780**	(P8,703)	P49,483	569%	**6%**	(1%)
Non-controlling interests	**25,987**	22,281	3,706	17%	**3%**	3%
Net Income	**P66,767**	P13,578	P53,189	392%	**9%**	2%

The Group's consolidated sales for the first half of 2025 amounted to P718,205 million, reflecting a 9% decline compared to the same period last year. The decrease was primarily due to: (a) lower sales volume and average selling prices of Petron; (b) lower sales of the Energy business following the deconsolidation of SPPC effective January 27, 2025, as well as lower spot rates and realization prices due to continued softening of coal prices; and (c) to a lesser extent, lower sales of SMB and the Cement business. The decrease was partially offset by the strong performance of the Food division and Ginebra San Miguel Inc. (GSMI), driven by higher average selling prices and volumes, as well as steady traffic growth and price increase of the Infrastructure business.

The Group's cost of sales decreased by P71,857 million or 11% mainly due to: (a) Petron on account of decrease in volume sold and lower average cost per liter of petroleum products; and (b) the Energy business on account of: (i) the deconsolidation of SPPC; (ii) lower pass-on fuel cost of Sual Power Inc., Limay Power Inc. and Masinloc Power Co. Ltd. (MPCL) as a result of the decrease in global coal prices in 2025, partially offset by the costs of the BCCPP of EERI prior to its deconsolidation and full six months operations of Units 1, 2, 3 and 4 of MPGC.

The increase in interest income by P518 million was primarily due to higher average balance of cash and cash equivalents of the Energy business, partially offset by the lower average balance of short-term placements of the Infrastructure business.

The increase in equity in net earnings of associates and joint ventures by P3,902 million was mainly due to the share in the net income of SPPC, EERI and IPIEC for about five months.

The increase in gain on sale of investments and property and equipment by P808 million pertains mainly to the disposal of transportation equipment and land.

Other income - net of P31,653 million was a turnaround from the other charges - net of P24,387 million in 2024. This mainly pertains to the P21,933 million gain recognized from the fair valuation of the residual 33% ownership interests in SPPC, EERI and IPIEC and the gain on foreign exchange of P11,797 million in 2025, compared to the foreign exchange loss recognized in the same period in 2024 mainly from the revaluation of foreign currency-denominated long-term debt of SMC, the Energy business and Petron. In June 2025, the Philippine Peso appreciated by P1.515 against the United States (US) Dollar, while it depreciated by P3.24 in the same period last year.

The increase in income tax expense by P9,364 million mainly pertains to the deferred income tax on unrealized gains from the revaluation of foreign currency-denominated long-term debt, which was a turnaround from income tax benefit in the same period in 2024 mainly from unrealized losses on the revaluation of foreign currency-denominated long-term debt of SMC.

Consolidated net income significantly increased to P66,767 million in the first half of 2025, from P13,578 million in the same period in 2024. The increase was primarily driven by: (a) gain recognized from the fair valuation of the investment in SPPC, EERI and IPIEC following the dilution of San Miguel Global Power's ownership interest from 100% to 33%; and (b) gain on foreign exchange in the first half of 2025, compared to loss in the same period last year.

Net income attributable to equity holders of the Parent Company of P40,780 million was a turnaround from the net loss of P8,703 million in the comparative period in 2024. This was primarily due to higher consolidated net income, partially offset by the increase in the share of non-controlling interests (NCI) on the Group’s net income.

The increase in the net income attributable to NCI by P3,706 million was mainly due to the distribution on Redeemable Perpetual Securities of San Miguel Global Power.

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

1. FOOD AND BEVERAGE

SMFB delivered strong results for the first half of 2025, with consolidated net sales reaching P201,200 million, a 4% increase from last year.

This topline growth, combined with effective cost management and a better sales mix, lifted consolidated income from operations by 13% to P30,041 million. Consolidated net income rose by 15% to P22,964 million.

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

SMB delivered consolidated revenues of P74,588 million for the first half of the year, 1% lower than last year. The second quarter showed a turnaround with positive growth, supported by the domestic price increase implemented in September 2024.

Consolidated operating income rose by 2% to P16,214 million, driven by better pricing and lower raw material costs. Consolidated net income improved by 3% to P12,984 million from P12,563 million a year ago.

Domestic Operations
SMB's domestic operations revenues reached P66,332 million, down by 1% from last year. The softer performance was due to weaker economic and discretionary spending. To offset these challenges, SMB intensified its volume-generating and brand-building programs.

International Operations
SMB's international operations performed strongly, with revenues of US$145 million, up by 2% from last year. Growth was driven by improved volumes in South China and stronger brand sales in Vietnam.

b) Spirits Division

For the first half of 2025, GSMI delivered a strong performance, navigating a challenging local spirits market. Consolidated net sales increased by 7% to P32,235 million, driven by higher selling prices and the continued strength of the brand portfolio. A modest increase in volume, helped lift the market share, reinforcing the leadership position in the industry.

Growth was led by *Ginebra San Miguel*, supported by notable gains from *Vino Kulafu* and *Primera Light* Brandy. These results reflect the disciplined brand-building approach, combining nationwide campaigns, targeted digital initiatives to connect with emerging consumer segments, and high-impact on-ground activations during the summer and fiesta season.

Consolidated income from operations rose by 12% to P4,952 million, while consolidated net income grew by 16% to P4,247 million.

c) Food Division

The Food division sustained its growth momentum in the first half of the year, with revenue, operating income, and net income all surpassing last year's results.

Consolidated revenues reached P94,379 million, up by 7% from the same period in 2024. This was fueled by volume growth in most businesses and favorable pricing for chicken and branded products.

Consolidated operating income rose by 41% to P8,648 million, driven largely by Poultry's strong performance, tailwinds from lower raw material prices, and improved efficiencies in the company-owned facilities. As a result, consolidated net income surged by 53% to P5,994 million.

The Protein segment delivered a mid-teens increase in revenue, supported by favorable chicken prices and strong demand from food service chains and supermarkets. These gains more than offset the continued weakness in Fresh Meats, which remains challenged by African Swine Fever.

The Animal Nutrition and Health segment revenue remained subdued, reflecting soft demand for hog feeds. However, an uptrend in sales volumes was seen since May, buoyed by the strong growth of other feed segments, particularly, broiler and layer feeds. Hogs feeds has also begun posting month-on-month growth.

The Flour segment revenue grew low single digit, driven by optimized capacity utilization and competitive pricing that boosted volumes.

The Prepared and Packaged Food segment continued to post strong results. Magnolia and Coffee sustained double-digit revenue growth led by butter, cheese, salad aids, cream, ice cream, and coffee. Purefoods revenue rose mid-single digit, driven by strong demand for canned meats, particularly corned beef and luncheon meat, as well as refrigerated meats like hams, bacon, and Pinoy favorites, tapa, tocino, and longanisa.

2. PACKAGING

The Packaging business sustained its growth momentum, posting a 7% increase in consolidated revenues to P19,284 million in the first half of 2025. The improvement was boosted by strong volume growth from the Glass, Plastics, and Beverage Filling businesses.

Consolidated operating income recorded double-digit growth, climbing to P1,592 million.

3. ENERGY

San Miguel Global Power's consolidated revenues fell by 19% to P80,147 million, with offtake volumes dropping by 15% to 14,773 gigawatt hours. The decline was primarily due to the divestment and resulting deconsolidation of SPPC. This was made with the completion of the divestment of 67% interest in the underlying gas power generation assets last January 27, 2025.

Moreover, the decline in revenues reflects a downward adjustment in fuel tariffs to bilateral customer due to the continued softening of global coal prices. These were compensated by revenue contributions from the: (a) full six-month operations of four generation units of the 600 MW Mariveles Greenfield Power Plant and three BESS facilities with a combined capacity of 110 MWh; (b) additional five BESS facilities that commenced commercial operations in the first half of 2025 with a combined capacity of 140 MWh; and (c) Units 1 and 2 of the BCCPP of EERI, which are 33% owned by the Group following the aforesaid divestment in January 2025, were declared operational on December 29, 2024 and January 7, 2025, respectively.

Consolidated operating income came in at P22,120 million, down by 4% due to the impact of the deconsolidation.

Consolidated net income surged to P34,573 million, mainly due to the P21,933 million one-time gain from the fair valuation of investment in SPPC, EERI and IPIEC following the dilution of San Miguel Global Power's ownership interest from 100% to 33% as well as net earnings recognized by the Group mainly from its 33% equity interest retained in the deconsolidated Ilijan Power Plant and the new BCCPP. Excluding the aforesaid gain, consolidated net income still rose significantly by 70% to P12,640 million.

4. FUEL AND OIL

Petron in the first half of 2025 reported consolidated revenues of P386,395 million, a 13% decline from the same period last year. The drop in revenues was mainly due to the price decline in Dubai crude prices, which dropped by 14% to US$72 per barrel in the first half of 2025 from US$83 per barrel in the comparative period in 2024. Crude oil prices declined amid weakening global demand and market oversupply following the lifting of voluntary production cuts by Organization of the Petroleum Exporting Countries+ member countries.

The combined sales volume from the Philippines and Malaysia rose by 3% to 56.2 million barrels versus the previous year’s 54.7 million barrels, fueled particularly by Petron’s strong retail performance in the Philippines. Including trading transactions of the operations in Singapore, consolidated sales volume ended at 64.2 million barrels, down by 7% from 69.1 million barrels in 2024.

Consolidated operating income declined by 13% to P15,146 million in first half of 2025. Consolidated net income finished at P5,252 million. Despite the contractions, Petron maintained its strong profitability.

5. INFRASTRUCTURE

The Infrastructure business sustained its growth trajectory, with consolidated revenues rising by 7%, buoyed by the improved traffic volumes across all toll roads. Combined average daily traffic reached 1,077,148 vehicles, marking a 4% increase from the corresponding period last year.

Consolidated operating income rose by 13% to P11,142 million, supported by effective operational management and cost control.

6. CEMENT

The Cement business generated consolidated net sales of P17,822 million for the first half of the year, a 6% decrease from the comparable period last year, due to lower sales volumes and weaker average selling price. The decline in volume, driven by pricing pressures, resulted from heightened competition amid the continued influx of imported traded cement, and was further weighed down by subdued market demand. Consolidated operating income fell by 12% to P3,493 million.

2024 vs. 2023

	For the Periods Ended June 30		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
(Amounts in Millions)	**2024**	**2023**	**Amount**	**%**	**2024**	**2023**
Sales	P789,021	P685,229	P103,792	15%	100%	100%
Cost of sales	(655,195)	(571,215)	83,980	15%	(83%)	(83%)
Gross profit	133,826	114,014	19,812	17%	17%	17%
Selling and administrative expenses	(48,737)	(44,093)	4,644	11%	(6%)	(7%)
Operating income	85,089	69,921	15,168	22%	11%	10%
Interest expense and other financing charges	(47,645)	(44,847)	2,798	6%	(6%)	(6%)
Interest income	7,324	6,531	793	12%	1%	1%
Equity in net earnings of associates and joint ventures	1,237	1,098	139	13%	0%	0%
Gain (loss) on sale of investments and property and equipment	58	(40)	98	245%	0%	(0%)
Other income (charges) - net	(24,387)	6,220	(30,607)	(492%)	(3%)	1%
Income before income tax	21,676	38,883	(17,207)	(44%)	3%	6%
Income tax expense	(8,098)	(15,558)	(7,460)	(48%)	(1%)	(3%)
Net Income	P13,578	P23,325	(P9,747)	(42%)	2%	3%
Net income (loss) attributable to:						
Equity holders of the Parent Company	(P8,703)	P757	(P9,460)	(1250%)	(1%)	0%
Non-controlling interests	22,281	22,568	(287)	(1%)	3%	3%
Net Income	P13,578	P23,325	(P9,747)	(42%)	2%	3%

The Group's consolidated sales of P789,021 million for the first half of 2024 increased by 15% compared to 2023, mainly on account of higher sales volume of Petron, the Energy business, the Food division and GSMI, combined with the higher average selling prices of Petron, GSMI and SMB.

The Group's cost of sales increased by P83,980 million or 15%, mainly due to: (a) higher volume sold and increase in average cost per liter of petroleum products of Petron; (b) the resumption of Ilijan Power Plant's operations from June 2023 onwards; (c) costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning; and (d) incremental depreciation expense from the ten BESS facilities that are now in full commercial operations. This was partially mitigated by lower fuel costs incurred by the coal-fired power plants as global coal prices went down in the first half of 2024 compared to the same period in 2023, in terms of Globalcoal Newcastle indexed prices.

The increase in selling and administrative expenses by P4,644 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, and higher distribution costs, amortization of deferred containers in line with sales volume growth and expenses related to newly-built warehousing facilities of the Food and Beverage business.

Consolidated operating income increased by 22% to P85,089 million from the same period in 2023, mainly driven by the: (a) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS Power Inc. (SMGP BESS) through ancillary services; (b) growth in volume from effective marketing programs implemented by Petron; and (c) higher sales volume of the Food division and GSMI.

The increase in interest expense and other financing charges by P2,798 million was mainly due to higher interest rates and increased average level of loans of Petron and the Energy business.

The increase in interest income by P793 million was primarily due to both higher interest rates and average balance of short-term investments of the Infrastructure and Food and Beverage businesses. The increase was partially offset by the lower interest income from the reduced average balance of cash and cash equivalents of SMC.

The increase in equity in net earnings of associates and joint ventures by P139 million was mainly due to the share on the higher net income of Angat Hydropower Corporation for the first half in 2024 compared to the same period in 2023.

The gain on sale of investments and property and equipment in 2024 pertains mainly to the sale by San Miguel Properties, Inc. of its investment in shares of stock of Elite Montagne Realty Corp., sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc.

Other charges - net of P24,387 million was a reversal from the other income - net of P6,220 million in the same period in 2023. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC, the Energy business and Petron resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSMI in 2023. In June 2024, the Philippine Peso significantly depreciated by P3.240 against the US Dollar, while in 2023, the Philippine Peso appreciated by P0.555 against the US Dollar.

The decrease in income tax expense by P7,460 million was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange loss in June 2024 compared to unrealized foreign exchange gain in June 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 42% to P13,578 million, from P23,325 million in 2023, mainly on account of the loss on foreign exchange in the first half of 2024, a reversal from the gain recognized in 2023, partially offset by the improved operations of most businesses mainly the Food division, Petron, GSMI, the Energy, Cement and Infrastructure businesses.

The net loss attributable to equity holders of the Parent Company of P8,703 million in 2024 was a reversal from the net income attributable to equity holders of the Parent Company of P757 million in 2023 mainly on account of the loss on foreign exchange in the first half of 2024 as compared to the gain recognized in the same period in 2023 by SMC.

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

1. FOOD AND BEVERAGE

SMFB continued to deliver strong results in the first half of 2024, driven by the consistent growth across its businesses. SMFB consolidated sales increased by 4% to P192,882 million compared to the same period in 2023.

Consolidated income from operations grew by 16% to P26,641 million, primarily driven by higher sales volumes of the Food division and GSMI. Consolidated net income rose by 6% to P19,977 million.

a) Beer and NAB Division

SMB posted consolidated sales of P75,073 million, up 1% from the same period in 2023. The increase was primarily due to the full impact of the price increase implemented in March 2023.

Consolidated operating income declined by 3% to P15,887 million. Similarly, consolidated net income recorded a decline of 7% to P12,563 million.

Domestic Operations
Sales from domestic operations amounted to P66,992 million, 1% higher than in the same period in 2023, mainly due to the price increase.

International Operations
Revenue from international operations was slightly lower than in the same period in 2023 due to a 1% drop in volumes.

b) Spirits Division

GSMI sustained its growth momentum into the first half of 2024, with consolidated revenues recording an 18% growth to P29,992 million. The strong performance was driven by double-digit volume growth, increased selling prices, reduced costs of imported alcohol, and improved biogas generation in distilleries.

Consolidated operating income grew by 31% to P4,411 million on the back of strong topline growth. Meanwhile, consolidated net income declined by 10% to P3,676 million due to the one-time gain from the assignment of product rights in 2023. Excluding this, consolidated net income would have been higher by 26%.

c) Food Division

The Food division delivered a strong performance in the first half of 2024. While sales grew modestly, profit growth soared as raw material prices eased considerably. Consolidated revenue increased by 3% to P87,819 million with most segments registering an uptrend in volumes.

The Food division ended the first half of 2024 with consolidated operating income at P6,127 million, nearly double that of 2023. Higher gross profit margins combined with optimized production efficiencies offset rising operating expenses which included mandated wage hikes and marketing expenses to spur volumes. This translated to a consolidated net income of P3,920 million, two and a half times higher than the same period in 2023.

The Prepared and Packaged Food segment continued to outperform 2023 with an 11% rise in revenue despite the inflationary environment. A wide range of consumer promotions and in-store activities boosted sales across all channels, while new facilities generated improved efficiencies, resulting in a double-digit growth in operating income.

The Protein segment experienced a turnaround as poultry prices recovered and increased growing capacity supported strong demand from both foodservice and retail markets. This led to a 6% revenue growth for the segment.

The Animal Nutrition and Health segment saw a 6% decline in revenue. With lower raw material prices, the business opted for price rollbacks to stimulate demand which remained sluggish amid continued challenges in broiler and hog feeds.

The Flour segment recorded revenue at par with the same period in 2023. Volumes expanded in response to price reductions implemented to maintain market share in an intensely competitive market.

2. PACKAGING

The Packaging business recorded consolidated revenues of P17,974 million, down by 4% against the comparable period in 2023.

Consolidated operating income, however, recorded a 14% increase to P1,362 million on account of better production efficiencies, coupled with the cost measures implemented.

3. ENERGY

San Miguel Global Power consolidated revenues for the first half of 2024 amounted to P98,944 million, higher by 17% from P84,770 million recognized in the same period in 2023. The increase was mainly driven by higher offtake volume from the following sources: (i) several power supply agreement (PSA) from Meralco and other distribution utilities secured by the Group that allowed the contracting of its available capacities mainly from the 1,200 MW Ilijan Power Plant of SPPC and the incremental generation from the 600 MW Mariveles Greenfield Power Plant, with most of its units currently undergoing testing and commissioning; and (ii) ancillary services rendered for National Grid Corporation of the Philippines (NGCP) using a total of ten BESS facilities of SMGP BESS, with a combined installed capacity of 330 MWh during the period.

Consolidated income from operations of P22,988 million for the first half of 2024 was up by 56% from the same period in 2023 owing to improved margins as the Energy business worked out a successful transition to fuel passthrough arrangements for most of its bilateral customers including the 1,200 MW PSA of SPPC with Meralco that was in effect for most part of the first half of 2024, as well as the additional margins contributed by BESS through ancillary services.

Consolidated net income for the first half of 2024 increased to P7,438 million or by 26%, from P5,909 million reported for the same period in 2023.

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

The remaining BESS capacities of 630 MWh were gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of NGCP as well as for peak power supply applications that would help ensure energy security for the local power industry in the near term. Alternative to the CSP was the reserve market where power reserves could be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

For the first half of 2024, all four units of the 600 MW Mariveles Greenfield Power Plant of MPGC were undergoing testing and commissioning with one unit declared operational with the IEMOP starting March 28, 2024.

4. FUEL AND OIL

Petron delivered a 21% growth in consolidated revenues for the first half of 2024 to P444,490 million from P367,037 million in 2023, sustaining its positive momentum in 2024.

Petron continued to register strong volumes in the Philippines and Malaysia which reached 69.1 million barrels in the first six months of 2024, up 20% from the 57.6 million barrels sold in the same period in 2023. The solid outcome is fueled by the sustained performance of key segments, particularly retail and exports.

Petron's sales volumes in the Philippines rose 27% to 44.4 million barrels, while volumes from its Malaysian operations grew by 9% to 24.7 million barrels.

Petron's retail segment, which posted a 10% increase, remained a key driver of the stellar volume performance through effective marketing programs in the combined service station network of about 2,600 outlets in the Philippines and Malaysia. Sales to industrial accounts likewise jumped 9% mainly on higher jet fuel and liquefied petroleum gas demand.

Global oil prices remained volatile because of the ongoing tensions in the Middle East. The price per barrel of Dubai crude oil averaged US$83 in the first six months of 2024, 5% higher than in the same period in 2023 as producers continued to manage supply.

With Petron's solid volume growth, overall margins improved despite the softening of refining cracks, falling by 17% from 2023 level. Consolidated operating income rose by 9% to P17,449 million. Consolidated net income ended at P6,098 million, slightly lower than the comparable period in 2023.

5. INFRASTRUCTURE

The Infrastructure business sustained its strong performance in the first half of 2024, posting consolidated revenues of P18,493 million, 8% higher than the same period in 2023 on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 4% from 2023 level to 1,034,081 vehicles complemented by the continued increase in economic and travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted in a 7% increase in consolidated operating income to P9,856 million versus the same period in 2023.

Consolidated net income increased by 40% to P7,721 million due to sustained growth in traffic volumes backed by continued cost management initiatives.

The land development and ground improvement works of the MIA Project were progressing well with overall progress at 84.61%. Per approved Department of Transportation timeline, airport development will be completed by the end of 2028.

A study was conducted on the realignment of the highway component of the MRT 7 Project. This component includes the new locations of the final two stations, which were currently pending for approval. In the second quarter of 2024, five additional trainsets were delivered, bringing the total trainsets delivered on-site to 22 out of the 36 trainsets ordered.

6. CEMENT

The Cement business consolidated revenues in 2024 declined slightly by 6% to P18,962 million compared to the same period in 2023. Considering a 5% volume growth versus the comparable period in 2023, the Cement business experienced a revenue drop due to an influx of cheaper imported traded cement, leading to a decline in local cement prices. Despite the lower selling prices, SMC Cement managed to grow its consolidated operating income by 31% to P3,952 million compared to the same period in 2023 on the back of cost reductions and operating efficiencies.

III. FINANCIAL POSITION

2025 vs. 2024

	June 30	December 31	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
(Amounts in Millions)	**2025**	**2024**	**Amount**	**%**	**2025**	**2024**
Cash and cash equivalents	**P321,139**	P293,677	P27,462	9%	**13%**	11%
Trade and other receivables - net	**242,903**	266,981	(24,078)	(9%)	**9%**	10%
Inventories	**157,400**	178,355	(20,955)	(12%)	**6%**	7%
Current portion of biological assets - net	**3,427**	3,241	186	6%	**0%**	0%
Prepaid expenses and other current assets	**136,205**	158,180	(21,975)	(14%)	**5%**	6%
Total Current Assets	**861,074**	900,434	(39,360)	(4%)	**33%**	34%
Investments and advances - net	**108,584**	52,948	55,636	105%	**4%**	2%
Investments in equity and debt instruments	**21,126**	21,050	76	0%	**1%**	1%
Property, plant and equipment - net	**801,698**	891,450	(89,752)	(10%)	**31%**	33%
Right-of-use assets - net	**43,218**	43,302	(84)	(0%)	**2%**	1%
Investment property - net	**88,161**	87,909	252	0%	**3%**	3%
Biological assets - net of current portion	**2,612**	2,652	(40)	(2%)	**0%**	0%
Goodwill - net	**185,182**	184,994	188	0%	**7%**	7%
Other intangible assets - net	**347,047**	340,496	6,551	2%	**13%**	13%
Deferred tax assets	**18,844**	22,045	(3,201)	(15%)	**1%**	1%
Other noncurrent assets - net	**140,240**	129,650	10,590	8%	**5%**	5%
Total Noncurrent Assets	**1,756,712**	1,776,496	(19,784)	(1%)	**67%**	66%
Total Assets	**P2,617,786**	P2,676,930	(P59,144)	(2%)	**100%**	100%
Loans payable	**P215,544**	P293,230	(P77,686)	(26%)	**8%**	11%
Accounts payable and accrued expenses	**246,724**	289,038	(42,314)	(15%)	**9%**	11%
Lease liabilities - current portion	**6,472**	11,736	(5,264)	(45%)	**0%**	0%
Income and other taxes payable	**37,831**	43,628	(5,797)	(13%)	**2%**	2%
Dividends and distributions payable	**5,221**	5,160	61	1%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**125,230**	94,123	31,107	33%	**5%**	4%
Total Current Liabilities	**637,022**	736,915	(99,893)	(14%)	**24%**	28%
Long-term debt - net of current maturities and debt issue costs	**1,163,526**	1,173,146	(9,620)	(1%)	**45%**	44%
Lease liabilities - net of current portion	**28,701**	30,809	(2,108)	(7%)	**1%**	1%
Deferred tax liabilities	**27,514**	34,861	(7,347)	(21%)	**1%**	1%
Other noncurrent liabilities	**23,129**	24,758	(1,629)	(7%)	**1%**	1%
Total Noncurrent Liabilities	**1,242,870**	1,263,574	(20,704)	(2%)	**48%**	47%
Total Liabilities	**1,879,892**	2,000,489	(120,597)	(6%)	**72%**	75%

Forward

	June 30	December 31	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
(Amounts in Millions)	**2025**	**2024**	**Amount**	**%**	**2025**	**2024**
Capital stock - common	**P16,443**	P16,443	P -	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**0%**	0%
Additional paid-in capital	**177,442**	177,442	-	0%	**7%**	6%
Capital securities	**24,211**	24,211	-	0%	**1%**	1%
Equity reserves	**17,743**	(5,275)	23,018	436%	**1%**	(0%)
Retained earnings:						
Appropriated	**85,276**	79,849	5,427	7%	**3%**	3%
Unappropriated	**118,185**	89,413	28,772	32%	**4%**	3%
Treasury stock	**(109,763)**	(109,763)	-	0%	**(4%)**	(4%)
Equity Attributable to:						
Equity holders of the Parent Company	**339,724**	282,507	57,217	20%	**13%**	10%
Non-controlling interests	**398,170**	393,934	4,236	1%	**15%**	15%
Total Equity	**737,894**	676,441	61,453	9%	**28%**	25%
Total Liabilities and Equity	**P2,617,786**	P2,676,930	(P59,144)	(2%)	**100%**	100%

Consolidated total assets as at June 30, 2025 amounted to P2,617,786 million, P59,144 million lower than December 31, 2024. This was primarily due to the decrease in trade and other receivables, inventories, prepaid expenses and other current assets and property, plant and equipment, partially offset by the increase in cash and cash equivalents and investments and advances.

The increase in cash and cash equivalents by P27,462 million to P321,139 million was mainly due to the cash generated from operations, proceeds from redemption of investment in redeemable preferred shares of SPPC, EERI and IPIEC issued to San Miguel Global Power, proceeds from net availment of long-term borrowings and collection of advances. This was reduced by the capital expenditures for the ongoing projects of the Infrastructure and Energy businesses and the Food division, investment in 32.98% equity interest in LFC, net payment of short-term loans and payment of interests, dividends and distributions, taxes and lease liabilities.

The decrease in trade and other receivables - net by P24,078 million was mainly attributable to the: (a) lower trade receivable balance brought by lower volume sold by Petron and lower receivable from the Malaysian Government due to subsidy payment received; and (b) net effect of deconsolidation of SPPC and EERI's receivables following the dilution of San Miguel Global Power's ownership interest effective January 27, 2025.

The decrease in inventories by P20,955 million was attributable mainly to: (a) Petron's lower volume and prices of crude oil and finished products; and (b) the deconsolidation of SPPC, EERI and IPIEC.

The increase in total biological assets by P146 million was driven by expansion of growing capacity and higher volume of flocks loaded as compared to December 31, 2024 balances.

The decrease in prepaid expenses and other current assets by P21,975 million was primarily due to the deconsolidation of SPPC, EERI and IPIEC.

The increase in investments and advances - net by P55,636 million mainly pertains to the 33% equity interests in SPPC, EERI and IPIEC, following the dilution of San Miguel Global Power's ownership interest effective January 27, 2025, and the investment in 32.98% equity interest in LFC.

The decrease in property, plant and equipment - net by P89,752 million was mainly due to the deconsolidation of SPPC, EERI and IPIEC, partially offset by the costs of the ongoing projects of the Energy business.

The decrease in deferred tax assets by P3,201 million was mainly due to the deferred tax on unrealized gains on the revaluation of foreign currency-denominated long-term debt of SMC.

The increase in other noncurrent assets - net by P10,590 million was mainly due to the additional amount of: (a) contract assets for the MRT 7 Project; (b) transaction costs incurred for a loan of SMC not yet drawn as at June 30, 2025; and (c) advances to suppliers and contractors for the ongoing project of the Energy business.

The decrease in loans payable by P77,686 million was mainly due to the net payment made by Petron, SMC and the Food and Beverage and Energy businesses.

The decrease in accounts payable and accrued expenses by P42,314 million was mainly due to net settlements made by the Energy business to the contractors of its ongoing projects and the deconsolidation of SPPC, EERI and IPIEC. The decrease was partially offset by higher outstanding liabilities to contractors and suppliers of Petron.

The decrease in income and other taxes payable by P5,797 million was mainly due to the deconsolidation of SPPC, EERI and IPIEC, net payment of withholding tax payable of the Energy business and lower accrued taxes of Petron.

The increase in total long-term debt, net of debt issue costs, by P21,487 million was primarily due to the net availments made by the Group, reduced by the translation adjustments on foreign currency-denominated loans.

The decrease in total lease liabilities by P7,372 million was primarily due to payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the Independent Power Producer Administration (IPPA) Agreement.

The decrease in deferred tax liabilities by P7,347 million was mainly due to the deconsolidation of SPPC and EERI, partially offset by the increase in the deferred tax liabilities from temporary differences on lease-related expenses in relation to the IPPA lease agreement of the Energy business.

The decrease in other noncurrent liabilities by P1,629 million was mainly due to the release of retention payable to contractors for the completed projects of the Infrastructure business.

The increase in equity reserves by P23,018 million was mainly due to the gain recognized on the redemption of investment in redeemable preferred shares of SPPC, EERI and IPIEC issued to San Miguel Global Power.

The increase in appropriated retained earnings by P5,427 million was attributable to the appropriations made for the South Luzon Expressway Widening Project by SMC SLEX and for payment of loans in December 2029 and December 2031, partially reduced by the reversal of appropriation for loans paid in March 2025 by SMB.

The increase in unappropriated retained earnings by P28,772 million was mainly due to net income attributable to equity holders of the Parent Company, partially reduced by the dividends and distributions declared and net appropriations of retained earnings during the period.

The increase in equity attributable to equity holders of the Parent Company by P57,217 million was mainly due to the net income earned in 2025 and net gain on redemption of investment in redeemable preferred shares held by San Miguel Global Power, reduced by the dividends and distributions declared to holders of common and preferred shares, and SPCS of SMC.

2024 vs. 2023

	June 30	December 31	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
(Amounts in Millions)	**2024**	**2023**	**Amount**	**%**	**2024**	**2023**
Cash and cash equivalents	P253,890	P261,358	(P7,468)	(3%)	10%	11%
Trade and other receivables - net	263,809	263,119	690	0%	10%	11%
Inventories	175,618	161,986	13,632	8%	7%	6%
Current portion of biological assets - net	3,331	3,515	(184)	(5%)	0%	0%
Prepaid expenses and other current assets	152,059	141,424	10,635	8%	6%	6%
Total Current Assets	848,707	831,402	17,305	2%	33%	34%
Investments and advances - net	44,436	37,089	7,347	20%	2%	2%
Investments in equity and debt instruments	19,622	19,417	205	1%	1%	1%
Property, plant and equipment - net	787,574	753,472	34,102	5%	31%	31%
Right-of-use assets - net	105,795	108,014	(2,219)	(2%)	4%	4%
Investment property - net	82,636	79,513	3,123	4%	3%	3%
Biological assets - net of current portion	2,518	2,667	(149)	(6%)	0%	0%
Goodwill - net	183,250	182,791	459	0%	7%	7%
Other intangible assets - net	325,909	306,638	19,271	6%	13%	12%
Deferred tax assets	25,635	19,633	6,002	31%	1%	1%
Other noncurrent assets - net	129,362	118,729	10,633	9%	5%	5%
Total Noncurrent Assets	1,706,737	1,627,963	78,774	5%	67%	66%
Total Assets	P2,555,444	P2,459,365	P96,079	4%	100%	100%
Loans payable	P262,279	P214,881	P47,398	22%	10%	9%
Accounts payable and accrued expenses	254,654	223,055	31,599	14%	10%	9%
Lease liabilities - current portion	11,498	19,631	(8,133)	(41%)	0%	1%
Income and other taxes payable	46,396	46,254	142	0%	2%	2%
Dividends and distributions payable	5,444	4,605	839	18%	0%	0%
Current maturities of long-term debt - net of debt issue costs	271,382	236,798	34,584	15%	11%	9%
Total Current Liabilities	851,653	745,224	106,429	14%	33%	30%
Long-term debt - net of current maturities and debt issue costs	951,032	953,786	(2,754)	(0%)	37%	39%
Lease liabilities - net of current portion	35,190	36,941	(1,751)	(5%)	2%	2%
Deferred tax liabilities	31,531	29,503	2,028	7%	1%	1%
Other noncurrent liabilities	30,759	28,745	2,014	7%	1%	1%
Total Noncurrent Liabilities	1,048,512	1,048,975	(463)	(0%)	41%	43%
Total Liabilities	1,900,165	1,794,199	105,966	6%	74%	73%

Forward

(Amounts in Millions)	June 30 2024	December 31 2023	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2024	2023
Capital stock - common	P16,443	P16,443	P -	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	0%	0%
Additional paid-in capital	177,442	177,468	(26)	(0%)	7%	7%
Capital securities	24,211	24,211	-	0%	1%	1%
Equity reserves	2,667	7,354	(4,687)	(64%)	0%	0%
Retained earnings:						
Appropriated	88,468	87,170	1,298	1%	4%	4%
Unappropriated	86,423	103,151	(16,728)	(16%)	3%	4%
Treasury stock	(109,763)	(109,763)	-	0%	(4%)	(4%)
Equity Attributable to:						
Equity holders of the Parent Company	296,078	316,221	(20,143)	(6%)	12%	13%
Non-controlling interests	359,201	348,945	10,256	3%	14%	14%
Total Equity	655,279	665,166	(9,887)	(1%)	26%	27%
Total Liabilities and Equity	P2,555,444	P2,459,365	P96,079	4%	100%	100%

Consolidated total assets as at June 30, 2024 amounted to P2,555,444 million, P96,079 million higher than December 31, 2023. The increase was primarily due to the increase in inventories, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets, deferred tax assets and other noncurrent assets.

The increase in inventories by P13,632 million was attributable mainly to: (a) Petron's higher volume and prices of both crude oil and finished products; and (b) higher materials and supplies of the Food division mainly due to higher volume of wheat purchased during the first half of 2024. The increase was partially offset by the Energy business' higher consumption of LNG supply inventory coupled with the decline in average LNG cost during first half of 2024 and utilization of spare parts during the combustor and turbine inspection conducted for the Ilijan Power Plant.

The decrease in total biological assets by P333 million was mainly attributable to lower production costs in June 30, 2024 as compared to December 31, 2023.

The increase in prepaid expenses and other current assets by P10,635 million was primarily due to: (a) higher input taxes of Petron and SMC Shipping and Lighterage Corporation; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron.

The increase in investments and advances - net by P7,347 million was mainly due to the: (a) advances for future investments to certain companies by SMC and the Energy business; and (b) investment in New NAIA Infra Corp. by San Miguel Holdings Corp.

The increase in property, plant and equipment - net by P34,102 million was mainly due to the costs of the ongoing projects of the Energy business, and the feedmill expansion project of the Food division.

The increase in other intangible assets - net by P19,271 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partially offset by the amortization during first half of 2024.

The increase in deferred tax assets by P6,002 million was primarily due to the recognition by SMC of deferred income tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P10,633 million was mainly due to the amount of contract assets for the MRT 7 Project recognized during first half of 2024.

The increase in loans payable by P47,398 million was mainly due to the net availment made by SMC and the Energy business.

The increase in accounts payable and accrued expenses by P31,599 million was mainly due to additional payables to contractors relating to the ongoing construction projects of the Energy business, higher outstanding liabilities to contractors and suppliers of Petron, higher purchases of raw materials by the Food division and power purchases by MPCL.

The increase in dividends and distributions payable by P839 million was mainly due to the declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on May 14, 2024, which were paid on July 4, 2024.

The increase in total long-term debt, net of debt issue costs, by P31,830 million was primarily due to the translation adjustments on foreign currency-denominated loans, partially reduced by the net payments made by the Group.

The decrease in total lease liabilities by P9,884 million was primarily due to the payments made to PSALM by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P2,028 million was mainly due to the deferred income tax expense recognized by SPPC for the application of its available Net Operating Loss Carry Over carryforward benefits to its income tax expense, and the difference in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P2,014 million was mainly due to the higher amount of retention payable for the ongoing projects of the Infrastructure business.

The decrease in equity reserves by P4,687 million was mainly due to the foreign exchange difference recognized on the redemption of the US$783 million SPCS of San Miguel Global Power in April 2024.

The decrease in unappropriated retained earnings by P16,728 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends and distributions declared and the net appropriations during the first half of 2024.

The decrease in equity attributable to equity holders of the Parent Company by P20,143 million was mainly due to the net loss incurred on account of the loss on foreign exchange and dividends and distributions declared to holders of preferred shares and SPCS of SMC in the first half of 2024.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In Millions)	**For the Periods Ended June 30**	
	2025	2024
Net cash flows provided by operating activities	**P58,208**	P74,608
Net cash flows provided by (used in) investing activities	**48,451**	(93,889)
Net cash flows provided by (used in) financing activities	**(76,460)**	8,597

Net cash flows provided by operating activities primarily consist of operating income before working capital changes, changes in noncash current assets, certain current liabilities and others, including payments of interest, other financing charges and income taxes.

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

(In Millions)	**For the Periods Ended June 30**	
	2025	2024
Net proceeds of:		
Redemption of investment in redeemable preferred shares held by a subsidiary	**P78,717**	P -
Sale of property and equipment	**3,430**	482
Disposal of investments in debt instruments	**445**	519
Disposal of a subsidiary, net of cash and cash equivalents disposed of	**-**	8
Collection of advances	**12,084**	-
Dividends received	**11,887**	363
Interest received	**7,718**	6,505
Additions to:		
Property, plant and equipment	**(19,166)**	(48,178)
Intangible assets	**(11,740)**	(23,476)
Investments and advances	**(10,178)**	(7,007)
Contract assets	**(4,724)**	(7,742)
Advances to contractors and suppliers	**(2,082)**	(2,349)
Investment property	**(2,070)**	(4,212)
Investments in equity and debt instruments	**(463)**	(532)
Increase in other noncurrent assets and others	**(9,728)**	(8,270)
Cash and cash equivalents of deconsolidated subsidiaries	**(5,679)**	-

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

(In Millions)	**For the Periods Ended June 30**	
	2025	2024
Net proceeds (payments) of short-term loans	**(P72,766)**	P46,813
Cash dividends and distributions paid	**(26,783)**	(22,780)
Payments of lease liabilities	**(9,132)**	(11,500)
Redemption of capital securities of subsidiaries	**(6,288)**	(45,040)
Acquisition of treasury shares of a subsidiary	**(1,119)**	-
Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others	**(1,093)**	31
Net proceeds (payments) of long-term debt	**34,971**	(2,382)
Net proceeds of issuance of capital securities of subsidiaries	**5,750**	43,481
Share issuance costs from reissuance of treasury shares	**-**	(26)

The effect of exchange rate changes on cash and cash equivalents amounted to (P2,737 million) and P3,216 million in June 2025 and 2024, respectively.

V. KEY PERFORMANCE INDICATORS

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

	June 30, 2025	December 31, 2024
Liquidity:		
Current Ratio	**1.35**	1.22
Quick Ratio	**0.89**	0.76
Solvency:		
Debt to Equity Ratio	**2.55**	2.96
Asset to Equity Ratio	**3.55**	3.96
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**13.52%**	(2.48%)
Interest Rate Coverage Ratio	**2.72**	1.65
Return on Assets	**3.39%**	1.43%

	For the Periods Ended June 30	
	2025	2024
Operating Efficiency:		
Volume Growth (Decline)	**(6%)**	19%
Revenue Growth (Decline)	**(9%)**	15%
Operating Margin	**12%**	11%

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

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

* *Annualized for quarterly reporting.*

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P189,641 million as at June 30, 2025.

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

b. There 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, 2024.

d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.

e. There are no significant elements of income or loss that did not arise from continuing operations.

f. Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

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