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S. E. C. Registration Number

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(Company's Full Name)

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

Atty. Mary Rose S. Tan
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Contact Person

(632) 8 632-3000
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Company Telephone Number

1	2
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Month

3	1
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### SEC FORM

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FORM TYPE

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

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Month

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Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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File Number

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2023**
2. SEC Identification Number: **PW 000277**      3. BIR Tax Identification No. **000-060-741-000**
4. Exact name of issuer as specified in its charter      **SAN MIGUEL CORPORATION**
5. **Philippines**      6.   
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
7. **No. 40 San Miguel Avenue, Mandaluyong City**      **1550**  
Address of principal office      Postal Code
8. **(02) 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 SRC

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding and approximate Debt Outstanding (as of December 31, 2023)
<b>Common Shares</b>	2,383,896,588
<b>Series "2-F" Preferred Shares</b>	223,333,500
<b>Series "2-I" Preferred Shares</b>	169,333,400
<b>Series "2-J" Preferred Shares</b>	266,666,667
<b>Series "2-K" Preferred Shares</b>	183,904,900
<b>Series "2-L" Preferred Shares</b>	165,358,600
<b>Series "2-M" Preferred Shares</b>	173,333,325
<b>Series "2-N" Preferred Shares</b>	100,115,100
<b>Series "2-O" Preferred Shares</b>	<u>187,859,700</u>
<b>TOTAL</b>	3,853,801,780
 <b>Total Liabilities</b>	 <b>Php1,794,199 million</b>

11. Are any or all of these securities listed on a Stock Exchange?  
Yes []    No [  ]

If yes, state the name of such stock exchange and the classes of securities listed therein:  
**Philippine Stock Exchange: Common, Series "1" and Series "2" Preferred Shares**

12. Check whether the issuer:

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

Yes []      No []

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

Yes []      No []

13. The aggregate market value of the 487,566,769 voting shares held by non-affiliates of the Company as of December 31, 2023 is Php 49,780,567,114.90 (based on the closing price as of December 31, 2023 of Php102.10 per share. The aggregate market value of the 487,642,586 voting shares held by non-affiliates of the Company as of March 31, 2024 is Php53,591,920,201.40 (based on the closing price as of March 31, 2024 of Php109.90 per share).

#### **DOCUMENTS INCORPORATED BY REFERENCE**

14. The following documents are attached and incorporated by reference:

Please refer to annexes referred to and identified in this document.

#### **PART I – BUSINESS AND GENERAL INFORMATION**

##### **Item 1. Business**

San Miguel Corporation (“SMC”, or the “Parent Company”), together with its subsidiaries (collectively referred to as the “Group”), is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales equivalent to approximately 6.0% of the Philippine gross domestic product in 2023.

Originally founded in 1890 as a single product brewery in the Philippines, SMC today owns market-leading businesses and investments in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, cement, property development and leasing, car distributorship, and banking services. SMC has a portfolio of companies that is interwoven into the economic fabric of the Philippines, benefiting from, as well as contributing to the development and economic progress of the nation. The common shares of SMC were listed on the Manila Stock Exchange, now The Philippine Stock Exchange, Inc. (“PSE”) on November 5, 1948.

Since adopting its business diversification program in 2007, SMC has channeled its resources into what it believes are attractive growth sectors, which are aligned with the development and growth of the Philippine economy. SMC believes that continuing this strategy and pursuing growth plans within each business will achieve a more diverse mix of sales and operating income, and better position for SMC to access capital, present different growth opportunities, and mitigate the impact of downturns and business cycles.

SMC, through its subsidiaries and affiliates, has become a market leader in its businesses with 53,184 regular employees and more than 100 production facilities in the Asia-Pacific region as at December 31, 2023. SMC’s extensive portfolio of products include beer, spirits, non-alcoholic beverages (“NAB”), poultry, animal feeds, flour, fresh and processed meats, dairy products, coffee, various packaging products, a full range of refined petroleum products and cement products, most of which are market leaders in their respective markets. In addition, SMC contributes to the growth of downstream industries and sustains a network of hundreds of third-party suppliers.

Through the partnerships it has forged with major international companies, the Group has gained access to the latest technologies and expertise, thereby enhancing its status as a world-class organization.

SMC has strategic partnerships with international companies, among them are Kirin Holdings Company Limited (“Kirin”) for beer, Hormel Netherlands B.V. (“Hormel”) for processed meats, Korea-Water Resources Corporation (“K-Water”) for the power business and Nihon Yamamura Glass Co. Ltd. (“NYG”), Fuso Machine & Mold Manufacturing Co. Ltd. (“Fuso”) and Can Pack SA (“Can-Pack”) for packaging products.

Major developments in the Group are discussed in the Management’s Discussion and Analyses of Financial Position and Financial Performance, attached hereto as Annex “A”, and in Note 5, Investments in Subsidiaries, and Note 11, Investments and Advances, of the Audited Consolidated Financial Statements attached hereto as Annex “B”.

## **Businesses**

### **Food and Beverage**

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

SMFB has three primary operating divisions - (i) Beer and NAB, (ii) Spirits, and (iii) Food. SMFB operates its Beverage business through San Miguel Brewery Inc. and its subsidiaries (“SMB” or the “Beer and NAB Division”) and Ginebra San Miguel Inc. and its subsidiaries (“GSMI” or the “Spirits Division”). The Food business (the “Food Division”) is operated through several key subsidiaries, including San Miguel Foods, Inc. (“SMFI”), Magnolia Inc., (“Magnolia”) and The Purefoods-Hormel Company, Inc. (“Purefoods-Hormel”), San Miguel Mills, Inc. and San Miguel Super Coffeemix Co., Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 70 markets worldwide.

#### ***Beer and NAB Division***

The Beer and NAB Division is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Top beer brands in the Philippines include *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light*, and *Gold Eagle*. Its flagship brand, *San Miguel Pale Pilsen*, has a history of over 130 years which was first produced by *La Fabrica de Cerveza de San Miguel*, which started as a single brewery producing a single product in 1890 and has evolved through the years to become the diversified conglomerate that is SMC. The Beer and NAB Division also produces NAB such as ready-to-drink tea, ready-to-drink juice, and carbonates.

SMB markets its beer products under the following brands: *San Miguel Pale Pilsen*, which is SMB’s flagship brand, *Red Horse*, *Red Horse Super*, *San Mig Light*, *San Miguel Flavored Beer*, *San Miguel Super Dry*, *San Miguel Premium All-Malt*, *San Miguel Cerveza Negra*, *San Miguel Cerveza Blanca*, *San Mig Zero*, and *Gold Eagle*. SMB also exclusively distributes *Kirin Ichiban* in the Philippines. SMB also produces *San Mig Free*, an alcohol-free, non-fermented beverage with no added caloric and non-caloric sweeteners, as well as *San Mig Hard Seltzer*, an easy-to-drink alcoholic beverage made from sparkling water with alcohol in citrus mix flavor.

SMB's NAB business portfolio includes *Cali*, a sparkling non-alcoholic drink, *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), *Magnolia Flavored Water* (still flavored water).

San Miguel Brewing International Limited and its subsidiaries ("SMBIL") also offer the *San Miguel Pale Pilsen* and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia and most export markets, and *Red Horse* in Thailand, China, Hong Kong, Vietnam and selected export markets, in addition to locally available brands: *Valor* and *Blue Ice* (Hong Kong), *Dragon* (South China), *W1N Bia* (Vietnam), and *Anker* and *Kuda Putih* (Indonesia).

SMBIL also sells a portfolio of specialty beers including *San Mig Zero* in Thailand, *San Miguel Flavored Beer* in Vietnam, Taiwan and the United States, *San Miguel Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, Thailand, United States, South Korea and Taiwan, as well as *San Miguel Cerveza Blanca* in Hong Kong, Thailand, Vietnam, South Korea, Singapore and Taiwan, and has recently rolled-out the limited edition *San Miguel Chocolate Lager* in Thailand, Taiwan, Hong Kong and Vietnam.

Meanwhile, as part of its NAB portfolio, SMBIL also carries *San Miguel NAB* in Korea and Saudi Arabia as well as *San Miguel Flavored NAB*.

### **Spirits Division**

The Spirits Division is a leading spirits producer in the Philippines and the largest gin producer internationally by volume. It is the market leader in gin and Chinese wine in the Philippines. GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum and other spirits. Ginebra traces its roots to a family-owned Spanish era distillery that introduced the *Ginebra San Miguel* brand in 1834. The distillery was then acquired by La Tondeña Incorporada in 1924, and thereafter by SMC in 1987 to form La Tondeña Distillers, Inc. In 2003, it was renamed to Ginebra San Miguel Inc. in honor of the pioneering gin brand.

GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel*, *GSM Blue* and *Vino Kulafu*, the leading brands in the gin and Chinese wine categories, accounted for 99% of GSMI's total revenues. The other products that complete the liquor business of GSMI comprise about 1% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are exported to markets with high concentration of Filipino communities such as the United Arab Emirates, Taiwan, India, Cayman Islands, New Zealand, Hong Kong, Saipan, Macau and the United States of America. It also produces certain brands that are for export only, which includes *Tondeña Manila Rum* and *Añejo Rum 5 Years*.

With the onset of the Corona Virus Disease 2019 (COVID-19) pandemic in early March 2020, GSMI pivoted its production facilities to produce disinfecting 70% ethyl alcohol and donated over 1.3 million liters around the country. In the third quarter of 2020, GSMI commercially launched *San Miguel Ethyl Alcohol* to provide supply of disinfectant alcohol in the local market as well as help stabilize the price.

### **Food Division**

The Food Division holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Division has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream, flour mixes and salad aids, *Monterey* for fresh and marinated meats, *Purefoods Tender Juicy* for hotdogs, *Purefoods* for other refrigerated processed meats, ready-to-eat cooked meals, canned meats and seafood lines, *Veega* for plant-based

protein food products, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, and *B-Meg* for animal feeds.

The Food Division has a diversified product portfolio that ranges from branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein, butter, margarine, cheese, milk, ice cream, salad aids, flour mixes, and coffee products (collectively “Prepared and Packaged Food”) to integrated feeds (“Animal Nutrition and Health”), to poultry and fresh meats (“Protein”) as well as flour milling, grain terminal handling, foodservice, and international operations (“Others”).

The key operating segments, products, brands and services for each of the primary businesses of the Food Division are as follows:

- a) **Prepared and Packaged Food** – The Prepared and Packaged Food business includes refrigerated meats, canned meats, ready-to-eat meals, dairy, ice cream, spreads, salad aids, and coffee. The major operating subsidiaries for the Prepared and Packaged Food segment are Purefoods-Hormel, Magnolia and San Miguel Super Coffeemix Co., Inc. (“SMSCCI”). Purefoods-Hormel, a 60:40 joint venture with Hormel Netherlands, B.V. produces and markets value-added refrigerated processed meats and canned meat products. The joint venture agreement, which was entered into in 1998 sets out the parties’ agreement as shareholders of Purefoods-Hormel, including, among others, provisions on technical assistance and sharing of know-how, the use of trademarks, fundamental matters requiring shareholders or Board approval, exclusivity covenants, and restrictions on the transfer of Purefoods-Hormel shares.

Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, ready-to-eat meal and meat free products, which are sold under the brand names *Purefoods*, *Purefoods Tender Juicy*, *Star*, *Higante*, *Purefoods Beefies*, *Vida*, *Purefoods Nuggets*, *Purefoods Ready-to Eat* and *Veega*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads and ready-to-eat viands, are sold under the *Purefoods*, *Star* and *Ulam King* brands.

The dairy and spreads business, primarily operated through Magnolia, manufactures and markets a variety of bread spreads, milk, ice cream, salad aids and flour mixes. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia*, *Dari Crème*, *Star*, and *Cheezee*, *Quickmelt*, *Daily Quezo*, and *Buttercup* brands. Dairy products under the *Magnolia* brand include ready-to-drink milk, *Magnolia Fresh Milk* and *Chocolait*, *Gold Label* ice cream and all-purpose cream. Flour mixes and salad aids like mayonnaise, sandwich spreads and dressings, are likewise marketed and sold under the *Magnolia* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s. Magnolia previously marketed jelly-based snacks under the *JellyYace* brand, until said trademark and other trademarks used in the jelly-based snacks business were divested in May 2021. Moreover, Magnolia also used to manufacture and sell biscuits under the *La Pacita* brand until it ceased operations at its manufacturing facility in October 2021. The *La Pacita* brand and other trademarks used in the biscuits business were divested in March 2023.

The coffee business under SMSCCI is a 70:30 joint venture between SMFB and a Singaporean partner, Jacobs Douwe Egberts RTL SCC SG Pte. Ltd., formerly Super Coffee Corporation Pte. Ltd. SMSCCI imports, packages, markets, and distributes coffee mixes in the Philippines.

- b) **Animal Nutrition and Health** - The Animal Nutrition and Health segment produces integrated feeds and veterinary medicines. The operating subsidiary for the Animal Nutrition and Health segment is SMFI. Commercial feed products include hog feeds, layer feeds, broiler feeds, gamefowl feeds, aquatic feeds, branded feed concentrates, and specialty and customized feeds. These feeds are sold and marketed under various brands such as *B-Meg*, *B-Meg Premium*, *Integra*, *Expert*, *Dynamix*, *Essential*, *Pureblend*, *Bonanza* and *Jumbo*. SMFI likewise produces and sells dog

food under the *Nutri Chunks* brand, as well as various veterinary medicines and preparations under *San Miguel Animal Health Care*.

- c) **Protein** - SMFI is also the operating subsidiary for the business' Protein segment, which sells poultry and fresh meats products. The poultry business operates a vertically-integrated production process that spans from broiler breeding to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole and cut-up products. A wide variety of fresh and easy-to-cook products, such as those under the brand *Magnolia Chicken Timplados*, are sold through *Magnolia Chicken Stations*. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors, and sells live chickens to dealers.

The fresh meats business breeds, grows and processes hogs and trades beef and pork products. Its operations include breeding, growing, and slaughtering live hogs and processing beef and pork carcasses into primal and sub-primal meat cuts. These specialty cuts and marinated products are sold in neighborhood meat shops under the well-recognized *Monterey* brand name.

- d) **Others** - Flour milling, the manufacture and marketing of premixes and baking ingredients, foodservice and international operations are categorized under Others. The bulk of this segment is accounted for by the flour milling business and grain terminal operation.

The flour milling segment operates under San Miguel Mills, Inc. ("SMMI"). SMMI owns Golden Bay Grain Terminal Corporation, which provides grain handling services (e.g. unloading, storage, bagging, and outloading) to clients, and Golden Avenue Corp., which holds investment in real properties.

The flour milling segment offers a variety of flour products that includes bread flour, noodle flour, biscuit and cracker flour, all-purpose flour, cake flour, whole wheat flour, customized flour, and flour premixes, such as pancake mix, cake mix, brownie mix, *pan de sal* mix, and *puto* (or rice cake) mix. The business pioneered the development of customized flours for specific applications, such as noodles and *pan de sal*, a soft bread commonly eaten in the Philippines for breakfast. Flour products are sold under brand names which enjoy strong brand loyalty among its institutional clients and other intermediaries, such as bakeries and biscuit and noodle manufacturers.

The Food Division currently has operations in Vietnam. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. ("SMPFVN"), is a wholly-owned subsidiary of San Miguel Foods International, Limited. It is in the business of production and marketing of processed meats which are sold under the *Le Gourmet* brand. PT San Miguel Foods Indonesia is a 75:25 joint venture with PT Hero Intiputra of Indonesia, and engaged in the production and sale of processed meats sold under the *Farmhouse* and *Vida* brands, until it ceased operations on October 31, 2021.

The foodservice segment of the Food Division is handled by Great Food Solutions ("GFS"), a group under SMFI. GFS, which services institutional accounts such as hotels, restaurants, bakeshops, fast food, and pizza chains, was established in 2002 and is one of the largest foodservice providers in the Philippines. It markets and distributes foodservice formats of the value-added meats, dairy, flour and coffee businesses. In turn, GFS receives a development fee from these businesses for selling their products to foodservice institutional clients.

Below is a list of the major food and beverage subsidiaries as of December 31, 2023:

San Miguel Food and Beverage, Inc. and subsidiaries [including San Miguel Brewery Inc. and subsidiaries (including Iconic Beverages, Inc., Brewery Properties Inc. and subsidiary, and San Miguel Brewing International Limited and subsidiaries {including San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Jakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co., Ltd.\*, San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited}); Ginebra San Miguel Inc. and subsidiaries (including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited.); and San Miguel Foods, Inc. and subsidiaries, San Miguel Mills, Inc. and subsidiaries, Magnolia Inc. and subsidiary, The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia, San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, and San Miguel Pure Foods (VN) Co., Ltd.]

*\*Ceased operations in March 2020 and is in the process of liquidation.*

## **Packaging**

The packaging business began operations in 1938 with the establishment of a glass plant that supplied glass bottles for the beer and non-alcoholic beverage products of SMC. Collectively called as the Packaging Group, the business is comprised of San Miguel Yamamura Packaging Corporation (“SMYPC”), San Miguel Yamamura Packaging International Limited (“SMYPIL”) and their respective subsidiaries which are both joint venture companies of SMC and NYG, SMC Yamamura Fuso Molds Corp. (“SYFMC”), the only manufacturer of glass and plastics molds in the country and a joint venture between SMYPC and Fuso, Can Asia, Inc. (“CAI”), a pioneer in the production of two-piece aluminum cans, Wine Brothers Philippines Corporation, involved in the sale and distribution of wine products and Mindanao Corrugated Fireboard, Inc. (“Mincorr”), a manufacturer of paper corrugated carton.

SMYPC owns all the domestic plants of the Packaging Group, except the corrugated carton plant Mincorr, which is 100% owned by SMC. Mincorr is, nevertheless, being managed by SMYPC.

The Packaging Group manages one of the largest packaging operations in the Philippines with diversified businesses producing glass, molds, metal and plastic closures, aluminum cans, plastic bottles, pallets and crates, flexibles, paper, and other packaging products that offer a total packaging solution. The Packaging Group also provides services such as beverage filling for Polyethylene Terephthalate (“PET”) bottles, aluminum cans, and glass bottles, pallet leasing, and logistics services.

It is the major provider of packaging requirements of other business units of SMC and a supplier of its products to customers, which include major multinational corporations in the Philippines, including Coca-Cola Beverages Philippines, Inc., Nestle Philippines, Inc., and Pepsi Cola Products Philippines, Inc.

The Packaging Group also caters to customers across the Asia Pacific region, the United States of America, and Australasia, including San Miguel Beer Breweries in China, Vietnam, Indonesia, and Thailand. Notably, it operates 18 international packaging companies located in China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags, and radiant/thermal liners), Australia (trading of packaging products, retail/online packaging, cargo protection and materials handling products, plastic manufacturing, wine closures, and wine filling services) and New Zealand (plastic manufacturing and trading of packaging products).

The Packaging Group's businesses are as follows:

- a) **Glass** - The glass business is the Packaging Group's largest business segment. Currently, there are three glass manufacturing facilities, and one glass and PET mold plant in the Philippines, which service the requirements of the beverage, food, pharmaceutical, chemical, personal care, and health care industries.
- b) **Metal** - The metal business manufactures metal caps, crowns, resealable caps, and two-piece aluminum beverage cans for a range of industries that include beer, spirits, soft drinks, condiments, and food. In 2012, SMYPC formed CAI, as a joint venture with CANPACK S.A. ("CANPACK"), to modernize the two-piece aluminum can manufacturing business. In 2018, CAI expanded its product line to offer 180 ml aluminum cans. Utilizing the know-how and technologies of CANPACK on can manufacturing, CAI is now capable to produce aluminum cans and ends in three categories - regular (standard), sleek, and slim cans. CAI operates the pioneer two-piece aluminum can plant in the Philippines.

On September 29, 2022, SMYPC and CANPACK executed a Share Purchase Agreement for the purchase by SMYPC of the 3,500,000 common shares of CANPACK in CAI, giving SMYPC 100% ownership of CAI. To date, CAI is capable of producing six can sizes.

- c) **Plastics** - The plastics business, the second largest business of the Packaging Group, produces crates and pallets, poultry flooring, plastic bottles, PET preforms and bottles, plastic caps and handles to serve the beer, liquor, non-alcoholic beverages, food, pharmaceutical, personal care, petroleum, and industrial applications industries.
- d) **Beverage Filling** - The beverage filling operations is capable of filling beverages in two-piece aluminum cans as well as PET and glass bottles. The business has expanded its capability to include a retort process to serve coffee, milk, and chocolate drinks.
- e) **Paper** - The paper business produces corrugated cartons and partition boxes. It supplies the carton packaging needs of a broad range of manufacturing and agricultural industries.
- f) **Composites/Flexibles** - The composites/flexible packaging business manufactures flexible packaging, plastic films, industrial laminates, trademarked *EnviroTuff* radiant barrier and woven bags. Customers for this segment include companies in the food, beverages, personal care, chemical and healthcare industries. It also provides composite materials for various industries including construction, semiconductor, and electronics sectors.

Below is a list of the major domestic and international packaging subsidiaries as of December 31, 2023:

San Miguel Yamamura Packaging Corporation and subsidiaries, SMC Yamamura Fuso Molds Corporation, Can Asia, Inc. and Wine Brothers Philippines Corporation

San Miguel Yamamura Packaging International Limited and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., and San Miguel Yamamura Australasia Pty. Ltd. and subsidiaries {including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co Ltd, SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd.}]  
Mindanao Corrugated Fibreboard, Inc.

## Energy

The Energy business, which is conducted through San Miguel Global Power Holdings Corp. ("San Miguel Global Power", formerly SMC Global Power Holdings Corp.), together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 5,057 MW of combined capacity based on the total installed generating capacities reported by the Energy Regulatory Commission ("ERC") under ERC Resolution No. 02, Series of 2024, dated March 12, 2024 (A resolution Setting the Installed Generating Capacity and Market Share Limitation per Grid and National Grid for 2024). San Miguel Global Power benefits from a diversified power portfolio, including natural gas, coal and renewable energy such as hydroelectric power and battery energy storage systems ("BESS"). This portfolio includes:

- a) the power plants subject of the Independent Power Producer Administration ("IPPA") Agreements with the Power Sector Assets and Liabilities Management Corp. ("PSALM"), specifically the Sual Coal-Fired Thermal Power Plant in Sual, Pangasinan and the San Roque Multipurpose Hydroelectric Power Plant in San Manuel, Pangasinan, the output of which are being administered by Sual Power Inc. ("SPI", formerly San Miguel Energy Corporation) and San Roque Hydropower Inc. ("SRHI", formerly Strategic Power Devt. Corp.), respectively, both wholly-owned subsidiaries of San Miguel Global Power;
- b) the Ilijan Natural Gas Fired Combined Cycle Power Plant in Ilijan, Batangas that was the subject of the IPPA Agreement with PSALM and is now owned by South Premiere Power Corp. ("SPPC"), a wholly-owned subsidiary of San Miguel Global Power, after the expiration of the IPPA Agreement in June 2022;
- c) the Angat Hydroelectric Power Plant in Angat, Bulacan, owned by Angat Hydropower Corporation ("AHC"), whose outstanding capital stock is 60% owned by San Miguel Global Power through its wholly-owned subsidiary, PowerOne Ventures Energy Inc. ("PVEI");
- d) the Masinloc Coal-Fired Power Plant ("Masinloc Power Plant"), and the 10 MWh BESS Project all located in Masinloc, Zambales, owned by Masinloc Power Co. Ltd. ("MPCL", formerly Masinloc Power Partners Co. Ltd.), which was wholly acquired by San Miguel Global Power in March 2018. MPCL also intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each with target completion date in 2025-2026;
- e) the seven BESS facilities of SMGP BESS Power Inc. ("SMGP BESS", formerly Universal Power Solutions, Inc.) in various locations nationwide with a total installed capacity of 220 MWh, which commenced commercial operations in 2023;
- f) the 20 MW BESS facility in Kabankalan, Negros Occidental ("Kabankalan BESS"), owned by SMGP Kabankalan Co. Ltd. ("SMGP Kabankalan", formerly SMCGP Philippines Energy Storage Co. Ltd.), which is contracted under an Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines ("NGCP") with a term of five years which commenced in January 2022. The capacity of Kabankalan BESS Phase 2 (10 MWh) will be offered in the next round of ancillary services bidding to be conducted by NGCP. Alternatively, the same capacity can be traded as power reserves or ancillary services in the WESM. Both opportunities are anticipated to commence in 2024; and
- g) the greenfield power plants owned and developed by San Miguel Global Power, namely the Circulating Fluidized Bed Coal-Fired Power Plant in Limay, Bataan, (the "Limay Greenfield Power Plant") owned by its wholly-owned subsidiary, Limay Power Inc. ("LPI", formerly SMC Consolidated Power Corporation) and the Circulating Fluidized Bed Coal-Fired Power Plant in Malita, Davao Occidental, (the "Davao Greenfield Power Plant") owned by another wholly-owned subsidiary, Malita Power Inc. ("MPI", formerly San Miguel Consolidated Power Corporation). Units 1, 2, 3 and 4

of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively. Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

Based on the total installed generating capacities reported by the ERC under ERC Resolution No. 02, Series of 2024, dated March 12, 2024, San Miguel Global Power (together with other affiliates) has combined installed capacity comprising approximately 19.78% of the National Grid, 25.48% of the Luzon Grid, 4.12% of the Visayas Grid and 8.12% of the Mindanao Grid. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of Luzon Grid, Mindanao Grid, Visayas Grid or National Grid (17,961,724 kW, 4,187,838 kW, 3,417,708 kW and 25,567,270 kW, respectively, based on data provided under ERC Resolution No. 02, Series of 2024).

San Miguel Global Power was also issued retail electricity supplier licenses, through LPI and MPCL, which allow it to enter into contracts with contestable customers and expand its customer base.

San Miguel Global Power, through its subsidiaries SPI, SRHI, SPPC, LPI, MPI, SMGP Kabankalan, SMGP BESS and MPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company (“Meralco”) and other distribution utilities, electric cooperatives, industrial customers and the NGCP, or through the Wholesale Electricity Spot Market (“WESM”).

San Miguel Global Power is currently undertaking the following expansion projects through its subsidiaries:

- a. The Mariveles Greenfield Power Plant, a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities using high efficiency low emission technologies (HELE Technologies) located in Mariveles, Bataan, being developed and constructed through Mariveles Power Generation Corporation (“MPGC”). Unit 1 of the Mariveles Greenfield Power Plant commenced commercial operations on March 28, 2024.
- b. The BESS Project, which is currently undertaken through SMGP Kabankalan, SMGP BESS and MPCL, will provide an additional ~1,000 MWh capacity to the energy business’ existing power portfolio. The BESS Project includes the 10 MWh BESS (Phase 1) in Masinloc, Zambales, the 20 MWh (Phase 1) BESS project located in Kabankalan, Negros Occidental which commenced commercial operations in January 2022 and the seven BESS facilities of SMGP BESS with total capacity of 220 MWh that commenced commercial operations in 2023.
- c. Units 4 and 5 of the Masinloc Power Plant with a planned gross installed capacity of 350 MW each will utilize supercritical boiler technology, considered as another expansion project by MPCL after it completed the Unit 3 in September 2020.
- d. The Batangas Combined Cycle Power Plant, a planned 1,320 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas will utilize re-gasified liquefied natural gas (“LNG”) as fuel. The LNG power plant project is part of the Energy business’ diversification of its power portfolio from the traditional coal technologies and will be constructed through its wholly-owned subsidiary, Excellent Energy Resources Inc. (“EERI”).

Below is a list of the major energy subsidiaries as of December 31, 2023:

San Miguel Global Power Holdings Corp. and subsidiaries (including SPI and subsidiary, SPPC, SRHI, San Miguel Electric Corp., SMC PowerGen Inc, SMGP BESS, LPI, MPI, Central Luzon Premiere Power Corp., Prime Electric Generation Corporation and subsidiary, Lumiere Energy Technologies Inc., PVEI, SMCGP Masinloc Power Company Limited, SMCGP Masinloc Partners Company Limited and MPCL, APEC, Oceantech Power Generation and subsidiary, SMGP Kabankalan, EERI, SMC Power Generation Corp., and MPGC)

## **Fuel and Oil**

SMC operates its fuel and oil business through Petron Corporation (“Petron”), which is involved in refining crude oil and marketing and distribution of refined petroleum products mainly in the Philippines and Malaysia. Petron is the largest and only oil refining and marketing company in the Philippines and a leading player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day. Petron participates in the retail (service station), industrial, lube, and liquefied petroleum gas sectors. In addition, Petron is also engaged in non-fuels business by capitalizing on the reacquired Treats convenience stores and earning income from billboards and locators, situated within the premises of the service stations.

Petron owns and manages the most extensive oil distribution infrastructure in the Philippines. Petron has extensive network of around 1,800 retail service stations in the Philippines and more than 750 retail service stations in Malaysia as of December 31, 2023. Petron also exports various petroleum products and petrochemical feedstock, including LSWR, gasoline, diesel, jet fuel, LPG, molten sulfur, naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

In the Philippines, Petron owns the Petron Bataan Refinery complex located in Limay, Bataan, which is a 180,000 barrel-per day full conversion refinery. The Petron Bataan Refinery is capable of producing a range of all white petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel and diesel, with no residual fuel oil production. It also produces petrochemical feedstocks benzene, toluene, mixed xylene, and propylene. It has its own product piers and two offshore berthing facilities, one of which can accommodate very large crude oil carriers. Petron also owns a refinery in Malaysia with a capacity of 88,000 barrels per day, a palm oil methyl ester plant with an annual capacity of 78,000 metric tons and 10 product terminals, with presence in the airport segment through a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport.

Below is a list of the fuel and oil subsidiaries as of December 31, 2023:

Petron Corporation and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings Inc. and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas Mauritius Ltd. and subsidiary, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries]  
SEA Refinery Corporation

## **Infrastructure**

The infrastructure business, conducted through San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure (“SMHC”), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. Current operating toll roads include the South Luzon Expressway (“SLEX”), SLEX Elevated Extension, Skyway Stages 1, 2 and 3, the Southern Tagalog Arterial Road (“STAR”), Tarlac-Pangasinan-La Union Toll Expressway (“TPLEX”) and NAIA Expressway (“NAIAX”). Ongoing projects include Skyway Stage 4, the extension of SLEX - Toll Road 4 (“SLEX TR4”), SLEX - Toll Road 5 (“SLEX TR5”), Pasig River Expressway (“PAREX”), Southern Access Link Expressway (“SALEX”), Northern Access Link Expressway (“NALEX”), Metro Rail Transit Line 7 (“MRT-7”), and Manila International Airport (“MIA”). It also operates and is currently expanding the Boracay Airport and has investments in Manila North Harbour Port Inc. (MNHPI) and Luzon Clean Water Development Corporation (“LCWDC”) for the Bulacan Bulk Water Supply Project.

### *SLEX / Skyway Stages 1 and 2 / SLEX Elevated Extension*

As of March 5, 2015, SMHC has a 95% stake in Atlantic Aurum Investments B.V. (“AAIBV”), a company which has the following shareholdings:

- 80.0% stake in SMC SLEX Inc. through SMC SLEX Holdings Company Inc., a wholly-owned subsidiary of AAIBV. SMC SLEX Inc. holds the 30-year concession rights to the SLEX TR1 - TR3, which currently spans 36.1 kilometers (km) from Alabang, Muntinlupa to Sto. Tomas, Batangas, and SLEX TR4, which runs a total length of 66.74 km that will extend the current SLEX alignment from Sto. Tomas, Batangas to Lucena City, Quezon. SLEX is one of the three major expressways that link Metro Manila to the key southern provinces of the Philippines, including Cavite, Laguna, Batangas, Rizal and Quezon (“CALABARZON”). AAIBV also holds 87.84% beneficial ownership in SMC Skyway Corporation, through SMC Tollways Corporation, a wholly-owned subsidiary of AAIBV. SMC Skyway Corporation holds the 30-year concession rights to construct, operate and maintain the 29.59 km Skyway Stage 1 and 2 Project. The Skyway Extension connects the Skyway Elevated Section from Sucat to Susana Heights in SLEX, providing direct access to and from the elevated section of the Skyway by adding new elevated lanes, three northbound (4.070 km) and two southbound (3.981 km). The project aims to decongest traffic along SLEX heading to Alabang and the Alabang viaduct.

### *STAR Tollway*

SMHC, through Cypress Tree Capital Investments, Inc. (“CTCII”) has an effective 100% interest in Star Infrastructure Development Corporation (“SIDC”). SIDC holds the 35-year Build-Transfer-Operate (“BTO”) concession rights of the STAR Project consisting of: Stage 1 - operation and maintenance of the 22.16 km toll road from Sto. Tomas to Lipa City; and Stage 2 - financing, design, construction, operation and maintenance of the 19.74 km toll road from Lipa City to Batangas City.

### *TPLEX*

SMHC, through its subsidiary, SMC TPLEX Holdings Company Inc., owns a 72.55% equity interest in SMC TPLEX Corporation (“SMC TPLEX”). SMC TPLEX is a company which holds the 35-year BTO concession rights to construct, operate and maintain an 89.21 km toll expressway from La Paz, Tarlac, through Pangasinan, to Rosario, La Union. The stretch from Tarlac to Pozzorubio, Pangasinan has been operational since December 2017. The last phase from Pozzorubio to Rosario, La Union was completed and has been operational since July 15, 2020.

### *NAIAX*

On May 31, 2013, SMHC incorporated SMC NAIAX Corporation (“SMC NAIAX”). SMC NAIAX, a company that holds the 30-year BTO concession rights for the construction and operation of the NAIAX – a four-lane elevated expressway with end-to-end distance of 5.46 km that provides access to NAIA Terminals 1, 2 and 3. NAIAX connects to the Skyway system, the Manila-Cavite Toll Expressway (CAVITEX) and the Entertainment City of the Philippine Amusement and Gaming Corporation. NAIAX became fully operational in July 2017.

### *Skyway Stage 3*

On February 28, 2014, SMHC through AAIBV incorporated Stage 3 Connector Tollways Holdings Corp. (“S3CTHC”), which holds an 80% ownership interest in SMC Skyway Stage 3 Corporation. SMC Skyway Stage 3 Corporation holds the 30-year concession rights to design, finance and construct the Skyway Stage 3, an elevated roadway with a total length of approximately 17.93 km from Buendia Avenue in Makati to Balintawak, Quezon City and is connected to the existing Skyway Stages 1 and 2. Skyway Stage 3 inter-connects the northern and southern cities of Metro Manila to help decongest traffic within the National

Capital Region and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

On March 15, 2016, AAIBV transferred its 100% ownership interest in S3CTHC to SMC Tollways Corporation, its 100% wholly owned subsidiary.

On April 16, 2019, a stockholder of SMC Skyway Stage 3 Corporation issued a waiver on its pre-emptive right to subscribe to 10% interest in favor of S3CTHC. As a result, S3CTHC's ownership interest in SMC Skyway Stage 3 Corporation increased to 90%.

End-to-end alignment (main alignment) was completed and partially opened on December 29, 2020. The Skyway Stage 3 Project was formally inaugurated and opened to motorists on January 14, 2021. The Notice to Collect Toll was received last July 1, 2021 from the Toll Regulatory Board of the Department of Transportation.

#### *Skyway Stage 4 Project*

SMHC, through its subsidiary, SMC Infraventures Inc., owns a 80.01% equity interest in SMC Skyway Stage 4 Corporation. SMC Skyway Stage 4 Corporation holds the concession right to construct Skyway Stage 4, a proposed tollable length of 34.81-km roadway from South Metro Manila Skyway to Batasan Complex, Quezon City. Skyway Stage 4 will serve as another expressway system that aims to further decongest EDSA, C5 and other major arteries of the Metropolis. Further, it aims to provide a faster alternate route and accessibility to the motorist when travelling from the provinces of CALABARZON area to the Metropolis. The project has a concession period of 30 years (from issuance of TOC for each Phase).

#### *Boracay Airport*

SMC, through the 99.92% interest of SMHC in Trans Aire Development Holdings Corp. ("TADHC"), is undertaking the expansion of Boracay Airport under a 25-year Contract-Add-Operate-and-Transfer concession granted by the Republic of the Philippines ("ROP"), through the Department of Transportation and Communications (now the Department of Transportation). Boracay Airport is the principal gateway to the Boracay Island, a popular resort for passengers traveling from Manila. The airport has seen recent upgrades including a longer runway and accommodation of international flights.

#### *MRT-7*

In October 2010, SMC, through SMHC, acquired a 51.0% stake in Universal LRT Corporation (BVI) Limited ("ULC BVI"), which holds the 25-year Build-Gradual Transfer-Operate-Maintain concession for MRT-7. MRT-7 is a planned expansion of the metro rail system in Manila which mainly involves the construction of a 22-km mass rail transit system with 14 stations that will start from San Jose del Monte City in Bulacan and end at the integrated LRT-1 / MRT-3 / MRT-7 station at North EDSA. The project also involves a 22-km six lane asphalt highway that will connect the North Luzon Expressway to an intermodal transport terminal in San Jose del Monte City, Bulacan.

As of July 1, 2016, SMC, through SMHC already holds 100% ownership in ULC BVI.

On December 12, 2016, the ROP through the Department of Transportation, gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC Mass Rail Transit 7, Inc. ("SMC MRT 7"). SMC through SMHC owns 100% of SMC MRT 7.

#### *MNHPI*

SMC through SMHC owns 50% of MNHPI as at December 31, 2023. MNHPI is the terminal operator of Manila North Harbor, a 60.96-hectare port facility situated at Tondo, City of Manila. The port has a total berth length of 5,758 meters and 36 berths which can accommodate all types of vessels such as containerized and non-container type vessels. Under the Contract for the Development, Management, Operation and Maintenance of the

Manila North Harbor entered with the Philippine Ports Authority on November 19, 2009, the Philippine Ports Authority awarded MNHPI the right to manage, operate, develop, and maintain the Manila North Harbor for 25 years, renewable for another 25 years. MNHPI commenced operations on April 12, 2010.

#### *Bulacan Bulk Water Supply Project*

The Bulacan Bulk Water Supply Project aims to provide clean and potable bulk water supply to the province of Bulacan that is environmentally sustainable and with a price that is equitable. The project also aims to help various water districts in Bulacan to meet the increasing water demand of consumers, expand its current service area coverage and increase the number of households served by providing a reliable source of treated bulk water. SMC through SMHC owns 90% of LCWDC, which will serve as the concessionaire for a period of 30 years (inclusive of the two-year construction period). Stage 1 of this project was completed in January 2019 and started supplying potable bulk water to seven Water Service Providers (San Jose del Monte, Marilao, Meycauayan, Obando, Bocaue, Balagtas and Sta. Maria) as of the first quarter of 2019. Stage 2 was completed and started its commercial operations for the other five Water Service Providers (Plaridel, Guiguinto, Bulakan, Malolos and Calumpit) in April 2019.

#### *MIA Project*

On September 18, 2019, San Miguel Aerocity Inc. doing business under the name and style of “Manila International Airport” (“SMAI”), signed a Concession Agreement (“CA”) with the Department of Transportation for the development of MIA. MIA will be governed by a 50-year CA (from issuance of Certificate of Substantial Completion) with the ROP and will be built under a Build-Operate-Transfer (“BOT”) framework. The project, which will be located in a 2,500-hectare property in Bulakan, Bulacan, will provide a long-term solution to air connectivity between the Philippines and the rest of the world.

On January 15, 2021, the CA was further enhanced by Republic Act No. 11506 entitled, “An Act Granting San Miguel Aerocity Inc. a Franchise to Construct, Develop, Establish, Operate, and Maintain a Domestic and International Airport in The Municipality of Bulakan, Province of Bulacan, and to Construct, Develop, Establish, Operate, And Maintain An Adjacent Airport City” (the Legislative Franchise). The Legislative Franchise gives SMAI tax exemptions (in general) during the development and operations stages of the project and the power to acquire any private lands forming part of the project. On January 21, 2021, SMAI formally accepted the incentives and obligations under the Legislative Franchise.

MIA will be developed in phases with an initial capacity of 35 million annual passengers (“MAP”) and ultimate capacity of 100 MAP, once fully complete. The airport shall primarily be linked by an 8-km toll road to Metro Manila via the North Luzon Expressway, with an integrated multi-modal transport network in the development pipeline.

#### *PAREX Project*

PAREX is a joint venture project between the Philippine National Construction Corporation (PNCC) and SMHC. SMHC, through its subsidiary, Pasig River Expressway Corporation, together with the Department of Public Works and Highways, Department of Transportation, and Toll Regulatory Board, signed on September 21, 2021 the Supplemental Toll Operations Agreement (STOA) for the financing, construction, operation and maintenance of the PAREX, an elevated and hybrid 19.37-km expressway, that would pass along the banks of Pasig River from Manila to Taguig. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

#### *SLEX TR5 Project*

SLEX TR5, also known as the Quezon-Bicol Expressway, is a 420-km two-lane each direction, toll road project which starts from SLEX TR4 in Brgy. Mayao, Lucena City, Quezon, and ends at Matnog, Sorsogon, near the Matnog Ferry Terminal. The four-lane expressway project shall consist of eight segments: Lucena to Gumaca, Quezon (59.60 kms), Gumaca to

Tagkawayan, Quezon (62.40 kms), Tagkawayan to Sipocot, Camarines Sur (59.00 kms), Sipocot to Naga City, Camarines Sur (35.40 kms), Naga City to Polangui, Albay (48.00 kms), Polangui to Legaspi City, Albay (35.00 kms), Legaspi to Sorsogon City, Sorsogon (54.30 kms), and Sorsogon City to Matnog, Sorsogon (62.78 kms). Centered on the proposal submitted by the joint venture of PNCC and SMHC, the SLEX TR 5 was officially designated as a certified toll road project in a TRB resolution dated June 29, 2020. The STOA was signed on June 3, 2022. The project has a concession period of 30 years (from the period of the Toll Operation Certificate).

#### *NALEX Project*

NALEX is a 136.4-km toll expressway that aims to connect the MIA, Metro Manila, and Central Luzon. The project is composed of two phases: Phase 1, divided into Section 1 (Skyway Stage 3 Balintawak to MIA), and Section 2 (MIA to Tarlac City and TPLEX), and Phase 2 that runs from Masantol, Pampanga to Tarlac City. The Phase 1 Section 1 is a 19.4-km elevated toll road that begins at Skyway Stage 3 to Balintawak and ends at MIA while the project's Phase 1 Section 2 is an at-grade expressway that runs from MIA to Tarlac City and TPLEX. NALEX Phase 1 shall have a total of 117-km toll road divided into three segments: Bulacan-Guagua (41 km), Guagua-Mabalacat (31 km), and Malabacat-Tarlac (45 km), with 8 interchanges/exits in total. On the other hand, NALEX Phase 2 is a 69.2 km toll road divided into 2 segments: Macabebe-Arayat, and Arayat-Tarlac. This will be a demand-driven expansion that will serve as an alternate route for Phase 1 Section 2. The project intends to provide a more accessible and convenient route from Metro Manila and Central Luzon to MIA, and vice versa.

NALEX is a joint venture project between SMHC and PNCC. On March 21, 2022, the STOA for the financing, construction, operation, and maintenance of the NALEX was signed between the TRB and SMHC. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

#### *SALEX Project*

SALEX is a 40.65 km toll elevated expressway network comprising of Section 1: C3-R10 Extension, Section 2 Segment 1: Shoreline Expressway, Section 2 Segment 2: Quirino Extension, and Section 2 Segment 3: Buendia Extension. Section 1 (4.52 km) is a four-lane elevated structure connecting MMSS3 at Sgt. Rivera in Quezon City to Shoreline Expressway at R-10. Section 2 Segment 1 (25.29 km), an elevated six-lane expressway, is the main spine along Manila Bay that will link MMSS3 and PAREX with Shoreline Expressway. It will begin at a connection with NALEX and runs south until it joins PAREX at Delpan Bridge, where it breaks. It will start again from PAREX at Ayala Bridge until it reaches Manila Cavite Toll Expressway (MCTEX) and NAIAX. Section 2 Segment 2, an elevated four-lane structure, starts from the intersection of Quirino Avenue and Osmena Highway and ends at its connection with the Shoreline Expressway along Roxas Boulevard. Section 2 Segment 3, an elevated four-lane structure, is a vital link of NAIAX with Shoreline Expressway and Makati Central Business District at Buendia Avenue.

SALEX is a joint venture project between the PNCC and SMHC. The execution of the STOA for the financing, construction, operation and maintenance of the SALEX was signed on June 20, 2022. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

#### *Pangasinan Link Expressway ("PLEX")*

PLEX, a 76.80-km unsolicited expressway proposal, is a joint venture between the Provincial Government of Pangasinan and SMHC. The project is composed of two phases: Phase 1, which runs from the Binalonan section of TPLEX to Lingayen, and Phase 2, which extends from Lingayen to Alaminos. PLEX's Phase 2 will be implemented once the traffic demand is met/upon reaching a certain level of traffic. This project aims to improve the intra-provincial traffic and create a more accessible route within the province of Pangasinan.

The Original Proponent Status and Certificate of Successful Negotiations was granted by the Province of Pangasinan to SMHC last May 18, 2023. The Notice of Award was signed and issued on July 10, 2023.

#### *Cavite-Batangas Expressway (“CBEX”)*

The Cavite-Batangas Expressway, a 27.06-km unsolicited toll road project, is a joint venture between the Provincial Government of Cavite and SMHC. It is a four-lane expressway which begins with a connection to Cavite-Laguna Expressway (CALAX) in Silang, Cavite and travels southwest parallel with the Emilio Aguinaldo Highway and ends at Tagaytay-Nasugbu Highway. It will traverse the municipalities of Silang, Amadeo, Tagaytay, Indang, Mendez, Alfonso in Cavite and Nasugbu, Batangas, and will have three access/interchange points in Silang, Tagaytay, and Nasugbu/Alfonso. This project aims to provide an additional highway that will help mitigate the road congestion in CALABARZON.

The Original Proponent Status and Certificate of Successful Negotiations was signed on September 1, 2022. The Notice of Award was signed and granted on January 24, 2023. On February 7, 2023, the Joint Venture Agreement and the Toll Concession Agreement was signed between the Provincial Government of Cavite and SMHC.

#### *Nasugbu-Bauan Expressway (“NBEX”)*

NBEX is a 60.9-km toll road project that aims to ease congestion and create a more accessible route in the southeast part of Luzon. The project alignment begins at Tagaytay-Nasugbu Highway in Brgy. Kaylaway, runs parallel with the Tuy-Balayan Highway up to the Municipality of Balayan, then runs parallel with the Palico-Balayan-Batangas Road and ends at the Municipality of Bauan. This four-lane expressway will connect the municipalities of Nasugbu, Tuy, Balayan, Calaca, Lemery, Agoncillo, Taal, San Nicolas, Santa Teresita, San Luis and Bauan. There will be five access/interchange points in (1) Nasugbu (Kaylaway), (2) Nasugbu, (3) Balayan, (4) Lemery, and (5) Bauan.

The NBEX is a joint venture between the Provincial Government of Batangas and SMHC. The Certificate of Acceptance was signed on April 21, 2022, and its Notice of Award was signed on March 10, 2023. On March 22, 2023, the Joint Venture agreement was signed between the parties. The Toll Concession Agreement of this project was signed on July 31, 2023.

Below is a list of the major infrastructure subsidiaries as of December 31, 2023:

San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure and subsidiaries [including SMC TPLEX Holdings Company, Inc. and subsidiary, SMC TPLEX Corporation, TPLEX Operations & Maintenance Corp., Trans Aire Development Holdings Corp., SMC NAIAX Corporation, Universal LRT Corporation (BVI) Limited, SMC Mass Rail Transit 7 Inc., ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation, Luzon Clean Water Development Corporation, Alloy Manila Toll Expressways Inc., Intelligent E-Processes Technologies Corp., Pasig River Expressway Corporation, SMC Northern Access Link Expressway Corp., SMC Southern Access Link Expressway Corp., South Luzon Toll Road-5 Expressway Inc., San Miguel Aerocity Inc. doing business under the name and style of “Manila International Airport”, Wiselink Investment Holdings, Inc. and subsidiary, Cypress Tree Capital Investments, Inc. and subsidiaries, {including Star Infrastructure Development Corporation and Star Tollway Corporation (collectively the Star Tollways Group)}, Atlantic Aurum Investments B.V. and subsidiaries {including SMC Tollways Corporation and subsidiaries [including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation, SMC Skyway Corporation and subsidiary, Skyway O&M Corporation], SMC SLEX Holdings Company Inc. and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc.}].

## Cement

The Cement business is conducted under San Miguel Equity Investments Inc. ("SMEII") through the following subsidiaries:

### *Northern Cement Corporation ("NCC")*

NCC has more than 50 years of cement production and domestic sales experience, mainly, in the Central Luzon (Region 3), and North Luzon (Regions 1 and 2) markets. It manufactures Type 1, Type 1T and Type N cement, the major cement products in the industry.

NCC was incorporated and registered with the SEC on February 10, 1967. From the commencement of its operations on February 1970 in Sison, Province of Pangasinan, it has been engaged in the business of manufacturing, developing, processing, exploiting, buying and selling cement and/or other allied products. NCC has an existing Mineral Production Sharing Agreement ("MPSA") with the Philippine Government granted through the Department of Environment and Natural Resources ("DENR") on March 12, 1998, and was renewed by the DENR for another 25 years, or until the year 2048. The MPSA covers a contract area of 630.4978 hectares within Sison, Pangasinan.

Presently, NCC owns and operates three dry-process rotary kilns and three finish mills. Collectively, the existing production facilities have annual rated capacity of 4.565 million metric tons per year ("MTPY") of finished cement, or 114 million 40-kg bags. The raw materials used in its cement manufacturing process are generally a mixture of quarried materials - limestone, shale and gypsum. Additionally, the construction of a fourth cement production line is ongoing. With the completion of four lines, NCC is projected to have an overall capacity of 6.93 million MTPY of finished cement, or 173 million 40-kg bags.

The additional supply of cement is targeted to meet the strong demand in Northern Luzon (Region 1 and Region 2), the Cordillera Administrative Region (CAR), and Central Luzon (Region 3).

### *Southern Concrete Industries, Inc. ("SCII")*

SCII, a wholly-owned subsidiary of SMEII, recently completed the construction of its cement grinding plant in Santa Cruz, Province of Davao del Sur. Its world class equipment is capable of producing 2 million MTPY while minimizing impact to the environment. SCII declared its full commercial operations in May 31, 2023. Prior to its commercial operations, SCII commenced its promotional trial campaign and distribution activities simultaneous with the completion of the commissioning stage of its plant.

### *Eagle Cement Corporation ("ECC")*

On December 14, 2022, SMC through SMEII completed the acquisition of 99.9581% of the total outstanding common shares of ECC.

ECC was incorporated in the Philippines and registered with the SEC on June 21, 1995. It is now the third largest player in the Philippine cement industry, with the fastest growing market share amongst all competitors since it started its commercial operations in 2010. ECC currently distributes Blended (Type 1P/Type 1T) and OPC (Type 1) cement products in the National Capital Region, Regions I, II, III and 4A.

ECC has the newest, state-of-the art, and single largest fully-integrated cement production facility in the Philippines located in Barangay Akle, San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan. The plant is strategically located near demand-centric areas and in close proximity to rich limestone and shale reserves covered by the exclusive mineral rights of ECC.

ECC through its subsidiary, holds MPSA covering mining areas in San Ildefonso, Bulacan where it operates a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant. Bulk of its production are used as input in ECC's cement production.

ECC also has a subsidiary engaged in the business of manufacturing, sale and distribution of fly-ash, bottom ash, hi carbon and other by-products.

Below is a list of the major cement subsidiaries as of December 31, 2023:

San Miguel Equity Investments Inc. and subsidiaries [including Northern Cement Corporation, Southern Concrete Industries, Inc and Eagle Cement Corporation and subsidiaries]

### **Real Estate**

Established in 1990 as the corporate real estate arm of SMC, San Miguel Properties Inc. ("SMPI") is aiming to be one of the major players in the property sector through mixed-use developments. SMPI is 99.98% owned by SMC and is primarily engaged in the development, sale and lease of real property. SMPI is also engaged in leasing and managing the real estate assets of SMC.

Moving forward, SMPI is creating more synergies with its business units and is looking at developing quality residential, commercial and industrial developments.

The first project of SMPI was the SMC Head Office Complex, now considered as a landmark, which has served as a catalyst in transforming the area now known as the Ortigas Central Business District.

#### **Cavite Projects**

SMPI offers a diverse portfolio of mid-range homes in General Trias, Cavite, namely Bel Aldea, Maravilla, and Asian Leaf, offering townhouse units and single attached house-and-lots, with floor areas ranging from 41.48 to 140.00 square meters.

##### *Bel Aldea*

Bel Aldea is a 12-hectare development, which serves the economic housing segment, offers smartly designed townhouse units, with an average floor area of 42 square meters.

##### *Maravilla*

Spanning 17-hectare, Maravilla is a mid-range residential community offering Spanish Mediterranean houses, which currently offers new house models to suit the changing needs of the market.

##### *Asian Leaf*

Asian Leaf is a seven-hectare premier residential community composed of single attached house and lots, with floor areas ranging from 64.91 to 140.00 square meters. Fusing modern Asian architecture and vibrant landscaping, Asian Leaf is perfect for homeowners looking for a tranquil and ideal haven.

##### *Wedge Woods*

Wedge Woods is located west of Sta. Rosa, Laguna - in Silang, Cavite, offering prime lots on a rolling terrain, with a majestic view of Mount Makiling.

#### **Metro Manila Projects**

SMPI has expanded its portfolio, serving the high-end market with its foray into townhouse developments, such as Dover Hill in San Juan City, One Dover View and Two Dover View in Mandaluyong City, and Emerald 88 in Pasig City, and ventured also in hospitality segment through its Makati Diamond Residences ("MDR") in Makati City.

##### *Dover Hill*

A 95-unit luxury townhouse development in Addition Hills, San Juan City that offers three to five-bedroom units ranging from 202 up to 355 square meters. A three-car parking area located directly below each unit ensures maximum convenience. Aside from its amenities like

the swimming pool and playground, within the Dover Hill compound is Dover Club, a four-storey amenity building which includes a fully-equipped, state-of-the-art fitness gym, and a party venue with its own kitchen and dining area good for up to 30 guests.

#### *One Dover View & Two Dover View*

Both located along Lee St., Mandaluyong, One Dover View and Two Dover View are exclusive and premier condominium-townhouse projects, offering three and four bedrooms, with only 23 and eight units, respectively. Floor areas range from 222.80 to 327.10 square meters.

#### *Emerald 88*

Located along Dr. Sixto Avenue, Pasig City, Emerald 88 is a 14 three-level townhouse unit development, with generous floor areas ranging from 187.48 to 216.94 square meters. Each unit has two-car garage.

#### *Makati Diamond Residences (MDR)*

MDR is a luxury serviced apartment with 410 spacious guest rooms ranging from 41 square meters up to as much as 204 square meters and has top-of-the-line amenities and health and wellness facilities. Conveniently located in Makati Central Business District, the location of MDR provides easy access to many multinational companies, shopping, dining and entertainment destinations.

#### *Mariveles Economic Zone Project*

A 500-hectare industrial park development under the flagship of E-Fare Investment Holdings, Inc., and registered under Authority of the Freeport Area of Bataan. The Mariveles Economic Zone Project intends to provide an attractive location for private investments, stimulate regional economic activity and generate employment opportunities.

#### *Tourism Development*

The Bugsuk Island Development Project aims to be an eco-luxury leisure and tourism destination, governed by sustainable development principles. It is envisioned to be the economic driver in Southern Palawan.

Below is the list of major properties subsidiaries as of December 31, 2023:

San Miguel Properties, Inc. and subsidiaries [including SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.].

Davana Heights Development Corporation and subsidiaries

Silvertides Holdings Corporation and subsidiary

Deity Holdings Corporation

Fonterra Verde Holdings, Inc.

One Verdana Holdings Inc.

Worldsummit Holdings Corporation

#### **Banking**

SMC, through SMPI, made a series of acquisitions of Bank of Commerce (“BankCom”) common shares in 2007 and 2008 which represents 31.94% of the outstanding common stock of BankCom as of December 31, 2023.

On December 17, 2018, SMC, through SMC Equivest Corporation (“SMCEC”), acquired common shares of BankCom representing 4.69% of the outstanding common shares. On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BankCom. On October 20, 2021, SMCEC acquired additional common shares of BankCom, which increased its ownership of common shares to 6.09%.

On December 23, 2021, the Monetary Board of the *Bangko Sentral ng Pilipinas*, in its Resolution No. 1798, approved the upgrade of the banking license of BankCom from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license. On February 22, 2022, the BOD of BankCom approved the amendments to the Articles of Incorporation to change its purpose from commercial bank to universal bank pursuant to BSP Monetary Board Resolution No. 1798 dated December 23, 2021.

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

After completion of initial public offering and as at December 31, 2023, the Group through SMPI and SMCEC has 31.94% and 4.87% equity interest in BankCom, respectively.

## Others

Other major subsidiaries include the following as of December 31, 2023:

- San Miguel International Limited and subsidiary, San Miguel Holdings Limited and subsidiaries [including San Miguel Insurance Company, Ltd. (SMICL)]
- SMC Shipping and Lighterage Corporation and subsidiaries [including SL Harbor Bulk Terminal Corporation]
- SMC Stock Transfer Service Corporation
- ArchEn Technologies Inc.
- SMITS, Inc. and subsidiaries
- San Miguel Integrated Logistics Services, Inc.
- Anchor Insurance Brokerage Corporation
- SMC Asia Car Distributors Corp. and subsidiaries
- SMC Equivest Corporation
- Petrogen Insurance Corporation

## Principal Products or Services

The principal products of the Group are attached hereto as **Annex “E”**.

## Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

The Group’s 2023 foreign operations contributed about 28.99% of consolidated sales and 20.17% of consolidated net income. Foreign sales is broken down by market as follows:

Market	% to Consolidated Sales		
	2023	2022	2021
Malaysia	19.25	20.65	15.95
Singapore	7.67	9.01	7.21
Australia	0.77	0.72	1.09
China	0.66	0.54	0.54
Indonesia	0.32	0.34	0.48
Vietnam	0.16	0.15	0.22
Others	0.16	0.14	0.24

### *Distribution Methods*

The Group employs various means to ensure product availability at all times. It distributes through a network of dealers, wholesalers, and various retailers. The Group owns, as well as contracts, third party fleet of trucks, delivery vans, and barges, to ensure timely and cost-efficient distribution of its various products, from beverages, food and packaging.

### *Status of Any Publicly-Announced New Product or Service*

At present, the Group is not developing any new major products.

### *Competition*

The Group owns leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies, and strong financial position.

The following are the major competitors of the Group's businesses:

## **Food and Beverage**

### **Beverage**

#### **a) Beer and NAB Division**

In the Philippine beer market, SMB's major competitors are Asia Brewery Inc. ("ABI") and Heineken International B.V. ("Heineken").

ABI competes mainly through licensed *Colt 45*, a strong alcohol brand which is positioned against SMB's strong alcohol beer *Red Horse*, local *Beer na Beer* which comes in regular and strong variants and positioned in the economy segment, *Brew Kettle* in the mainstream segment as well as *Brew Kettle Radler* and *Asahi Super Dry* in the premium segment. In 2022, ABI introduced *Paraiso Craft Beer Style*.

Heineken previously had a joint venture with ABI which was dissolved in 2020 and replaced with a new partnership. Under the new structure, Heineken established a sales and marketing office in the Philippines and engaged with ABI to brew and distribute Heineken beer brands (*Heineken and Tiger*) in the country effective January 1, 2021. *Tiger* competes with *Red Horse* while *Heineken* and *Heineken Silver* compete with SMB's premium beers, and *Heineken 0.0* competes with *San Mig Free*.

Competition from imported beers and local craft beers is minimal. These products comprise a small proportion of the market and are primarily found in upscale hotels, bars, restaurants, and supermarkets in Metro Manila and other key cities.

In the flavored alcoholic beverages category, ABI offers *Tanduay Ice* and *Spritz Hard Seltzer*. Other competitors include *Smirnoff Mule*, *Lemon-Dou* and *Chill Spiked Spirit*. These products compete with *San Mig Hard Seltzer* and *San Miguel Flavored Beer*.

SMB's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum and soju. In the beer industry - and more generally the alcoholic beverage industry - competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMB believes that its market leadership, size and scale of operations and extensive distribution network in the Philippines provide SMB with significant competitive advantages in the country.

In the NAB market, SMB faces competition from established players and brands in ready-to-drink juice, ready-to-drink tea, carbonated drinks and water categories. For example, *Zest-O* and *Minute Maid Fresh* compete with *Magnolia Fruit Drink*, and *C2* and *Nestea* compete with *Magnolia Healthtea*. *Cali* is positioned in the softdrinks category where

*Coke, Pepsi* and *RC Cola* are the key players. *Absolute, Summit, Wilkins* and *Nature's Spring* compete with *San Mig Flavored Water* in the water category.

In its main international markets, SMBIL products compete with both foreign and local beer brands, such as *Heineken* (Hong Kong, South China, Thailand, Vietnam and Indonesia), *Tiger* (Vietnam, Thailand and Indonesia), *Carlsberg* (Hong Kong, Thailand and Vietnam), *Budweiser* (Hong Kong and China), *Guinness* (Hong Kong and Indonesia), *Asahi* (Hong Kong and Thailand), *Blue Girl* (Hong Kong), *Tsingtao* (Hong Kong and China), *Bintang* (Indonesia), *Snow* (China), *Singha* (Thailand), and *Saigon Beer* (Vietnam).

## b) **Spirits Division**

The local hard liquor industry is segmented by category and geographically among the major players. GSMI is the leader in the gin market catering mostly the northern and southern provinces of Luzon. The Greater Manila Area and key urban centers across the country patronize both *Emperador Light Brandy*, which is locally produced by Emperador Distillers, Inc. and *Ginebra San Miguel*, which is a product of GSMI. Recently, value-priced imported *Alfonso Light Brandy* distributed by Montosco, Inc. has likewise been gaining popularity.

The Visayas and Mindanao regions prefer *Tanduay Rhum Dark 5 Years* and recently the low-proof alcohol *Tanduay Light*, both products of Tanduay Distiller's Inc. Moreover, there is a market for Chinese wine in various islands in the region with GSMI's *Vino Kulafu* emerging as the top choice in this category.

These major players compete in their development of brand equity, as the industry's consumers generally develop affinity and loyalty to the brands that they patronize.

As the spirits industry matures, major spirits players also compete by adopting a product portfolio that caters to shifting consumer preferences.

The elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing.

The spirits industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for bioethanol globally due to increasing ethanol blending policy requirements of different countries, including the Philippines since the implementation of the Biofuel Act of 2006, further worsened the shortage of supply for beverage alcohol production. This led to GSMI's multi-continent and sourcing diversification of alcohol supply to ensure supply security and partly offset higher raw material costs.

Spirits manufacturers also compete in terms of production efficiencies, as the price-sensitive nature of the industry's consumers makes them more reliant on cost improvements than on price increases to brace against profit squeezes from an inflationary operating environment.

Manufacturers further compete in the breadth of their distribution network.

## **Food Division**

### a) **Prepared and Packaged Food**

In recent years, the Prepared and Packaged Food segment has faced increased competition mainly from other local players, who employ aggressive pricing and promotion schemes. Competitors and competing brands in the branded processed meats category include Foodsphere, Inc. (*CDO*), Virginia Foods, Inc. (*Winner* and *Champion*), Pacific Meat Company Inc. (*Swift, Argentina* and *555*), Meken Food Corporation (*Mekeni*), Frabelle Food Corp. (*Bossing*), Sunpride (*Sunpride, Holiday* and *Good Morning*), and Shanghai Maling Food (*Shanghai*).

For butter, competitors include Fonterra Brands Philippines, Inc. (*Anchor*) and New Zealand Creamery, Inc. (*Queensland*). For margarine, *Magnolia* competes with New Zealand Creamery, Inc. (*Dairy Magic*), San Pablo Manufacturing Corporation (*Minola*), and growing unbranded players. In the cheese category, the main competitor of the *Magnolia* brand is Mondelez International, Inc. (*Eden, Cheez Whiz, and Kraft*). In the salad aids category, particularly mayonnaise and sandwich spreads, *Magnolia's* main competitor is Unilever Philippines, Inc. (*Lady's Choice, Best Foods Mayo Magic*). In the ice cream market, Unilever-RFM Ice Cream Inc. (*Selecta*) is the dominant player. Competitors in the coffee-mix business include Nestle SA (*Nescafe*), PT Mayora Indah (*Kopiko*), and Universal Robina Corporation (URC; *Great Taste*).

#### b) **Animal Nutrition and Health**

SMFI is the largest producer of commercial feeds in the Philippines. Competitors under the Animal Nutrition and Health segment include major domestic producers such as Univet Nutrition and Animal Healthcare Co., Pilmico Foods Corporation ("Pilmico") and ADM Animal Nutrition Philippines, as well as numerous regional and local feedmills. There are also foreign feeds manufacturers which have established operations in the Philippines.

#### c) **Protein**

Major competitors under the Protein segment include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., and Charoen Pokphand. There are also occasional imports from the United States, Canada, and Brazil.

The Philippine fresh meats industry remains highly fragmented consisting mostly of backyard hog raisers. Its main competitors are Charoen Pokphand and Foremost Farms. It also competes with several commercial-scale and numerous small-scale hog and cattle farms that supply live hogs and cattle to live buyers, who in turn supply hog and cattle carcasses to wet markets and supermarkets.

#### d) **Others**

Major competitors of the flour milling business include Pilmico, URC and Philippine Foremost Milling Corporation.

Local players face competition from imported flour that primarily originates from Vietnam and Turkey. Imported flour has increased its presence in the country through low-cost flour offerings.

### **Petron Corporation**

Petron operates in a deregulated oil industry which has seen the entry of more than 200 other industry market participants, rendering the petroleum business more competitive. The Philippine downstream oil industry is dominated by three major oil companies: Petron, Shell and Chevron. Petron competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers became more conscious of value.  
of value.

### **San Miguel Properties, Inc.**

Among SMPI's major competitors in the South are the Ayala West Grove Heights and Amaia Scapes by Ayala Land and Nuvali by Ayala Land Premier, South Forbes by Cathay Land, Solen Residences by Greenfield Properties, and Eton City by Eton Properties, Solviento by GeoEstate, Natania Homes and Sabella by My Citi Homes, Meridian Place by Filinvest and Cedarwood Residences by Asia Landbest.

For General Trias, Cavite project, major competitors include Pro-Friends, Vista Land, Filinvest, Ayala Land, Century Properties, Robinsons Land, Sun Trust and Northpine.

SMPI's competitors in Metro Manila are KMC Mag Group's Baron Residences, Federal Land's One Wilson Square, Ortigas & Company's Veridian Greenhills, Robinson Land's Chimes, and Shang Properties' Shangri-La Residences.

For the properties of SMPI generating lease income located in the Ortigas area, its competitors include the One Corporate Center, Philippine Stock Exchange Tower, Wynsum Corporate Plaza, IBP Tower, Cyberspace Gamma, Rockwell Business Center, and Estancia Offices.

### **San Miguel Global Power Holdings Corp.**

San Miguel Global Power's main competitors are the Aboitiz Group, which holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others, ACEN Corporation and First Gen Corporation.

### **Cement**

The major competitors of ECC and NCC in the Luzon region, are Holcim Philippines, Inc., Cemex Holdings Philippines, Inc. and Republic Cement and Building Materials, Inc. ECC has an estimated market share of 27%, 33%, 44% and 29% in Luzon, NCR, Region 3 and Region 4A, respectively, based on internal market survey. Because of this, ECC is considered as one of the leading cement players in the areas with highest economic activities in the Philippines.

#### *Sources and Availability of Raw Materials and Supplies*

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group is not aware of any dependency upon one or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done on a regular basis. The Group has contracts with various suppliers for varying periods ranging from three to twelve months. All contracts contain renewal options.

Among the Group's third-party supplier of major raw materials in 2023 are as follows:

### **FOOD and BEVERAGE**

#### *Beer and NAB Division*

Malt and Hops

Boortmalt Asia Pacific Pty. Ltd.  
Cofco Malt (Dalian) Co., Ltd.  
GDH Supertime Guangzhou Malting Company Limited  
Malterurop  
Malteurop Australia Pty Ltd.  
Malteurop France  
PT. Agromas Gemilang  
Taiwan Hon Chuan Enterprise Co., Ltd.

Corn Grits/Tapioca/Rice/Sugar/Starch

Cagayan Corn Products Corp.  
Limketkai Manufacturing Corporation  
Southern Mindanao Commodities, Inc.  
Binh Phuoc General Import Export Joint Stock Company  
T P K Advance Starct Co., Ltd.  
SCG International Corporation  
Eiamheng Tapioca Starch Industry  
Cgrain Technology Co., Ltd. (c059)  
Guangzhou Yuhua Cereals and Oils Co., Ltd.

	Hefei Longjie Food & Oil Co. Ltd. Lucky Grains Ricemill Corporation My Tuong Corporation PT Sinar Unigrain Indonesia Ricor Mills Corporation
Packaging Materials	Bangkok Can Manufacturing Co., Ltd. Baosteel Can Making Viet Nam Co Ltd. Boonpongkit Ltd. Crown Beverage Cans Hong Kong Double Paper Product Industries Farmarindo Jaya PT. Guangdong Huaxing Glass Co., Ltd. Muliaglass Container Org (Foshan) Packaging Co., Ltd. PT Karya Indah Multiguna PT Taewon Indonesia Siam Glass Ayutthaya Co., Ltd. T.C.P. Industry Co., Ltd. Westrock MWV Hong Kong Limited Zhangzhou Shengxing Pacific Packing Co. Ltd.
Fuel	Mabuhay Vinyl Corporation Ecolab Philippines
<i>Spirits Division</i> Alcohol	Shoalhaven Starches Pty. Ltd. Raizen Trading S.A. Heindrich Trading Pte. Ltd. Alcotra SA
Molasses and Sugar	E D & F Man Molasses B.V. United Molasses Trading Ltd. Biscom Inc (for Binalbagan Isabela) Schuurmans & Van Ginneken Hawaiian-Philippine Company All Asian Bioethanol Corporation
Glass Bottles	Hicap AIOT Technologies (Yantai)
Flavoring and Refined Sugar	Firmenich Asia Pte. Ltd. All Asian Countertrade Inc.
Breeder Stocks	Aviagen Group Cobb Vantress Inc.
Beef Carcass	D'Meter Fields Corporation
Soybean Meal and Feed Wheat	Louis Dreyfus Commodities Asia Pte Ltd. Viterra B.V. Bunge Asia Pte. Ltd.
Wheat	Viterra B.V CHS Inc.
Imported Meat	Seara Singapore Pte. Ltd.
Cheese Curd and Anhydrous Milk Fat	Fonterra (SEA) Pte. Ltd.

Coffee Mixes	Jacobs Douwe Egberts RTL SCC SG PTE. LTD.
<b><u>PACKAGING</u></b>	
<i>Glass</i>	
Silica Sand	Tochu Corporation
Soda Ash	Arvin International Marketing, Inc. Tata Chemicals Magadi Limited Connell Bros Company Pilipinas, Inc. Alchemco Philippines, Inc.
Cullet	Lucky Real Junkstore INGCO Brothers Trading Corp.
ACL Paints	Chemdis Manufacturing Corp.
<i>Molds</i>	
Casting Molds	Metals Engineering Resources Corp.
<i>Plastics</i>	
Colorants/Pigments	Esta Fine Colour Corp. Masterbatch Philippines, Inc.
Inks	MCR Industries, Inc. Union Inks and Graphics Philippines, Inc.
HDPE Resin	JG Summit Petrochemical Corporation Lotte Chemical Titan Corporation SDN. BHD. PTT Global Chemical Public Company Toyota Tsusho Asia Pacific Pte. Ltd.
Tolling Services	Miyako Plastic Manufacturing Corporation Ecostorage Solutions Inc. Muzon Plastic Manufacturing Inc. Octaplas Industrial Services Inc. Jayala Mdse & Services Corp.
<i>Metal</i>	
Inks and Coatings	Henkel Philippines Inc. The Valspar (Singapore) Corporation Pte. Ltd. Inkote Phils. Inc. CDI Sakata Inx
Plate, TFS	Nippon Steel Trading Corporation Jiangsu Suxun New Material Co., Ltd. Perstima (Vietnam) Co. Ltd. Toyota Tsusho Corporation
Liner Resin	D & L Polymer & Colours, Inc. Abuchem Plas OPC Actega DS GmbH
Aluminum Coil	Toyota Tsusho Corporation Shinko Shoji Singapore Pte. Ltd.
Lubricants	Elasco Int'l Corp.

*Laminates*

PET/OPP/PP and Other Films

AJ Plast Public Company Limited  
Polyplex Thailand Ltd.  
Pt Kolon Ina  
SRF Industries Thailand Ltd.

PE Films

Cofta Mouldings Corporation

Aluminum Foil

Shanghai Sunhuo  
Shandong Deli  
Eastern Valley Co., Ltd.  
Hangzhou Dingsheng Import and Export Co. Ltd.  
SNTO International Trade Limited

Resins

Dow Chemicals Pacific, Ltd.  
Itochu Plastics Pte. Ltd.  
JG Summit Petrochemical Corporation  
Sabic Asia Pacific Pte. Ltd.

Inks

Toyo Ink (Philippines) Co., Inc.

*PET*

Beverage Filling

Hannibal Industries Corporation

CO2

Hannibal Industries Corporation

*Paper*

Kraft Paper

Visy Trading Singapore Pte. Ltd.  
American Paper Export Inc.  
Klabin Trade  
Oji Fibre Solutions (NZ) Inc.  
Batangas Paper Corporation

**FUEL AND OIL**

Crude

Saudi Arabian Oil Company  
ADNOC Trading Ltd.  
Exxonmobil Exploration and Production Malaysia Inc.  
Trafigura Pte. Ltd.

Finished Product

PTT International Trading PTE Ltd.  
Trafigura Pte. Ltd.  
Equinor ASA  
Vitol Asia Pte. Ltd.

**ENERGY**

Coal

PT Bayan Resources Tbk  
Vitol Asia Pte Ltd.  
PT Trubaindo Coal Mining  
PT Kaltim Prima Coal  
PT Antang Gunung Meratus  
PT Kideco Jaya Agung  
Semirara Mining and Power Corporation

LNG

Vitol Asia Pte. Ltd.  
Trafigura Pte. Ltd.

	Shell Eastern Trading (Pte) Ltd.
Other Consumables	SI Resources Corporation Nupur Merchandise Pvt. Ltd. B-Mirk Enterprises Corp.
Electricity	Independent Electricity Market Operator

## **CEMENT**

Clinker	Tradeland Group B.V. Cemcoa Ltd. Itochu Singapore Pte Ltd.
Gypsum	Philippine Phosphate Fertilizer Corporation Tradeland Shipping PTD / Tradeland Group BV KG Inc. Capp Industries Inc. United Overseas Commodities Pte. Ltd. CEMCOA Ltd. Full Max Corporation Ltd.
Pozzolana	CNT Trading TLD Aggregates Trading
Limestone	TLD Aggregates Trading
Packaging	Sakomoto International Packaging Corp. FIBC Greenbag Philippines Kingswood Trading Co Inc. Philpackaging Corporation NFF Packaging Solutions Corp.
Coal	PT Bayan Resources TBK Cemcoa Ltd. Semirara Mining and Power Corporation PT TIWA ABADI PT BARA TABANG
Silica	Land Movers Marketing and Sales Inc. Go Enterprises Huang Construction Corporation Rapid City Realty and Development Corporation
Iron	HK Imperial Awards Mining (Philippines) Inc.
Fly Ash	Pozzolanic Philippines Inc. Republic Cement & Building Materials, Inc. Tipco Estates Corporation

### *Dependency Upon a Single Customer or a Few Customers*

Due to constant drive toward customer satisfaction and continuous improvement, the Group is able to maintain its wide base of customers. The Group is not dependent upon a single or a few customers.

### *Transactions with and/or Dependence on Related Parties*

The Group and certain related parties purchase products and services from one another in the normal course of business. Please see Note 33, Related Party Disclosures, of the Audited Consolidated Financial Statements attached hereto as **Annex “B”**.

### *Registered Trademarks/Patents, etc.*

All marks used by the Group in its principal products are either registered or pending registration in the name of the Parent Company or its subsidiaries in the Philippines and in foreign markets of said products.

The SMC Group uses various brand names and trademarks, including “San Miguel”, “Ginebra San Miguel”, “Purefoods”, “Magnolia”, “Star”, “Dari Creme”, “B-Meg”, “Petron”, “Gasul”, “Eagle Cement” and other intellectual property rights to prepare, package, advertise, distribute and sell its products.

The disclosures on the Group’s intangible assets are reflected in the following section of the Audited Consolidated Financial Statements attached hereto as **Annex “B”**.

<b>Note 3</b>	Material Accounting Policy Information - Intangible Assets
<b>Note 17</b>	Goodwill and Other Intangible Assets
<b>Note 34</b>	Significant Agreements and Lease Commitments

### *Government Approvals and Compliance with Environmental Laws*

Being an investment holding company, apart from its corporate registration with and primary franchise granted by the SEC, the Parent Company does not have any other government approvals which may be material to its operations. Likewise, the Parent Company is required to comply with environmental laws and regulations in respect of any of its operations.

The Group has obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

### *Government Regulation*

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Group’s business or financial condition.

### *Research and Development*

The Parent Company’s subsidiaries undertake regular research and development in the course of their regular business:

## **Food and Beverage**

### **Beer and NAB Division**

The Beer and NAB Division employs modern brewing technology. Its highly experienced brewmasters and quality assurance practitioners provide technical leadership and direction to continuously improve and maintain high standards in product quality, process efficiency, cost effectiveness, and manpower competence.

Technology and processes are constantly updated and new product development is ensured through the research and development of beer and NAB products. Research and development activities are conducted in a technical center and pilot plant located in one of SMB's production facilities.

SMB also has a central analytical laboratory which is equipped with modern equipment necessary for strategic raw materials analysis and validation, alcoholic and NAB evaluation, and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyzer, laboratory scale mashing/milling system for malt analysis and wort extract analyzer. Analytical methods and validation procedures are constantly enhanced and standardized across all SMB laboratories. The central analytical laboratory likewise runs proficiency tests for brewery laboratories and suppliers to ascertain continuous reliability and quality of analytical test results. It is also tasked with ensuring compliance of all systems with international standards, specifically ISO 17025-2017.

To promote technical manpower development, SMB runs the San Miguel School of Brewing, which offers various programs spanning all levels of professional brewing technical training, starting from the basic brewing course for newly hired personnel to the advanced brewing course for senior technical personnel. Courses offered at the school include those highly-advanced classes necessary to qualify the most senior of its technical personnel known as brewmasters. Each of the approximately 40 brewmasters has extensive advanced coursework from both in-house and international institutions and over ten years of on-the-job-training experience with SMB.

### **Spirits Division**

GSMI continuously focuses on research and development to stay attuned to the evolving market preferences. As such, GSMI has a dedicated Research and Development team which maintains a well-equipped laboratory and closely collaborates with the market research group to constantly develop and formulate innovative products. The Research and Development team's mandate is to enhance and further expand GSMI's product library that will allow timely product launches as the need arises.

### **Food Division**

The Food Division has developed a systematic approach to new product development referred to as the stage-gate process, which is a five-step process comprising idea generation, feasibility testing, commercialization, launch and post-launch evaluations. The process optimizes returns on new product development by prioritizing innovations in the pipeline in a disciplined approach. New products that cater to the more sophisticated palates of consumers as well as address the health awareness and convenience food trends are continuously introduced.

The Food Division owns several research and development facilities used by its Animal Nutrition and Health business that analyze average daily weight gain, feed conversion efficiency, and other performance parameters. Results of these analyses are immediately applied to commercial feed formulations to minimize costs and maximize animal growth.

The Food Division has several research and development teams that engage in the development, reformulation and testing of new products. The teams believe that their continued success will be affected in part by their ability to be innovative and attentive to

consumer preferences and local market conditions. Aside from product innovations, the research and development teams also look into efficiency improvement for operations through the use of new technology, a measure of increasing production cycles per farm per year, improving feed consumed to weight ratio and achieving better harvest recovery.

## **Packaging**

The Packaging Group's continuing objective is to penetrate new markets and segments through the introduction of new products, such as semiconductors and electronics (anti-static bags), food tubs, plastic wide-mouth jars, and various converted can ends.

Further, as the Packaging Group expects the future consumer trend to move towards environment-friendly products and environment-sound manufacturing systems, it plans to increase its investments in eco-friendly facilities, processes, and products.

## **Fuel and Oil**

To enhance productivity, efficiency, reduce costs and strengthen its competitiveness, Petron engages in research and development to identify improvements that can be made to its products and production processes. Petron's Research and Development Departments ("R&D") engages in various technical research and testing activities to develop and enhance the performance of products and optimize production processes. In addition to research and product development, Petron also engages in quality control and technical training. The development, reformulation and testing of new products are continuing business activities of Petron.

Petron continuously develop and enhance its lubricants product range catering to top tier to cost-competitive customer requirements. It has expanded its product lines to include food-grade industrial oils and grease with product approvals (i.e., Kosher, Halal, and NSF licenses), and added in its list of engine oils with product approvals, i.e., our top tier motorcycle oil, Sprint 4T HTP SAE 5W-40 under JASO MA2 quality (Japanese Automotive Standards Organization). It has also developed quality lubricants and greases that are reasonable to price-sensitive market and to specific customer requirements.

The R&D group also spearheaded the implementation of Total Quality Management ("TQM") at the terminals and Petron Research and Testing Centers ("PRTC") laboratories. TQM is a management system where all members of the organization participate and work together in improving processes by eliminating unnecessary steps and doing value-adding and innovative activities, thereby resulting to a more efficient, productive, and cost-saving operations.

With the implementation of TQM, Petron terminals were able to optimize resources and safeguard product quality with the use of quality assurance tools. TQM has expanded its scope to marine vessels by issuing guidelines in marine vessel tank cleaning resulting to substantial improvement in vessel turn-around and savings in tank cleaning cost. Further, R&D has continually implemented process improvement programs at service stations that reduce business losses and operating cost. PRTCs were also able to save on operating costs by rationalizing critical test properties and focusing on customer requirements. With this quality system, the laboratories were able to develop innovative procedures that enhance operating efficiency, reduce hazardous wastes, and provide customer-focused services. The Petron TQM program works in conjunction with Loss Prevention System wherein it focuses on quality management system without compromising loss in safety, business opportunity, and capital expenditures.

Petron is committed to continuously develop innovative and revolutionary products that meet and exceed the highest industry quality standards and the demands of the market. Petron believes that its continued success will be affected in part by its ability to be innovative and attentive to consumer preferences and local market conditions.

Petron's testing facilities are ISO/IEC17025 certified, a testament to its ability to perform tests and analyses in accordance with global standards. R&D also has long-standing partnerships

with leading global technology providers in fuels, lubricants and grease products. In addition, it provides technical training to keep internal and external customers updated of the latest technology trends. By providing these updates, it fosters a culture of continuous learning, innovation within the organization, and technical expertise and competitiveness in the industry.

R&D provides technical training sessions, ensuring both internal and external customers stay abreast of the latest technology trends. By sharing these insights, it fosters a culture of continuous learning and innovation within the organization, while enhancing the competitiveness and expertise in the industry.

## **Energy**

San Miguel Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon grid and Visayas grid, as well as the eventual interconnectivity of the Mindanao grid. In addition, San Miguel Global Power seeks to maintain the cost competitiveness of these new projects by strategically locating them in high-demand areas and in areas with the closest proximity to the grid. San Miguel Global Power is also considering further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand.

San Miguel Global Power plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. San Miguel Global Power is confident from its experience in building the Limay and Davao Greenfield Power Plants that it will be able to build new cost competitive plants. San Miguel Global Power also actively seeks to identify and pursue renewable energy investments such as hydroelectric power and solar power projects, subject to the outcome of viability and feasibility analyses. This is in line with San Miguel Global Power's objective to operate in an environmentally-responsible manner, while taking into consideration energy security and affordability to its consumers.

San Miguel Global Power is further expanding the Masinloc Power Plant through the construction of additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each, targeted for completion in 2025-2026. San Miguel Global Power's other expansion projects include the 600 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan, using HELE Technologies, which is expected to commence commercial operations in 2024.

As part of the diversification of its power portfolio into LNG, San Miguel Global Power is constructing a 1,320 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City. The projected construction period is expected to be shorter than the typical construction period for coal-fired power plants, with expected substantial completion in November 2024.

In addition to power generating plants, San Miguel Global Power is rolling out grid-wide BESS projects in addition to its existing BESS facilities in Masinloc, Zambales, and Kabankalan, Negros Occidental. San Miguel Global Power is expanding its BESS portfolio nationwide with a capacity of up to 1,000 MWh through its subsidiaries SMGP BESS, MPCL, and SMGP Kabankalan, which have mostly executed turnkey contracts with world-leading battery EPC contractors.

As a leading power company in the Philippines with a large customer base, San Miguel Global Power believes that it is in a strong position to leverage its relationships with its existing customers to service their expected increase in electricity demand.

## **Infrastructure**

SMC's Infrastructure group is currently undertaking various research and development activities in relation to its infrastructure projects, such as transport planning, traffic, and ridership studies and analyses.

The Group's expenses for research and development are as follows (amounts in millions):

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Research and Development	P591	P305	P436
Percentage to Net Income	1.32%	1.14%	0.91%

*Cost of Compliance with Environmental Laws*

On an annual basis, operating expenses incurred by the Group to comply with environmental laws are not significant or material relative to the Parent Company and its subsidiaries' total cost and revenues.

*Human Resources and Labor Matters*

As of December 31, 2023, the Group has about 53,184 employees and has entered into 35 collective bargaining agreements ("CBA"). Of the 35 CBAs, 6 will be expiring in 2024.

The list of CBAs entered into by the Parent Company and its subsidiaries with their different employee unions, is attached hereto as **Annex "F"**.

*Major Business Risks*

The major business risks facing the Group are as follows:

a) Competition Risks

The Group operates in highly competitive environments. New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

b) Operational Risks

The facilities and operations of the Group could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, public epidemics, outbreak of diseases, and other unforeseen circumstances and problems. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and unplanned inventory build-up, all of which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices.

c) Legal and Regulatory Risks

The businesses and operations of the Group are subject to a number of national and local laws, rules and regulations governing several different industries in the Philippines and in other countries where it conducts its businesses. The Group is also subject to various taxes, duties and tariffs.

In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the Group to pass on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group regularly consults relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are secured in a timely manner. Further, the Group strongly complies with and adheres to laws and regulations. In the event that the Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, SMC will work to amicably settle legal proceedings. In the event of any adverse ruling or decision, SMC will diligently exhaust all possible legal remedies to achieve a favorable outcome.

#### d) Social and Cultural Risks

The ability of the Group to successfully develop and launch new products and maintain demand for existing products depends on the acceptance of such products by consumers and their purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines. A significant decrease in disposable income levels or consumer purchasing power in the target markets of the food and beverage businesses could materially and adversely affect the financial position and financial performance of the Group. Consumer preferences may shift for a variety of reasons, including changes in culinary, demographic, and social trends or leisure activity patterns. Concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects or other factors may also affect consumer purchasing patterns for the beverage and food products. If the marketing strategies of the Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the Group could be materially and adversely affected.

Sales of beer are highly influenced by the purchasing power and disposable income levels of consumers. In periods of economic uncertainty or downturns, consumers may purchase fewer alcoholic beverages which could affect the financial performance of the beverage business. Likewise, demand for many of the food products is tied closely to the purchasing power of consumers.

The Group has introduced products that try to address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* and *San Mig Zero*, a low-calorie beer, were introduced to address increasing health consciousness and *San Mig Strong Ice* for the upwardly mobile market. Initiatives similar to this have been pushed in the food division for years.

#### e) Raw Materials Sourcing Risks

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

Movements in the supply of global crops may affect prices of raw materials, such as wheat, malted barley, adjuncts, and molasses for the beverage and food businesses. The Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations or policies.

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

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.

## f) Financial Risks

In the course of its operations, the Group is exposed to financial risks, namely:

### 1. Interest Rate Risk

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.

### 2. Foreign Currency Risk

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.

### 3. Liquidity Risk

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

### 4. 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.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations of interest rates, foreign currency rates, etc.

The Group uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure.

Liquidity risks are managed to ensure adequate liquidity of the Group through monitoring of accounts receivables, inventory, loans, and payables. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

Please refer to Note 39 of the Audited Consolidated Financial Statements attached hereto as **Annex "B"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

## Item 2. Properties

A summary of information on the Parent Company and its significant subsidiaries principal properties and conditions thereof, is attached hereto as **Annex "D"**.

The Parent Company and its significant subsidiaries have no principal properties that are subject to a lien or mortgage, except for certain power plants, including all related facilities therein, that are mortgaged in favor of the lenders to secure the loan obligations. There are no imminent acquisitions of any material property that cannot be funded by working capital of the Group.

For additional information on the Group's properties, please refer to Note 13, Property, Plant and Equipment, and Note 15, Investment Property, of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

### Item 3. Legal Proceedings

The Group is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Group's financial performance.

For further details on pending legal proceedings of the Group, please refer to Note 43, Other Matters, of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

### Item 4. Submission of Matters to a Vote of Security Holders

There were no matters which were submitted to a vote of the Parent Company's stockholders, through the solicitation of proxies or otherwise, in 2023.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Company's common shares, Series "1" preferred shares and Series "2" preferred shares are listed and traded in the Philippine Stock Exchange. The percentage of public ownership of the Company as of December 31, 2023 is 20.45%.

The Company's high and low closing prices for each quarter of the last two (2) fiscal years and for the first quarter of 2024 are as follows:

	2023								2024	
	1 <sup>st</sup>		2 <sup>nd</sup>		3 <sup>rd</sup>		4 <sup>th</sup>		1 <sup>st</sup>	
	High	Low	High	Low	High	Low	High	Low	High	Low
Common	116.40	92.75	108.90	102.20	109.50	97.00	115.50	101.80	124.70	101.10
Preferred – 2F	76.00	74.00	74.95	73.00	74.90	72.00	74.30	70.00	73.50	71.50
Preferred – 2I	75.95	70.50	74.00	70.50	74.80	69.00	73.60	70.50	73.75	70.10
Preferred – 2J	72.95	67.00	71.90	68.10	71.50	66.00	70.00	65.00	73.90	67.00
Preferred – 2K	73.90	62.00	71.80	66.00	71.20	65.30	70.00	62.00	75.00	66.00
Preferred – 2L	-	-	-	-	-	-	79.00	75.00	79.00	75.25
Preferred – 2N	-	-	-	-	-	-	78.95	75.50	78.80	76.50
Preferred – 2O	-	-	-	-	-	-	78.70	75.50	80.70	76.75

	2022							
	1 <sup>st</sup>		2 <sup>nd</sup>		3 <sup>rd</sup>		4 <sup>th</sup>	
	High	Low	High	Low	High	Low	High	Low
Common	115.00	98.95	110.00	100.00	107.80	92.10	103.40	92.80
Preferred – 2F	79.75	75.05	78.20	75.00	77.50	75.30	76.50	74.00
Preferred – 2H	77.40	75.20	76.70	74.50	76.00	74.00	75.50	73.80
Preferred – 2I	79.60	76.00	80.00	76.00	77.00	75.30	75.75	72.00
Preferred – 2J	78.00	76.20	76.50	70.50	75.00	70.00	74.00	67.50
Preferred – 2K	77.00	74.25	76.00	72.15	74.50	71.15	73.00	67.10

	2021							
	1 <sup>st</sup>		2 <sup>nd</sup>		3 <sup>rd</sup>		4 <sup>th</sup>	
	High	Low	High	Low	High	Low	High	Low
Common	134.00	110.00	121.70	111.10	118.00	102.30	122.00	109.60
Preferred – 2C	80.90	77.70	80.00	77.65	79.90	75.90	-	-
Preferred – 2E	78.00	75.40	77.85	75.70	77.45	75.50	-	-
Preferred – 2F	79.75	77.25	79.90	78.00	79.90	77.60	80.00	78.25
Preferred – 2G	77.00	75.40	-	-	-	-	-	-
Preferred – 2H	79.00	75.65	78.85	76.00	78.20	76.60	77.50	75.60
Preferred – 2I	79.00	76.70	79.80	77.00	79.50	76.00	79.80	76.00
Preferred – 2J	77.20	75.10	80.00	75.00	77.00	75.50	77.80	76.25
Preferred – 2K	77.50	75.00	77.15	75.00	77.00	75.15	76.95	75.30

The closing prices as of December 29, 2023, and as of as of April 12, 2024, the latest practicable trading date, are as follows:

	<u>December 29, 2023</u>	<u>April 12, 2024</u>
Common	₱ 102.10	₱ 102.00
Series "2-F" Preferred	₱ 72.50	₱ 72.30
Series "2-I" Preferred	₱ 70.50	₱ 70.25
Series "2-J" Preferred	₱ 67.95	₱ 69.95
Series "2-K" Preferred	₱ 68.00	₱ 69.80
Series "2-L" Preferred	₱ 78.00	₱ 78.00
Series "2-M" Preferred	₱ 75.00	₱ 75.00
Series "2-N" Preferred	₱ 77.00	₱ 78.20
Series "2-O" Preferred	₱ 78.00	₱ 80.20

The approximate number of shareholders as of December 31, 2023 is 33,619.

The top 20 common and preferred stockholders as of December 31, 2023 are attached as **Annex "G"**.

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

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

### **2023**

<b>Class of Shares</b>	<b>Date of Declaration</b>	<b>Date of Record</b>	<b>Date of Payment</b>	<b>Dividend Per Share</b>
<b>Common</b>				
	March 9, 2023	March 31, 2023	April 28, 2023	<b>P0.35</b>
	June 13, 2023	June 30, 2023	July 26, 2023	<b>0.35</b>
	September 7, 2023	October 6, 2023	October 27, 2023	<b>0.35</b>
	December 7, 2023	January 5, 2024	January 26, 2024	<b>0.35</b>
<b>Preferred</b>				
SMC2F	January 26, 2023	March 21, 2023	April 4, 2023	<b>1.27635</b>
	May 11, 2023	June 21, 2023	July 5, 2023	<b>1.27635</b>
	August 3, 2023	September 21, 2023	October 5, 2023	<b>1.27635</b>
	November 9, 2023	December 21, 2023	January 4, 2024	<b>1.27635</b>
SMC2I	January 26, 2023	March 21, 2023	April 4, 2023	<b>1.18790625</b>
	May 11, 2023	June 21, 2023	July 5, 2023	<b>1.18790625</b>
	August 3, 2023	September 21, 2023	October 5, 2023	<b>1.18790625</b>
	November 9, 2023	December 21, 2023	January 4, 2024	<b>1.18790625</b>
SMC2J	January 26, 2023	March 21, 2023	April 4, 2023	<b>0.890625</b>
	May 11, 2023	June 21, 2023	July 5, 2023	<b>0.890625</b>
	August 3, 2023	September 21, 2023	October 5, 2023	<b>0.890625</b>
	November 9, 2023	December 21, 2023	January 4, 2024	<b>0.890625</b>
SMC2K	January 26, 2023	March 21, 2023	April 4, 2023	<b>0.84375</b>
	May 11, 2023	June 21, 2023	July 5, 2023	<b>0.84375</b>
	August 3, 2023	September 21, 2023	October 5, 2023	<b>0.84375</b>
	November 9, 2023	December 21, 2023	January 4, 2024	<b>0.84375</b>
SMC2M	November 9, 2023	December 21, 2023	January 4, 2024	<b>1.5703125</b>

### **2022**

<b>Class of Shares</b>	<b>Date of Declaration</b>	<b>Date of Record</b>	<b>Date of Payment</b>	<b>Dividend Per Share</b>
<b>Common</b>				
	March 10, 2022	April 1, 2022	April 29, 2022	<b>P0.35</b>
	June 14, 2022	July 1, 2022	July 27, 2022	<b>0.35</b>
	September 22, 2022	October 7, 2022	October 28, 2022	<b>0.35</b>
	December 7, 2022	January 6, 2023	January 27, 2023	<b>0.35</b>
<b>Preferred</b>				
SMC2F	February 10, 2022	March 21, 2022	April 1, 2022	<b>1.27635</b>
	May 5, 2022	June 21, 2022	July 4, 2022	<b>1.27635</b>
	August 4, 2022	September 21, 2022	October 4, 2022	<b>1.27635</b>
	November 14, 2022	December 21, 2022	January 3, 2023	<b>1.27635</b>

SMC2H	February 10, 2022	March 21, 2022	April 1, 2022	1.1854125
	May 5, 2022	June 21, 2022	July 4, 2022	1.1854125
	August 4, 2022	September 21, 2022	October 4, 2022	1.1854125
	November 14, 2022	December 21, 2022	January 3, 2023	1.1854125
SMC2I	February 10, 2022	March 21, 2022	April 1, 2022	1.18790625
	May 5, 2022	June 21, 2022	July 4, 2022	1.18790625
	August 4, 2022	September 21, 2022	October 4, 2022	1.18790625
	November 14, 2022	December 21, 2022	January 3, 2023	1.18790625
SMC2J	February 10, 2022	March 21, 2022	April 1, 2022	0.890625
	May 5, 2022	June 21, 2022	July 4, 2022	0.890625
	August 4, 2022	September 21, 2022	October 4, 2022	0.890625
	November 14, 2022	December 21, 2022	January 3, 2023	0.890625
SMC2K	February 10, 2022	March 21, 2021	April 1, 2022	0.84375
	May 5, 2022	June 21, 2022	July 4, 2022	0.84375
	August 4, 2022	September 21, 2022	October 4, 2022	0.84375
	November 14, 2022	December 21, 2022	January 3, 2023	0.84375

On January 18, 2024, the BOD of the Parent Company declared cash dividends to all preferred shareholders of record as at March 21, 2024 on the following shares to be paid on April 4, 2024, as follows:

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

On March 11, 2024, the BOD of the Parent Company declared cash dividends at P0.35 per share to all common shareholders of record as at March 27, 2024 to be paid on April 26, 2024.

The Parent Company paid P2,007 million to the holders of SPCS in 2023, and P1,957 million and P200 million to the holders of SPCS and RPS, respectively, in 2022, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

Description of the securities of the Group may be found in Note 24, Equity, of the Audited Consolidated Financial Statements attached hereto as Annex "B".

There were no securities sold by the Parent Company within the past three (3) years which were not registered under the Securities Regulation Code, except for the following:

Name of Security Sold	Date of Sale	Amount of Securities	Basis for Exemption
U.S.\$3,000,000,000 Medium Term Note Programme	July 29, 2020	U.S.\$500,000,000.00	Section 10.1 (l) of the SRC
Redeemable Perpetual Securities – U.S. Dollar	August 5, 2020	U.S.\$100,000,000.00	Section 10.1 (k) of the SRC
Series 2-M Preferred Shares	August 23, 2023	173,333,325 Series 2-M Preferred Shares equivalent to ₱12.9 billion at an issue price of ₱75.00 per share	Section 10.1(k) of the SRC

## **Item 6. Management's Discussion and Analysis or Plan of Operation.**

### **(A) Management Discussion and Analysis**

The information required by Item 6 (A) may be found on **Annex "A"** hereto.

### **(B) Information on Independent Accountant and Other Related Matters**

The accounting firm of R.G. Manabat & Co. served as the Parent Company's external auditors for the last sixteen fiscal years. The BOD will again nominate R.G. Manabat & Co. as the Parent Company's external auditors for this fiscal year.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

The Parent Company paid the external auditor the amount of P8 million and P6 million, respectively, for its services rendered in 2023 and 2022.

The stockholders approve the appointment of the Parent Company's external auditors. The Audit and Risk Oversight Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. The Parent Company's Audit and Risk Oversight Committee's approval policies and procedures for external audit fees and services are stated in the Parent Company's Manual of Corporate Governance.

## **Item 7. Financial Statements**

The Audited Consolidated Financial Statements and Statement of Management's Responsibility are attached as **Annex "B"** with the Supplementary Schedules attached as **Annex "C"** hereto. The auditors' PTR, name of certifying partner and address are attached as **Annex "B-1"** hereto.

## **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There are no disagreements with the Parent Company's external auditors on accounting and financial disclosure.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

#### **Board of Directors**

Name	Age	Citizenship	Position
Ramon S. Ang	70	Filipino	Vice Chairman, President and Chief Executive Officer
John Paul L. Ang	44	Filipino	Director
Aurora T. Calderon	69	Filipino	Director
Joselito D. Campos, Jr.	73	Filipino	Director
Jose C. De Venecia, Jr.	87	Filipino	Director
Menardo R. Jimenez	91	Filipino	Director
Estelito P. Mendoza	94	Filipino	Director
Ernesto M. Pernia	80	Filipino	Director
Alexander J. Poblador	70	Filipino	Director
Ramon F. Villavicencio	82	Filipino	Director
Iñigo Zobel	67	Filipino	Director
Teresita J. Leonardo-De Castro	75	Filipino	Independent Director
Diosdado M. Peralta	72	Filipino	Independent Director
Reynato S. Puno	83	Filipino	Independent Director
Margarito B. Teves	80	Filipino	Independent Director

**Ramon S. Ang** is the Vice Chairman since January 28, 1999, President and Chief Operating Officer since March 6, 2002 of the Company. He has been a member of the Board of Directors of the Company for 24 years. On December 2, 2021, the Board of Directors confirmed the change in designation of Mr. Ang from “President and Chief Operating Officer” to “President and Chief Executive Officer” in accordance with the approval of the amended by-laws of the Corporation by the SEC on November 2, 2021. He is also a Member of the Executive Committee of the Company. He also holds, among others, the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel, Inc.; Chairman of the Board of Directors of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia) ; and Vice Chairman of the Board, President and Chief Executive Officer of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc.; Chairman of the Board and Chief Executive Officer, and President and Chief Operating Officer of San Miguel Global Power Holdings Corp.; Chairman of the Board and President of San Miguel Holdings Corp., SMC SLEX, Inc., San Miguel Equity Investments Inc., San Miguel Properties, Inc., and San Miguel Aerocity Inc.; Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp.; Chairman of the Board of San Miguel Foods, Inc., Eagle Cement Corporation, San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc. SEA Refinery Corporation and New NAIA Infra Corp.; President and Chief Executive Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

**John Paul L. Ang** was elected as a director of the Company on January 21, 2021 and has been a member of the Board of Directors for two (2) years. Mr. Ang holds directorships in other listed companies namely, Petron Corporation, San Miguel Food and Beverage, Inc., and Top Frontier Investment Holdings, Inc.. He is also the President and Chief Executive Officer of Eagle Cement Corporation since 2016, Solid North Mineral Corp., and Southwestern Cement Corporation since 2017. He is the Chairman and President of San Miguel Equity Investments, Inc. He is also the Vice Chairman of San Miguel Global Power Holdings Corp. since 2021. He is the President of Armstrong Ash-fly and Logistocs Company Inc. He is also a director of SMC SLEX Inc., Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., Pacific Nickle Philippines, inc., Philnico Industrial Corporation, and KB Space Holdings, Inc. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 20, 2023.

**Aurora T. Calderon** has been a director of the Company since June 10, 2014. She has been a member of the Board of Directors of the Company for nine (9) years. She is also Senior Vice President and the Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011. In line with the change in designation of the office of the “President and Chief Operating Officer” to “President and Chief Executive Officer,” on December 2, 2021 her designation is now Senior Executive Assistant to the President and Chief Executive Officer. She is a member of the Corporate Governance Committee and Sustainability Committee of the Company. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia). She is also a member of the Board of Directors of San Miguel Global Power Holdings Corp., SMC SLEX, Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp., and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated magna cum laude from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries. As a director of a number of companies including listed companies, Ms. Calderon has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

**Joselito D. Campos, Jr.** has been a Director since May 31, 2010. He has been a member of the Board of Directors of the Company for 13 years. He is a member of the Related Party Transactions Committee of the Company. He is the Managing Director and Chief Executive Officer of Del Monte Pacific Ltd., President and Chief Executive Officer of Del Monte Philippines, Inc. He is also the Chairman of the Board and Chief Executive Officer of the NutriAsia Group of Companies, Chairman of the Board of Fort Bonifacio Development Corp. and Vice Chairman of the Board of Ayala Greenfield Development Corp. He is also a Director of FieldFresh Foods (P) Ltd. He was the former Chairman of the Board and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and a member of the WWF (World Wildlife Fund) for Nature - Philippines. He graduated with a degree in BS Commerce, Major in International Business from the University of Santa Clara, California and a Masters in Business Administration degree from Cornell University, New York. As a director of a number of companies including listed companies, Mr. Campos has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

**Jose C. De Venecia, Jr.** is a Director of the Company since March 16, 2017. He has been a member of the Board of Directors of the Company for six (6) years. He was former Speaker of the House of Representatives (from 1992 to 1998, and from 2001 to 2008). Before joining politics, he was an international entrepreneur, engaged in the business of port operations in Saudi Arabia, agriculture in Africa, mass housing in Iraq and oil exploration in the United Arab Emirates. He has a Bachelor of Arts degree in Journalism from the Ateneo de Manila University. He completed his secondary education at De La Salle College, Manila. As a director of a number of companies including listed companies, Mr. De Venecia, Jr. has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

**Menardo R. Jimenez** has been a Director of the Company since February 27, 2002 and a Member of the Executive Committee and Corporate Governance Committee of the Company. He has been a member of the Board of Directors of the Company for 21 years. He is also a Director of San Miguel Food and Beverage, Inc., a publicly listed company, and Magnolia, Inc. He is the Chairman of Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Majent Management and Development Corporation, Meedson Properties Corporation, Menarco Holdings, Inc., Next Century Building Systems, Inc., Television International Corporation and the Table Group, Inc. He is also Chairman Emeritus of Majent Agro Industrial Corporation, and Nuvoland Philippines, Inc. He is also a director of Cunickel Mining & Industrial Corporation, Dasoland Corporation, Menarco Development Corporation, Menarco Property Development & Management Corporation, Modesto Holdings Philippines, Inc., and Unicapital Equities Ventures Inc. He is a graduate of Far Eastern University with a degree of Bachelor of Science in Commerce and is a certified public accountant. As a director of a number of companies including listed companies, Mr. Jimenez has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 8, 2023.

**Estelito P. Mendoza** was first elected as a Director of the Company on October 30, 1991 and served until April 21, 1993. He was re-elected as Director of the Company on April 21, 1998 up to the present. He has been a member of the Board of Directors of the Company for a total of 30 years. He is a Member of the Executive Committee and the Audit and Risk Oversight Committee of the Company. He is also a Director of Petron Corporation and Philippine National Bank which are both publicly listed companies. He was formerly a director of the Manila Electric Company and Philippine Airlines, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office, and was also formerly Chairman of the Board of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank. He graduated from the University of the Philippines College of Law cum laude. He also holds a Master of Laws degree from Harvard Law School. As a director of a number of companies including listed companies, Atty. Mendoza has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on December 1, 2023.

**Ernesto M. Pernia** was elected as a Director of the Company on August 4, 2022 and is a Member of the Sustainability Committee of the Company. Mr. Pernia was the Secretary of Socioeconomic Planning and Director General of the National Economic and Development Authority of the Philippines from 2016 until 2020. Since 2013, he has served as Professor Emeritus of Economics, University of the Philippines (U.P.), after having been on the faculty of the U.P. School of Economics for several years. He likewise held the position of Lead Economist at the Asian Development Bank from 1999-2003. Mr. Pernia obtained his MA Economics degree from the University of Bridgeport, Connecticut in 1969, his AB Economics degree from the University of San Carlos in 1967, his degree of Bachelor of Theology from the UST Central Seminary in 1965, and his AB in Philosophy degree from the San Carlos Major Seminary (Cebu) in 1963. Mr. Pernia has served as Chairman of the Board of Trustees of the University of San Carlos, and a Director on the board of the Philippine-American Academy of Science and Engineering. He was also a former President of the Philippine Economic Society. Mr. Pernia has most recently attended the training on Corporate Governance conducted by the Center for Global Best Practices on November 10, 2023.

**Alexander J. Poblador** has been a Director of the Company since September 1, 2009 and a Member of the Related Party Transactions Committee and Sustainability Committee of the Company. He has been a member of the Board of Directors of the Company for 14 years. He is the Founding Partner and Chairman of the Executive Committee of Poblador Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization. He also sits as a member of the Board of Directors of Alpha Aviation Group (Phil), Inc., Alsa Industries, Inc., Delfi Foods Inc., Delfi Marketing Inc., Xytron International, Inc. and B-Light Universal Trading, Inc. He is a graduate of the University of the Philippines with a degree in Bachelor of Laws cum laude, class valedictorian, and Bachelor of Arts in Political Science cum laude. He also holds a Master of Laws degree from the University of Michigan, at Ann Arbor, School of Law (De Witt Fellow). As a director of a number of companies including listed companies, Atty. Poblador has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

**Ramon F. Villavicencio** is a Director of the Company since March 15, 2018. He has been a member of the Board of Directors of the Company for five (5) years. Prior to his election as director of the Company, he owns the ICVI Financial Consultancy Services, has ownership interests in JoyToAll Amusement Corporation and is a consultant of Petro Finance Services, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Commerce and a Masters in Business Administration. As a director of a number of companies including listed companies, Mr. Villavicencio has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

**ñigo U. Zobel** has been a Director of the Company since October 2009 and was an Independent Director of the Company from May 5, 1999 until October 2009. He has been a member of the Board of Directors of the Company for 24 years. He is a Member of the Executive Committee of the Company. He holds the position of Chairman of the Board of Top Frontier Investment Holdings, Inc. and is a Director of PAL Holdings, Inc., which are both publicly listed companies. He is also the Chairman of the Board and President of Zygnet Prime Holdings Inc.; Chairman of the Board of IZ Investment Holdings, Inc. and E. Zobel, Inc.; Director of E. Zobel Foundation, Inc. Calatagan Golf Club, Inc., Calatagan Bay Realty, Inc., Hacienda Bigaa, Inc., MERMAC, Inc., among others. He was formerly Chairman (2015-2016), Vice Chairman (since 2016) and President (since 2015) of Manila North Harbour Port, Inc., Philippine Airlines, Inc., and President and Chief Operating Officer of Air Philippines Corporation. He was formerly an Independent Director of San Miguel Brewery Inc., San Miguel Pure Foods Company, Inc., San Miguel Properties, Inc., and Ginebra San Miguel, Inc. He attended Santa Barbara College, California, U.S.A. As a director of a number of companies including listed companies, Mr. Zobel has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

**Teresita J. Leonardo-de Castro** was elected as an Independent Director of the Company on August 6, 2020. She has been a member of the Board of Directors of the Company for three years. She is also the Chairman of the Related Party Transactions Committee and Sustainability Committee of the Company and a Member of the Audit and Risk Oversight Committee of the Company. She is currently an independent director of the following publicly listed companies: Top Frontier Investment Holdings, Inc. since July 9, 2019 and the Philippine Stock Exchange, Inc. She also sits as an independent director of the Securities Clearing Corporation of the Philippines. She is the President of the UP Sigma Alpha Sorority Alumnae Association, Inc. and Consultant of the Supreme Court Committee on Family Courts and Juvenile Concerns. In 2018, she was the Chief Justice of the Supreme Court until her retirement on October 10, 2018. She joined the Supreme Court as an Associate Justice on December 4, 2007. She was also the Presiding Justice of the Sandiganbayan from 2004 to 2007 and was previously Associate Justice of the Sandiganbayan (1997-2004). She completed her Bachelor of Laws in 1972 and Bachelor of Arts degree in political science cum laude in 1968, both from the University of the Philippines. As a director of a number of companies including listed companies, Madame De Castro has attended various trainings

and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

**Diosdado M. Peralta** was elected as an Independent Director of the Company on June 8, 2021 and was appointed as a member of the Audit and Risk Oversight Committee, Corporate Governance Committee, and Sustainability Committee. He has been a member of the Board of Directors of the Company for two (2) years. He was the Chief Justice of the Supreme Court from October 23, 2019 until his early retirement on March 27, 2021. He joined the Supreme Court as an Associate Justice in 2011 and was previously Associate Justice of the Sandiganbayan since 2002 prior to his appointment to the Supreme Court. He was previously a judge at the Regional Trial Court of Quezon City, and prosecutor in the City of Manila and Laoag City, Ilocos Norte. He completed his Bachelor of Laws degree from the University of Santo Tomas in 1979 and his undergraduate degree from Colegio de San Juan de Letran in 1974. He was admitted to the Bar in 1980. As a director of a number of companies including listed companies, Mr. Peralta has attended various trainings and seminars on Corporate Governance, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

**Reynato S. Puno** was elected to the Board as an Independent Director of the Company on January 20, 2011 and is the Chairman of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee and Related Party Transaction Committee of the Company. He has been a member of the Board of Directors of the Company for 12 years. He is also an independent director of San Miguel Brewery Hong Kong Ltd. (a company publicly listed in the Hong Kong Stock Exchange) and Union Bank of the Philippines, Inc., and a member of the Board of Commissioners of PT Delta Djakarta Tbk (a company listed in the Indonesia Stock Exchange). He is also the Chairman of the Environmental Heroes Foundation and World Vision; Vice Chairman of the Board of the GMA Kapuso Foundation; and Director of The New Standard newspaper. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Supreme Court as an Associate Justice on June 1993 and was previously Associate Justice of the Court of Appeals (1980, 1986 to 1993), Appellate Justice of the Intermediate Appellate Court (1983), Assistant Solicitor General (1974-1982) and City Judge of Quezon City (1972-1974). He also served as Deputy Minister of Justice from 1984-1986. He completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern Methodist University, Dallas, Texas (1967). As a director of a number of companies including listed companies, Mr. Puno has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on November 10, 2023.

**Margarito B. Teves** was elected as an Independent Director of the Company on June 14, 2012 and is the Chairman of the Audit and Risk Oversight Committee and a Member of the Corporate Governance Committee and Related Party Transactions Committee of the Company. He has been a member of the Board of Directors of the Company for 11 years. He is also an Independent Director of Petron Corporation, a publicly listed company, SMC Tollways Corporation (formerly, Atlantic Aurum Investments Philippine Corporation), AB Capital Investment Corp., Alphaland Corporation, Alphaland Balesin Island Club, Inc., Alphaland Marina Club, Inc., The City Club at Alphaland Makati Place, Inc., and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of the Board of Think Tank Inc. and a director of Pampanga Sugar Development Co. He was Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics. As a director of a number of companies including listed companies, Mr. Teves has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 20, 2023.

## Officers

Name	Age	Citizenship	Position
Ferdinand K. Constantino	72	Filipino	Senior Vice President - Chief Finance Officer and Treasurer
Virgilio S. Jacinto	67	Filipino	Senior Vice President – General Counsel, Compliance Officer and Corporate Secretary
Aurora T. Calderon	69	Filipino	Senior Vice President – Senior Executive Assistant to the Office of the President and Chief Operating Officer
Joseph N. Pineda	59	Filipino	Senior Vice President – Deputy Chief Finance Officer and Head of Treasury
Lorenzo G. Formoso III	62	Filipino	Senior Vice President – Head of SMC Infrastructure Business
Cecile Caroline U. De Ocampo	58	Filipino	Senior Vice President - Head of Corporate Mergers and Acquisitions
Bryan U. Villanueva	54	Filipino	Senior Vice President for Special Corporate Projects – Office of the President
Bella O. Navarra	63	Filipino	Senior Vice President and Comptroller
Susan Y. Yu	48	Filipino	Senior Vice President - Head of Corporate Procurement

**Ferdinand K. Constantino** was a Director of the Company from May 31, 2010 to February 28, 2018. He is the Senior Vice President - Chief Finance Officer and Treasurer of the Company. He is also a Director of Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia), President of Anchor Insurance Brokerage Corporation; Director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, San Miguel Foods International Limited (formerly, San Miguel Pure Foods International Limited), SMC Skyway Corporation (formerly, Citra Metro Manila Tollways Corporation), San Miguel Aerocity Inc. and Northern Cement Corporation; and a Trustee of the San Miguel Foundation, Inc. Mr. Constantino is also a member of the board of directors of The Philippine Stock Exchange, Inc. He was formerly a Director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009); Director of San Miguel Properties, Inc. (2001-2009); Chief Finance Officer of Manila Electric Company (2009); Director of Top Frontier Investment Holdings, Inc. (2010-2021); Director (2010-2021), Treasurer (2010-2011), and Vice Chairman (2011-2021) of San Miguel Global Power Holdings Corp.; and Director and Chief Finance Officer of San Miguel Northern Cement, Inc. (2017-2021). He has held directorships in various domestic and international subsidiaries of the Company during the last five (5) years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree. On September 8, 2023, and November 10, 2023, he attended the corporate governance trainings conducted by SGV & Co., and the Center for Global Best Practices, respectively.

**Virgilio S. Jacinto** is the Senior Vice President - Corporate Secretary, General Counsel, and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc. and Corporate Secretary of Ginebra San Miguel, Inc. and other subsidiaries and affiliates of SMC. He is a Director of Petron Corporation. He was formerly the Vice President and First Deputy General Counsel from 2006 to 2010 and appointed as SMC General Counsel in 2010. He was Director and Corporate Secretary of United Coconut Planters Bank, Partner at Villareal Law Offices and Associate at SyCip, Salazar, Feliciano & Hernandez Law Office. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines cum laude where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard

Law School. He holds various directorships in various local and offshore subsidiaries of SMC. On September 20, 2023, he attended the corporate governance training conducted by SGV & Co.

**Joseph N. Pineda** is the Senior Vice President and Deputy Chief Finance Officer. Effective June 1, 2021, he was also appointed Head of Treasury of SMC. He was formerly Vice President prior to his promotion on July 27, 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since January 2005. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries. On September 8, 2023, he attended the corporate governance training conducted by CGV & Co.

**Lorenzo G. Formoso III** is the Senior Vice President and Head of SMC Infrastructure Business. Atty. Formoso holds various directorships in various local and offshore subsidiaries of SMC. He is a member of the Board of Directors of SMC SLEX, Inc., SMC Mass Rail Transit Inc., SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC TPLEX Corporation, Trans Aire Development Holdings Corp.,. Previously, he was a consultant of the Company for Infrastructure and Transportation from July 2009 to August 2010. He was previously Assistant Secretary of the Department of Transportation and Communication of the Philippine Government from September 2006 to June 2009 and Deputy Commissioner of the Commission on Information and Communications Technology. He obtained his Juris Doctor degree from University of California, Davis School of Law and a degree in Bachelor of Arts in Philosophy from the University of the Philippines. Atty. Formoso is a director in various SMC subsidiaries. On November 10, 2023, he attended the corporate governance training conducted by Center for Global Best Practices.

**Cecile Caroline U. De Ocampo** is the Senior Vice President and Head of Corporate Mergers and Acquisitions of SMC. She has been the head of Corporate Mergers and Acquisitions since 2016. She has been an officer of the Company since 2002 as Assistant Vice President for Planning and Project Development, and later as Vice President in 2007. She was Planning and Product Development Manager of the Company since 2002. She has been with the Company in various positions since 1990 and has been with Corporate Planning and Development since 2002 until 2007. She is a graduate of Ateneo de Manila University with a degree in BS Management Engineering. On November 10, 2023, she attended the corporate governance training conducted by Center for Global Best Practices.

**Bryan U. Villanueva** is the Senior Vice President for Special Corporate Projects – Office of the President of SMC since November 2023. He is concurrently serving as Chief Finance Officer of San Miguel Aerocity Inc., a position which he has held since 2020. He has been a consultant of SMC since 2018. Prior to joining SMC, Mr. Villanueva was the Managing Director, Global Head of Finance Sponsors Coverage at Standard Chartered Bank (Singapore) from 2008 to 2017. He was previously with Framework Capital Corporation (Singapore) as Director from 2006 to 2008, Executive Director at UBS Investment Bank (Hong Kong) from 2002 to 2006 and an Associate at Goldman Sachs (US/Singapore/Hong Kong) from 1998 to 2002. In 1991, he obtained a degree in BS Management Engineering from Ateneo de Manila University. He also has a Masters degree in Business Administration, Major in Finance from Wharton Business School. On October 21, 2021, he attended the corporate governance training conducted by Center for Global Best Practices.

**Bella O. Navarra** is the Senior Vice President and Comptroller of the Company. Ms. Navarra holds various directorships in various local and offshore subsidiaries of SMC. Since 2000, Ms. Navarra was VP and Comptrollership Manager of the Company. Prior to joining SMC, Ms. Navarra was Vice President – Office of the Treasurer at SGV & Company from 1989 to 2000. She was also audit manager at PCI Bank from 1980 to 1989. She graduated with a degree in BS Accounting from the University of the East. On November 10, 2023, she attended the corporate governance training conducted by Center for Global Best Practices.

**Susan Y. Yu** is the Senior Vice President of the Company and Head of Corporate Procurement. Ms. Susan Yu holds various directorships in various local and offshore subsidiaries of SMC. Prior to this appointment, Ms. Susan Yu was Vice President for Special Projects at Petron Corporation from January to February 2024, and Vice President, Senior Procurement Manager at Petron Corporation from April 2009 to December 2023. She was also AVP and Senior Procurement Manager at San Miguel Brewery Inc from March 2008 to March 2009, AVP and Senior Procurement Manager at CSU from 2006 to 2008 and was at CSU Corporate Procurement from 2003 to 2006. She was Fuel Purchasing and Risk Management Manager at Philippine Airlines from 1997 to 2003. She graduated with a degree in BS Management from De La Salle University and has an MBA from Ateneo de Manila University. On September 20, 2023, she attended the corporate governance training conducted by SGV&Co.

### **Term of Office**

Pursuant to the Company's By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

### **Independent Directors**

The independent directors of the Company are as follows:

1. Teresita J. Leonardo-De Castro
2. Diosdado M. Peralta
3. Reynato S. Puno
4. Margarito B. Teves

### **Involvement in Certain Legal Proceedings**

None of the directors, nominees for election as director, executive officers or control persons of SMC have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in SMC.

### **Item 10. Executive Compensation**

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and senior executive officers of the Company are as follows:

<b>NAME</b>	<b>YEAR</b>	<b>SALARY</b>	<b>BONUS</b>	<b>OTHERS</b>	<b>TOTAL</b>
Total	2024 (estimated)	₱174.5 Million	₱52.4 Million	₱15.9 Million	₱242.8 Million
Compensation of the Chief Executive Officer and Senior Executive Officers <sup>1</sup>	2023	₱184.8 Million	₱49.7 Million	₱28.3 Million	₱262.8 Million
	2022	₱182.3 Million	₱149.7 Million	₱26.8 Million	₱358.8 Million

<sup>1</sup> The Chief Executive Officer and senior executive officers of the Company for 2023, 2022 and 2021 are Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto and Joseph N. Pineda..

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
All other officers and directors as a group unnamed	2024 (estimated)	₱282.0 Million	₱84.8 Million	₱61.5 Million	₱428.3 Million
	2023	₱265.7 Million	₱80.6 Million	₱62.6 Million	₱408.9 Million
	2022	₱240.9 Million	₱94.7 Million	₱63.3 Million	₱398.9 Million
Total	2024 (estimated)	₱456.5 Million	₱137.2 Million	₱77.4 Million	₱671.1 Million
	2023	₱450.5 Million	₱130.3 Million	₱90.9 Million	₱671.1 Million
	2022	₱423.2 Million	₱244.4 Million	₱90.1 Million	₱757.7 Million

Section 10 of the Amended By-Laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper. The Company provides each director with reasonable per diem of ₱50,000 and ₱20,000 for each Board and Committee meeting attended, respectively.

The Long-Term Incentive Plan for Stock Options ("LTIP") of the Company grants stock options to eligible senior and key management officers of the Company as determined by the Committee administering the said Plan. Its purpose is to further and promote the interests of the Company and its shareholders by enabling the Company to attract, retain and motivate senior and key management officers, and to align the interests of such officers and the Company's shareholders.

On November 10, 2005, the Company approved the grant of stock options to 1,096 executives and middle managers of about 4.43 million shares based on the closing price of the Company's shares, computed in accordance with the LTIP. Also on March 1, 2007, the Parent Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and June 26, 2008, the Parent Company approved the grant of options to 755 executives consisting of 5.77 million shares and to 742 executives consisting of 7.46 million shares, respectively. At the end of 2018, there are no more outstanding options to purchase the shares of the Company arising from the LTIP.

There were no employment contracts between the Company and a named executive officer. There were neither compensatory plans nor arrangements with respect to a named executive officer.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of the Company's voting<sup>2</sup> securities as of December 31, 2023 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Total Outstanding Capital Stock
Common	Top Frontier Investment Holdings, Inc. <sup>3</sup> 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	Iñigo Zobel, Filipino, Director of the Company, and Ramon S. Ang, Filipino, the President and Chief Operating	Filipino	1,472,668,340	38.21%

<sup>2</sup> Common stockholders have the right to vote on all matters requiring stockholders' approval. The holders of the Series "2" Preferred shares shall not be entitled to vote except in matters provided for in the Revised Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation or other corporations; investment of corporate funds in another corporation or business; and dissolution.

<sup>3</sup> The shares owned by Top Frontier Investment Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of December 31, 2023, Top Frontier Investment Holdings, Inc. has voting rights to a total of 1,472,668,340 shares of the Company which represent about 61.78% of the outstanding common capital stock of the Company.

		Officer of the Company, are beneficial owners of 52.82% and 34.86% <sup>4</sup> of the outstanding common stock of Top Frontier, respectively.			
Common	PCD Nominee Corporation (Filipino) Makati City	Various individuals/entities	Filipino	291,922,077	35.86%
Series "2" Preferred Shares	PCD Nominee Corporation (Filipino) Makati City	Various individuals/entities	Filipino	1,090,196,750	
Common	Privado Holdings, Corp. Room 306 Narra Building, 2776 Pasong Tamo Extension, Makati City	Ramon S. Ang, Filipino, as beneficial owner of 100% of the outstanding capital stock of Privado. <sup>5</sup>	Filipino	373,623,796 <sup>6</sup>	9.69%

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the President, the directors, key officers of the Company, and nominees for election as director, as of December 31, 2023:

Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares and Percent to Total Outstanding Capital Stock
	Common	Preferred		
Ramon S. Ang	1,345,429 (D) 363,140,516 (I) <sup>7</sup> 5,483,280 (I) <sup>8</sup> 194,076,265 (I) <sup>9</sup> 143,642,255 <sup>10</sup> 175,370,472 (I) <sup>11</sup> 295,741 (I) <sup>12</sup>		Filipino	888,353,958 (23.05%)
John Paul L. Ang	5,000 (D)		Filipino	5,000 (0.00%)
Aurora T. Calderon	22,600 (D)		Filipino	22,600 (0.00%)
Joselito D. Campos, Jr.	9,149 (D)		Filipino	9,149 (0.00%)
Teresita J. Leonardo-de Castro	5,000 (D)		Filipino	5,000 (0.00%)
Jose C. de Venecia	5,000 (D)		Filipino	5,000 (0.00%)
Menardo R. Jimenez	5,000 (D)		Filipino	5,000 (0.00%)
Estelito P. Mendoza	31,972 (D)		Filipino	31,972 (0.00%)
Diosdado M. Peralta	5,000 (D)		Filipino	5,000 (0.00%)
Ernesto M. Pernia	5,000 (D)		Filipino	5,000 (0.00%)
Alexander J. Poblador	5,000 (D)		Filipino	5,000 (0.00%)
Reynato S. Puno	5,000 (D)		Filipino	5,000 (0.00%)

<sup>4</sup> As of December 31, 2023, through Privado Holdings, Corp., Far East Holdings, Inc. and Master Year Limited, all stockholders of record of Top Frontier Investment Holdings, Inc.

<sup>5</sup> As of December 31, 2023.

<sup>6</sup> Inclusive of 368,140,516 common shares held in the name of Privado Holdings Corp. and 5,483,280 common shares which are lodged with the PDTC.

<sup>7</sup> Through his 100% shareholdings in Privado Holdings, Corp.

<sup>8</sup> Through his 100% shareholdings in Privado Holdings, Corp. which has shares which are lodged with the PDTC.

<sup>9</sup> Through his direct shareholdings in Master Year Limited which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.

<sup>10</sup> Through his direct shareholdings in Privado Holdings Corp. which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.

<sup>11</sup> Through his direct shareholdings in Far East Holdings, Inc. which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.

<sup>12</sup> Through his direct shareholdings in Top Frontier Investment Holdings, Inc. which has shares in the Company.

Margarito B. Teves	5,000 (D)		Filipino	5,000 (0.00%)
Ramon F. Villavicencio	35,000(D) 9,000 (I)		Filipino	44,000 (0.00%)
Iñigo U. Zobel	16,171 (D) 777,871,381 (I) <sup>13</sup>		Filipino	777,887,552 (20.18%)
Ferdinand K. Constantino	477,692 (D)	66,600 (I)	Filipino	544,292 (0.01%)
Virgilio S. Jacinto	180,830 (D)		Filipino	180,830 (0.00%)
Joseph N. Pineda	62,715 (I)		Filipino	62,715 (0.00%)
Lorenzo G. Formoso III	20,000(D)		Filipino	20,000 (0.00%)
Cecile Caroline U. De Ocampo	1,950 (D)	47,800 (I)	Filipino	49,750 (0.00%)
Bryan U. Villanueva	0 (N/A)		Filipino	0 (0.00%)
Bella O. Navarra	116,913 (D)	65,000 (I)	Filipino	181,913 (0.00%)
Susan Y. Yu	0 (N/A)		Filipino	0 (0.00%)

The aggregate number of shares directly or indirectly owned of record by the President and Chief Executive Officer, key officers and directors (as a group) of the Company as of December 31, 2023 is 1,667,251,818 or approximately 43.26% of the outstanding capital stock of the Company.

The aggregate number of shares directly or indirectly owned of record by the President and Chief Executive Officer, key officers and directors (as a group) of the Company as of March 31, 2024 is 1,667,433,731 or approximately 43.27% of the outstanding capital stock of the Company.

The aggregate number of shares owned of record of all officers and directors (as a group) of SMC as of December 31, 2023 is 1,667,777,916 shares or approximately 43.28% of the Company's outstanding capital stock.

There were no LTIP options exercised by the Chief Executive Officer, key officers and directors of the Company in 2023 and 2022.

### Voting Trust

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

### Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

### Foreign Ownership

As of December 31, 2023, the following is the foreign ownership of the shares of stock of the Company:

Share Class	Foreign Shares	Percentage of Foreign Ownership	Local Shares/ Shares held by Filipinos	Percentage of Filipino Ownership	Total Shares Outstanding
Common	129,866,881	5.45%	2,255,885,742	94.55%	2,383,896,588
Preferred Series "2-F"	1,468,734	0.66%	221,499,648	99.34%	223,333,500
Preferred Series "2-I"	1,460,120	0.86%	167,412,450	99.14%	169,333,400
Preferred Series "2-J"	790,810	0.30%	265,911,907	99.70%	266,666,667
Preferred Series "2-K"	2,367,585	1.29%	181,590,560	98.71%	183,904,900
Preferred Series "2-L"	1,787,010	1.08%	163,571,590	98.92%	165,358,600
Preferred Series "2-M"	0	0.00%	173,333,325	100.00%	173,333,325
Preferred Series "2-N"	1,560,410	1.56%	98,554,690	98.44%	100,115,100
Preferred Series "2-O"	572,360	0.30%	187,287,340	99.70%	187,859,700
<b>Total</b>	<b>139,882,910</b>	<b>3.62 %</b>	<b>3,713,918,870</b>	<b>95.37%</b>	<b>3,853,801,780</b>

<sup>13</sup> Through his 52.82% shareholdings in the common stock of Top Frontier Investment Holdings, Inc.

## Item 12. Certain Relationships and Related Transactions

### Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at December 31, 2023 and 2022:

<i>(Amounts in Million)</i>	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	2023	P8	P -	P -	P515	On demand;	Unsecured
	2022	11	-	-	515	non-interest bearing	
	2023	-	-	3,037	-	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing	Unsecured; no impairment
	2022	-	-	3,037	-		
Retirement Plans	2023	29	-	3,332	-	On demand; non-interest bearing	Unsecured; no impairment
	2022	23	-	3,480	-		
	2023	239	-	4,129	9	On demand; interest bearing	Unsecured; no impairment
	2022	246	-	4,127	-		
Associates	2023	2,466	-	1,119	73	On demand; non-interest bearing	Unsecured; no impairment
	2022	1,970	11	888	74		
	2023	469	-	4,288	25,076	Less than 1 to 12 years; interest bearing	Unsecured and secured; no impairment
	2022	6	-	12,346	19,875		
Joint Ventures	2023	74	65	197	18	On demand; non-interest bearing	Unsecured; no impairment
	2022	63	471	117	17		
	2023	40	-	621	-	On demand; interest bearing	Unsecured; with impairment
	2022	-	-	621	-		
	2023	77	-	1,479	-	Less than 1 to 10.5 years; interest bearing	Unsecured; no impairment
	2022	59	-	1,135	-		
Shareholder of the Ultimate Parent Company	2023	-	-	1,300	-	On demand; non-interest bearing	Unsecured; no impairment
Shareholders in subsidiaries	2023	30	990	100	1,304	On demand; non-interest bearing	Unsecured; no impairment
	2022	184	890	91	2,658		
Others	2023	451	2,965	157	162	On demand; non-interest bearing	Unsecured; no impairment
	2022	6,157	4,284	173	13		
<b>Total</b>	<b>2023</b>	<b>P3,883</b>	<b>P4,020</b>	<b>P19,759</b>	<b>P27,157</b>		
<b>Total</b>	<b>2022</b>	<b>P8,719</b>	<b>P5,656</b>	<b>P26,015</b>	<b>P23,152</b>		

1. Revenue consists of sale of power, fuel and other products and services to related parties.
2. Purchases consist of purchase of inventories, power and other products and services from related parties.
3. Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.
  - a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 million and the assignment of certain receivables of the Ultimate Parent Company amounting to P725 million.
    - i) *Amounts owed by the Ultimate Parent Company amounting to P2,312 million:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099 million, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213 million, plus 6.00% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statements of financial position as at December 31, 2023 and 2022.
    - ii) *Amounts owed by the Ultimate Parent Company amounting to P725 million:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As at December 31, 2023 and 2022, the Nonoc Project has not yet started commercial operations. These amounts are included as part of noncurrent receivables and deposit under "Other noncurrent assets - net" account in the consolidated statements of financial position as at December 31, 2023 and 2022.
  - b) Amounts owed by related parties include investments in debt securities under investment agreement with BankCom for a total amount of P4,288 million and P12,250 million as at December 31, 2023 and 2022, respectively.
  - c) Amounts owed by related parties include non-interest bearing receivable from joint ventures included as part of "Trade and other receivables - net" account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 million as at December 31, 2023 and 2022.
  - d) Amounts owed by related parties include the receivable from the assignment by ECC to FEHI of the advances for future investment in KSHI, included as part of "Trade and other receivables - net" account in the consolidated statement of financial position as at December 31, 2023.
4. Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" amounted to P4 million and P6 million as at December 31, 2023 and 2022, respectively, and as part of "Lease liabilities - net of current portion" amounted to P5 million as at December 31, 2023. The amount owed to the Ultimate Parent Company pertains to dividends payable.

5. The amounts owed to associates include interest bearing loans payable to BankCom presented as part of "Loans payable" account amounting to P6,382 million and P8,172 million and "Long-term debt" account amounting to P18,694 million and P11,703 million in the consolidated statements of financial position as at December 31, 2023 and 2022, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P8,315 million and P10,913 million as at December 31, 2023 and 2022, respectively, which were secured by certain property, plant and equipment and other intangible assets.

There were no known transactions with parties that fall outside the definition of "related parties" under PAS 24 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.

#### **PART IV – CORPORATE GOVERNANCE**

Pursuant to SEC Memorandum Circular 15, Series of 2017, the Integrated Annual Corporate Governance Report (I-ACGR) of the Company for 2023 will be filed with the SEC on or before May 30, 2024.

#### **PART V – EXHIBITS AND SCHEDULES**

##### **Item 14. Exhibits and Reports on SEC Form 17-C**

(a) Exhibits

The Audited Consolidated Financial Statements are attached as **Annex "B"** and the Supplementary Schedules are attached as **Annex "C"** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Parent Company and its subsidiaries or require no answer.

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed during the last six-month period covered by this report is attached as **Annex "H"**.

(c) Sustainability Report

Attached as "**Annex I**" is the 2023 Sustainability Report of SMC.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code of the Philippines, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on

APR 12 2024

By:




**RAMON S. ANG**  
Vice Chairman  
President and Chief Executive Officer



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



**BELLA O. NAVARRA**  
Controller  
Principal Accounting Officer

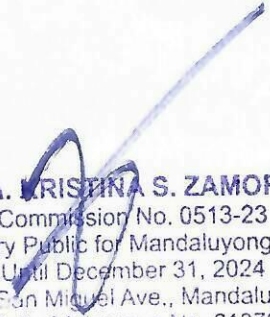
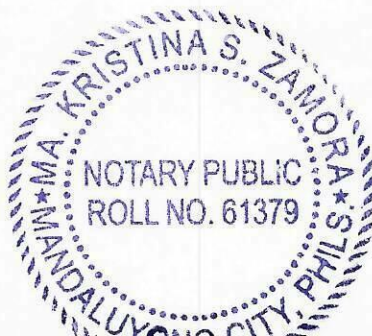


**VIRGILIO S. JACINTO**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this APR 12 2024 at Mandaluyong City, the following persons with their Competent IDs, as follows:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Ramon S. Ang	P2247867B	May 22, 2019	DFA-Manila
Ferdinand K. Constantino	P6892447B	June 2, 2021	DFA-NCR-East
Bella O. Navarra	P8424946B	December 10, 2021	DFA-Manila
Virgilio S. Jacinto	P3157226B	September 12, 2019	DFA-NCR-East

Doc. No.: 153  
Page No.: 32  
Book No.: 11  
Series of 2024.



**MA. KRISTINA S. ZAMORA**  
Commission No. 0513-23  
Notary Public for Mandaluyong City  
Until December 31, 2024  
SMC, 40 San Miguel Ave., Mandaluyong City  
Roll of Attorneys No. 61379  
PTR No. 5427159; 01/02/2024; Mandaluyong City  
IBP Lifetime Member No. 018307; 12/14/17; RSM  
MCLE Compliance No. VII-0023074; 07/07/22; Pasig City

**ANNEX “A”**

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



## SAN MIGUEL CORPORATION

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

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

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

#### I. FINANCIAL PERFORMANCE

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

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

**2023 vs. 2022**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1. FOOD AND BEVERAGE

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

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

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

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

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

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

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

#### Domestic Operations

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

#### International Operations

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

### b. Spirits Division

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

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

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

### **c. Food Division**

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

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

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

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

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

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

## **2. PACKAGING**

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

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

## **3. ENERGY**

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

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

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

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

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

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

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

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

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

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

#### **5. INFRASTRUCTURE**

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

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

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

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

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

## 6. CEMENT

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

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

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

### 2022 vs. 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1. FOOD AND BEVERAGE

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

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

### a. Beer and NAB Division

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

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

#### Domestic Operations

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

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

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

#### International Operations

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

## b. Spirits Division

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

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

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

## c. Food Division

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

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

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

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

## 2. PACKAGING

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

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

## 3. ENERGY

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

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

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

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

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

## 4. FUEL AND OIL

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

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

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

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

## 5. INFRASTRUCTURE

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

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

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

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

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

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

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

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

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

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

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

## II. FINANCIAL POSITION

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

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

#### AVAILMENT OF LONG-TERM DEBT

##### PESO TERM LOANS

- **Energy**

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

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

**b) San Miguel Global Power**

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

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

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

- **Infrastructure**

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

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

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

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

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

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

- **Food and Beverage**

- SMB**

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

- **Cement**

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

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

- b) **NCC**

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

- **SMC**

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

## FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power**

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

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

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

- **SMC**

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

- **Petron**

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

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

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

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

- **SMC**

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

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

- **San Miguel Global Power**

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

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

- **Petron**

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

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

## **PAYMENT OF TERM LOANS**

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

- **San Miguel Global Power**

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

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

- **SMC**

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

#### **PESO TERM LOAN**

- **ECC**

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

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

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

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

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

- **Petron**

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

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

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

- **SMC**

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

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

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

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

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

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

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

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

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

### **SUBSEQUENT EVENTS**

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

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

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

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

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

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

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

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

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

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

**INVESTING ACTIVITIES**

**Acquisition by SMC through SMEII of ECC**

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

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

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

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

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

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

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

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

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

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

#### **PESO TERM LOANS**

- **SSHCI**

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

- **Petron**

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

- **SMC NAIAX**

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

- **SMB**

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

- **NCC**

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

## **FOREIGN CURRENCY-DENOMINATED LOANS**

- **San Miguel Global Power**

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

- **SMC**

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

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

- **Petron**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Series B Bonds were paid using internally generated funds.

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

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

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

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

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

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

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

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

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

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

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

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

#### **INVESTMENT IN SUBSIDIARIES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **PESO TERM LOANS**

- **San Miguel Global Power**

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

- **SMC Tollways**

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

- **NCC**

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

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

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

- **SCII**

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

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

- **San Miguel Global Power**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Series A Bonds were paid partly from the proceeds of the US\$100 million out of the US\$300 million Syndication Agreement availed in June 2021 and partly from the P5,000 million term loan availed in May 2021.

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

In 2021, the Group paid P18,686 million of maturing obligations funded by cash generated from operations.

Energy, Petron, Infrastructure, Packaging and other businesses paid a total of P7,293 million, P4,785 million, P3,778 million, P2,488 million and P342 million, respectively, of their maturing long-term debt.

#### **ISSUANCE OF CAPITAL SECURITIES BY SUBSIDIARIES**

- **Issuance of US\$550 Million SPCS by Petron**

On April 19, 2021, Petron issued US\$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

- **Issuance of US\$750 Million SPCS by San Miguel Global Power**

On June 9, 2021, San Miguel Global Power issued US\$600 million SPCS at an issue price of 100%, with an initial distribution rate of 5.45% per annum. The securities were listed at the SGX-ST on June 10, 2021.

On September 15, 2021, San Miguel Global Power issued US\$150 million SPCS at an issue price of 100.125%, with an initial distribution rate of 5.45% per annum. The additional securities which were listed at the SGX-ST on September 16, 2021 were consolidated into single series with the securities issued in June 2021.

The net proceeds were used primarily for the 1,320 MW BCCPP and for general corporate purposes.

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

#### **Redemption of Series “2” Preferred Shares - Subseries “2-G”, Subseries “2-C” and Subseries “2-E” by SMC**

On March 30 and September 21, 2021, SMC redeemed its outstanding 66,666,600 Subseries “2-G”, 255,559,400 Subseries “2-C” and 134,000,100 Subseries “2-E” Preferred Shares issued in March 2016, September 2012 and 2015, respectively. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries “2-G” Preferred Shares was approved by the BOD of SMC on March 11, 2021 while the redemption of Subseries “2-C” and Subseries “2-E” Preferred Shares was approved by the BOD of SMC on August 5, 2021.

The Subseries “2-G” Preferred Shares were redeemed using the proceeds of the US\$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US\$2,000 million.

The Subseries “2-C” and Subseries “2-E” Preferred Shares were redeemed from proceeds of short-term loan availments.

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

### **REDEMPTION OF SERIES 2B PREFERRED SHARES BY PETRON**

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The Series 2B Preferred Shares were redeemed from proceeds of short-term loan availments. The redemption was approved by the BOD of Petron on March 9, 2021.

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

On February 26, 2021, San Miguel Global Power completed the redemption of its US\$300 million Undated Subordinated Capital Securities (USCS) issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US\$300 million USCS were redeemed using part of the proceeds of the US\$350 million SPCS issued on December 15, 2020.

**D. MATERIAL CHANGES PER LINE OF ACCOUNT**

**2023 vs. 2022**

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
			<i>(In Millions)</i>			
Cash and cash equivalents	<b>P261,358</b>	P318,214	(P56,856)	(18%)	<b>11%</b>	13%
Trade and other receivables - net	<b>263,119</b>	238,782	24,337	10%	<b>11%</b>	10%
Inventories	<b>161,986</b>	190,193	(28,207)	(15%)	<b>6%</b>	8%
Current portion of biological assets - net	<b>3,515</b>	3,418	97	3%	<b>0%</b>	0%
Prepaid expenses and other current assets	<b>141,424</b>	133,691	7,733	6%	<b>6%</b>	6%
<b>Total Current Assets</b>	<b>831,402</b>	884,298	(52,896)	(6%)	<b>34%</b>	37%
Investments and advances - net	<b>37,089</b>	32,523	4,566	14%	<b>2%</b>	1%
Investments in equity and debt instruments	<b>19,417</b>	18,921	496	3%	<b>1%</b>	1%
Property, plant and equipment - net	<b>753,472</b>	708,192	45,280	6%	<b>31%</b>	30%
Right-of-use assets - net	<b>108,014</b>	112,067	(4,053)	(4%)	<b>4%</b>	5%
Investment property - net	<b>79,513</b>	74,660	4,853	7%	<b>3%</b>	3%
Biological assets - net of current portion	<b>2,667</b>	2,671	(4)	(0%)	<b>0%</b>	0%
Goodwill - net	<b>182,791</b>	184,100	(1,309)	(1%)	<b>7%</b>	8%
Other intangible assets - net	<b>306,638</b>	249,321	57,317	23%	<b>12%</b>	10%
Deferred tax assets	<b>19,633</b>	22,554	(2,921)	(13%)	<b>1%</b>	1%
Other noncurrent assets - net	<b>118,729</b>	102,518	16,211	16%	<b>5%</b>	4%
<b>Total Noncurrent Assets</b>	<b>1,627,963</b>	1,507,527	120,436	8%	<b>66%</b>	63%
<b>Total Assets</b>	<b>P2,459,365</b>	P2,391,825	P67,540	3%	<b>100%</b>	100%
Loans payable	<b>P214,881</b>	P267,704	(P52,823)	(20%)	<b>9%</b>	11%
Accounts payable and accrued expenses	<b>223,055</b>	227,126	(4,071)	(2%)	<b>9%</b>	9%
Lease liabilities - current portion	<b>19,631</b>	21,020	(1,389)	(7%)	<b>1%</b>	1%
Income and other taxes payable	<b>46,254</b>	37,694	8,560	23%	<b>2%</b>	2%
Dividends and distributions payable	<b>4,605</b>	4,037	568	14%	<b>0%</b>	0%
Current maturities of long- term debt - net of debt issue costs	<b>236,798</b>	170,032	66,766	39%	<b>9%</b>	7%
<b>Total Current Liabilities</b>	<b>745,224</b>	727,613	17,611	2%	<b>30%</b>	30%

*Forward*

	December		Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase (Decrease) Amount	%	2023	2022
Long-term debt - net of current maturities and debt issue costs	<b>P953,786</b>	P918,164	P35,622	4%	<b>39%</b>	39%
Lease liabilities - net of current portion	<b>36,941</b>	54,455	(17,514)	(32%)	<b>2%</b>	2%
Deferred tax liabilities	<b>29,503</b>	26,297	3,206	12%	<b>1%</b>	1%
Other noncurrent liabilities	<b>28,745</b>	26,144	2,601	10%	<b>1%</b>	1%
<b>Total Noncurrent Liabilities</b>	<b>1,048,975</b>	1,025,060	23,915	2%	<b>43%</b>	43%
Capital stock - common	<b>16,443</b>	16,443	-	0%	<b>1%</b>	1%
Capital stock - preferred	<b>10,187</b>	10,187	-	0%	<b>0%</b>	0%
Additional paid-in capital	<b>177,468</b>	177,719	(251)	(0%)	<b>7%</b>	7%
Capital securities	<b>24,211</b>	24,211	-	0%	<b>1%</b>	1%
Equity reserves	<b>7,354</b>	12,753	(5,399)	(42%)	<b>0%</b>	1%
Retained earnings:						
Appropriated	<b>87,170</b>	71,004	16,166	23%	<b>4%</b>	3%
Unappropriated	<b>103,151</b>	129,239	(26,088)	(20%)	<b>4%</b>	6%
Treasury stock	<b>(109,763)</b>	(156,763)	47,000	30%	<b>(4%)</b>	(7%)
<b>Equity Attributable to</b>						
Equity Holders of the Parent Company	<b>316,221</b>	284,793	31,428	11%	<b>13%</b>	12%
Non-controlling Interests	<b>348,945</b>	354,359	(5,414)	(2%)	<b>14%</b>	15%
<b>Total Equity</b>	<b>665,166</b>	639,152	26,014	4%	<b>27%</b>	27%
<b>Total Liabilities and Equity</b>	<b>P2,459,365</b>	P2,391,825	P67,540	3%	<b>100%</b>	100%

Consolidated total assets as at December 31, 2023 amounted to P2,459,365 million, P67,540 million higher than December 31, 2022. The increase was primarily due to the increase in property, plant and equipment, intangible assets, trade and other receivables and other noncurrent assets, offset by the decrease in cash and cash equivalents and inventories.

The decrease in cash and cash equivalents of P56,856 million was mainly due to the net payment of short-term loans, capital expenditures for the ongoing projects of the Infrastructure, Energy, Food and Beverage and Cement businesses, payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations, net proceeds from the availment of long-term debt and from the reissuance of treasury shares by SMC and Petron.

The increase in trade and other receivables - net by P24,337 million was mainly attributable to the: (a) higher trade receivables of the Energy business as a result of the Emergency Power Supply Agreement with Meralco which commenced in March and August 2023, (b) higher receivables recognized versus collections during the year by SPI, and (c) higher receivable of Petron from the Philippine Government due to increased excise tax refund claims.

The decrease in inventories by P28,207 million was attributable mainly to the: (a) lower materials and supplies inventory of the Food division as a result of the normalized level coming from the high level in December 2022 due to purposive buying of raw materials at that time in anticipation of price increases, depletion of hedged meat materials, and higher production volumes, (b) lower price of both crude oil and finished products and lower volume of crude oil, partly offset by higher volume of finished products of Petron.

The increase in prepaid expenses and other current assets by P7,733 million was primarily due to: (a) higher input taxes from the ongoing projects and power purchases of the Energy business, (b) increase in advances to suppliers mainly contributed by advances for LNG procurement of SPPC and (c) higher unused creditable withholding taxes of Petron. The increase was partly offset by the utilization of restricted cash fund for debt servicing requirements of the Energy business.

The increase in investments and advances - net by P4,566 million was mainly due to the advances for future investments to certain companies by the Energy business and the Group's share in the net earnings of BankCom and MNHPI in 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in property, plant and equipment - net by P45,280 million was mainly due to the costs of the ongoing projects of the Energy business, the Food and Beer and NAB divisions of the Food and Beverage business and Cement business.

The increase in investment property - net by P4,853 million was mainly due to the reclassification from property, plant and equipment to investment property of certain properties of the Energy business as a result of the change in usage, acquisition of parcels of land in Bulacan for the Airport Project and the consolidation of the investment property of IPIEC and Blue Eagle Star, Corp.

The increase in other intangible assets - net by P57,317 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization for the year.

The decrease in deferred tax assets by P2,921 million was primarily due to the recognition by SMC of deferred tax on unrealized gains on foreign exchange mainly from the revaluation of the foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P16,211 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project, (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses, and (c) restricted cash balance for debt servicing requirements of the Energy business.

The decrease in loans payable by P52,823 million was mainly due to the net payment made by SMC, Food division and the Energy business.

The increase in income and other taxes payable by P8,560 million was mainly due to the higher amount of Value-Added Tax (VAT) payable: (a) on the sales of the Energy business subject to VAT and (b) of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022.

The increase in dividends and distributions payable by P568 million was mainly due to the declaration of dividends by Petron and SMC to preferred shareholders in November 2023 payable in 2024.

The increase in total long-term debt, net of debt issue costs, of P102,388 million was primarily due to the net availments of foreign currency-denominated and Peso term loans by the Group, partly offset by the payment of Series B and G Bonds by San Miguel Global Power, Series E Bonds by SMC and Series B Bonds by Petron and translation adjustments for the year.

The decrease in total lease liabilities by P18,903 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P3,206 million was mainly due to the temporary differences on lease-related expenses in relation to the IPPA lease agreement of SPI and San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.) and on qualifying assets and capital allowance of Petron Malaysia.

The increase in other noncurrent liabilities by P2,601 million was mainly due to the increase in: (a) retention payable for the ongoing projects of the Infrastructure business and (b) retirement liabilities of the Food and Beverage business resulting from the net remeasurement loss on plan assets net of contributions paid, partly offset by the application of retention payable to contractors' billings of the Energy business.

The decrease in equity reserves by P5,399 million was mainly due to the loss on exchange differences on the translation of foreign operations for the year, loss from the redemption of SPCS by Petron, and remeasurement loss on the retirement plan assets of SMFB.

The increase in appropriated retained earnings by P16,166 million was mainly due to the net appropriations made by: (a) the Infrastructure business for the capital expenditures of the various ongoing projects, (b) San Miguel Foods, Inc. for the Feeds Expansion Projects; (c) SMB for the payment of Series H Bonds and the P10,000 million term loans maturing on April 2, 2024 and December 20, 2027, respectively, and (d) SMC Shipping and Lighterage Corporation (SMCSLC) for the construction of shipyard and warehouse and purchase of vessels, partly offset by the reversal of appropriations for the Power Plant Project of Petron.

The decrease in unappropriated retained earnings by P26,088 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

The decrease in treasury stock by P47,000 million represents the re-issuance of 173,333,325 Series "2-M" Preferred Shares on August 29, 2023 and a total of 453,333,400 Series "2-L, 2-N and 2-O" Preferred Shares on December 1, 2023 of SMC at an issue price of P75.00 per share.

**2022 vs. 2021**

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
			<i>(In Millions)</i>			
Cash and cash equivalents	<b>P318,214</b>	P300,030	P18,184	6%	<b>13%</b>	15%
Trade and other receivables - net	<b>238,782</b>	161,808	76,974	48%	<b>10%</b>	8%
Inventories	<b>190,193</b>	141,209	48,984	35%	<b>8%</b>	7%
Current portion of biological assets - net	<b>3,418</b>	3,106	312	10%	<b>0%</b>	0%
Prepaid expenses and other current assets	<b>133,691</b>	108,689	25,002	23%	<b>6%</b>	5%
<b>Total Current Assets</b>	<b>884,298</b>	714,842	169,456	24%	<b>37%</b>	35%
Investments and advances - net	<b>32,523</b>	55,002	(22,479)	(41%)	<b>1%</b>	3%
Investments in equity and debt instruments	<b>18,921</b>	41,966	(23,045)	(55%)	<b>1%</b>	2%
Property, plant and equipment - net	<b>708,192</b>	567,609	140,583	25%	<b>30%</b>	28%
Right-of-use assets - net	<b>112,067</b>	163,364	(51,297)	(31%)	<b>5%</b>	8%
Investment property - net	<b>74,660</b>	69,825	4,835	7%	<b>3%</b>	3%
Biological assets - net of current portion	<b>2,671</b>	2,244	427	19%	<b>0%</b>	0%
Goodwill - net	<b>184,100</b>	130,081	54,019	42%	<b>8%</b>	6%
Other intangible assets - net	<b>249,321</b>	190,979	58,342	31%	<b>10%</b>	9%
Deferred tax assets	<b>22,554</b>	17,141	5,413	32%	<b>1%</b>	1%
Other noncurrent assets - net	<b>102,518</b>	98,600	3,918	4%	<b>4%</b>	5%
<b>Total Noncurrent Assets</b>	<b>1,507,527</b>	1,336,811	170,716	13%	<b>63%</b>	65%
<b>Total Assets</b>	<b>P2,391,825</b>	P2,051,653	P340,172	17%	<b>100%</b>	100%
Loans payable	<b>P267,704</b>	P190,779	P76,925	40%	<b>11%</b>	9%
Accounts payable and accrued expenses	<b>227,126</b>	194,579	32,547	17%	<b>9%</b>	10%
Lease liabilities - current portion	<b>21,020</b>	23,423	(2,403)	(10%)	<b>1%</b>	1%
Income and other taxes payable	<b>37,694</b>	23,102	14,592	63%	<b>2%</b>	1%
Dividends and distributions payable	<b>4,037</b>	4,296	(259)	(6%)	<b>0%</b>	0%
Current maturities of long- term debt - net of debt issue costs	<b>170,032</b>	88,857	81,175	91%	<b>7%</b>	4%
<b>Total Current Liabilities</b>	<b>727,613</b>	525,036	202,577	39%	<b>30%</b>	25%

Forward

	<b>December</b>		Horizontal Analysis		Vertical	
	<b>2022</b>	2021	Increase (Decrease)	Amount	%	Analysis
						<b>2022</b> 2021
Long-term debt - net of current maturities and debt issue costs	<b>P918,164</b>	P725,108	P193,056		27%	<b>39%</b> 35%
Lease liabilities - net of current portion	<b>54,455</b>	71,569	(17,114)		(24%)	<b>2%</b> 4%
Deferred tax liabilities	<b>26,297</b>	28,742	(2,445)		(9%)	<b>1%</b> 1%
Other noncurrent liabilities	<b>26,144</b>	19,959	6,185		31%	<b>1%</b> 2%
<b>Total Noncurrent Liabilities</b>	<b>1,025,060</b>	845,378	179,682		21%	<b>43%</b> 42%
Capital stock - common	<b>16,443</b>	16,443	-		0%	<b>1%</b> 1%
Capital stock - preferred	<b>10,187</b>	10,187	-		0%	<b>0%</b> 0%
Additional paid-in capital	<b>177,719</b>	177,719	-		0%	<b>7%</b> 9%
Capital securities	<b>24,211</b>	28,171	(3,960)		(14%)	<b>1%</b> 1%
Equity reserves	<b>12,753</b>	14,136	(1,383)		(10%)	<b>1%</b> 1%
Retained earnings:						
Appropriated	<b>71,004</b>	66,630	4,374		7%	<b>3%</b> 3%
Unappropriated	<b>129,239</b>	157,707	(28,468)		(18%)	<b>6%</b> 8%
Treasury stock	<b>(156,763)</b>	(144,363)	(12,400)		(9%)	<b>(7%)</b> (7%)
<b>Equity Attributable to</b>						
Equity Holders of						
the Parent Company	<b>284,793</b>	326,630	(41,837)		(13%)	<b>12%</b> 16%
Non-controlling Interests	<b>354,359</b>	354,609	(250)		(0%)	<b>15%</b> 17%
<b>Total Equity</b>	<b>639,152</b>	681,239	(42,087)		(6%)	<b>27%</b> 33%
<b>Total Liabilities and Equity</b>	<b>P2,391,825</b>	P2,051,653	P340,172		17%	<b>100%</b> 100%

Consolidated total assets as at December 31, 2022 amounted to P2,391,825 million, P340,172 million higher than December 31, 2021. The increase was primarily due to the higher balance of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P18,184 million was mainly due to net proceeds from the availments of short-term loans and long-term debt, redemption of investment in equity securities and collection of advances for investments. This was partly offset by the capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, acquisition of subsidiaries, payment of lease liabilities and dividends and distributions and repurchase and redemption of equity and capital securities.

The increase in trade and other receivables - net by P76,974 million was mainly attributable to higher trade customer balances from: (a) the Energy business on account of higher average realization prices driven by higher coal prices and overall spot market rates; and (b) Petron brought about by the increase in prices of fuel products.

The increase in inventories by P48,984 million was mainly due to the: (a) higher prices of both crude oil and finished products coupled with higher volume of finished products of Petron; (b) higher prices of imported raw materials and higher level of finished goods relative to increase in demand and prices of the Food division under the Food and Beverage business; and (c) higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P739 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P25,002 million was primarily due to the: (a) higher input taxes of the Energy business from vatable purchases in 2022; (b) additional restricted cash funding by the Energy and Infrastructure businesses for the payment of long-term debt; and (c) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron.

The decrease in investments and advances - net by P22,479 million mainly represents the collection of advances for investment to Bryce Canyon Investments Limited in accordance with an investment agreement executed in 2016. In December 2022, the agreement was terminated as agreed by both parties.

The decrease in investments in equity and debt instruments by P23,045 million mainly represents the redemption of SMC's investments in preferred stocks of Top Frontier partly offset by the investment in debt securities under investment agreement with BankCom by SMB, GSMI and Petrogen Insurance Corporation.

The increase in property, plant and equipment - net by P140,583 million and the decrease in right-of-use assets - net by P51,297 million were mainly due to the reclassification by SPPC of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with PSALM and subsequent acquisition in June 2022, including directly attributable costs. The increase in property, plant and equipment - net was also due to the consolidation of the cement plant and properties of ECC, the costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions under the Food and Beverage business.

The increase in investment property - net by P4,835 million was mainly due to the acquisition of a property in Mandaluyong and reclassification of properties from property, plant and equipment due to change in use by SMPI and acquisition of various properties in Bulacan.

The increase in goodwill - net by P54,019 million mainly represents the goodwill recognized as a result of the consolidation of ECC.

The increase in other intangible assets - net by P58,342 million was mainly due to the: (a) additions to concession rights for the MIA Project and for the various ongoing Infrastructure projects; and (b) the mining rights recognized upon the consolidation of ECC. The increase was partly offset by the total amortization in 2022.

The increase in deferred tax assets by P5,413 million was mainly due to: (a) the recognition by SMC and San Miguel Global Power of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign currency-denominated long-term debt; and (b) the recognition by SMC of deferred tax on the remeasurement of its retirement plan assets.

The increase in loans payable by P76,925 million was mainly due to the net availments by Petron and Food Division for working capital requirements and San Miguel Global Power to partly finance the payment of Series H Bonds in April 2022 and for general corporate requirements.

The increase in accounts payable and accrued expenses by P32,547 million was mainly due to: (a) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects; (b) higher coal purchases of the Energy business on account of the surge in coal prices; and (c) consolidation of the balances of ECC.

The increase in income and other taxes payable by P14,592 million was mainly due to higher VAT and withholding tax payable of the Energy business and higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P259 million was mainly due to payment to preferred shareholders of Petron for dividends which were declared in 2021.

The increase in total long-term debt, net of debt issue costs, by P274,231 million was primarily due to the: (a) issuance of P90,000 million and P40,000 million fixed rate Peso-denominated bonds by SMC and San Miguel Global Power, respectively; (b) the availment by the Group of various foreign and Peso term loans; and (c) the revaluation of foreign currency-denominated loans by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds by SMC, San Miguel Global Power, SMC SLEX and SMB and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P19,517 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized in 2022 by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,445 million was mainly attributable to the recognition of deferred tax benefit on NOLCO by the Energy business partly offset by the deferred tax liability recognized from the differences in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P6,185 million was mainly due to increase in retention payable for: (a) the Mariveles Power Plant and BESS Projects of the Energy business and (b) the land development works for the MIA Project and the increase in retirement liabilities of SMB and SMC as a result of the higher actuarial loss on defined benefit obligation and remeasurement loss on retirement plan assets, respectively.

The decrease in the balance of capital securities by P3,960 million represents the RPS of SMC issued to ECC in 2020 which was eliminated upon consolidation of ECC in 2022.

The decrease in equity reserves by P1,383 million was mainly due to the remeasurement loss on the retirement plan assets of SMC, SMB and Petron partly offset by the gain on exchange differences on the translation of foreign operations in 2022.

The increase in appropriated retained earnings by P4,374 million was due to the appropriations by: (a) Multi-Ventures Investment Holdings, Inc. for the expansion projects located in Cavite; and (b) SMCSLC for the acquisition of new bulk carriers and vessel. The increase was partly offset by the reversal of appropriation for the final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant in June 2022.

The decrease in unappropriated retained earnings by P28,468 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends declared and distributions and the net appropriations in 2022.

The increase in treasury stock by P12,400 million mainly represents the redemption by SMC of the Subseries "2-H" Preferred Shares.

### III. CASH FLOW

#### SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	<b>For the Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>(In Millions)</i>		
Net cash flows provided by (used in) operating activities	<b>P83,096</b>	(P12,393)	P50,138
Net cash flows used in investing activities	<b>(155,457)</b>	(201,528)	(127,572)
Net cash flows provided by financing activities	<b>15,303</b>	224,298	21,096

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

Net cash flows provided by (used in) investing activities are as follows:

	<b>For the Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>(In Millions)</i>		
Additions to:			
Property, plant and equipment	<b>(P71,173)</b>	(P75,986)	(P74,421)
Intangible assets	<b>(64,677)</b>	(58,162)	(26,007)
Advances to contractors and suppliers	<b>(9,448)</b>	(11,449)	(16,067)
Investment property	<b>(5,450)</b>	(4,415)	(6,546)
Investments and advances	<b>(5,271)</b>	(2,432)	(5,223)
Investments in equity and debt instruments	<b>(616)</b>	(12,937)	(6,101)
Increase in other noncurrent assets and others	<b>(15,699)</b>	(6,330)	(7,053)
Interest received	<b>13,396</b>	5,973	3,313
Proceeds from:			
Sale of property and equipment and other intangible assets	<b>1,307</b>	253	1,350
Redemption and disposal of investments in equity and debt instruments	<b>606</b>	35,454	6,509
Disposal of subsidiaries, net of cash and cash equivalents disposed of	<b>418</b>	385	-
Dividends received	<b>1,150</b>	2,452	2,674
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(97,204)	-
Collection of advances for investment	-	22,870	-

Net cash flows provided by (used in) financing activities are as follows:

	<b>For the Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>(In Millions)</i>		
Net proceeds from (payments of) short-term borrowings	<b>(P52,100)</b>	P74,582	P49,599
Cash dividends and distributions paid	<b>(44,145)</b>	(42,123)	(39,310)
Repurchase and redemption of capital securities and preferred shares of subsidiaries	<b>(27,134)</b>	(4,703)	(17,459)
Payments of lease liabilities	<b>(20,995)</b>	(26,031)	(26,151)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	<b>(3,014)</b>	(2,630)	(623)
Net proceeds from long-term borrowings	<b>102,057</b>	237,503	27,358
Net proceeds from reissuance of treasury shares	<b>46,749</b>	-	-
Net proceeds from issuance of capital securities, preferred shares and treasury shares of subsidiaries	<b>13,885</b>	-	61,899
Redemption of preferred shares	-	(12,300)	(34,217)

The effect of exchange rate changes on cash and cash equivalents amounted to P202 million, P7,807 million and P9,159 million in 2023, 2022 and 2021, respectively.

#### IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 million in 2023, 2022 and 2021, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

#### V. KEY PERFORMANCE INDICATORS

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Liquidity:		
Current Ratio	<b>1.12</b>	1.22
Quick Ratio	<b>0.70</b>	0.77
Solvency:		
Debt to Equity Ratio	<b>2.70</b>	2.74
Asset to Equity Ratio	<b>3.70</b>	3.74
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	<b>0.07%</b>	(4.24%)
Interest Rate Coverage Ratio	<b>1.80</b>	1.66
Return on Assets	<b>1.84%</b>	1.20%
Operating Efficiency:		
Volume Growth	<b>6%</b>	20%
Revenue Growth (Decline)	<b>(4%)</b>	60%
Operating Margin	<b>10%</b>	7%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets} - \text{Inventories} - \text{Current Portion of Biological Assets} - \text{Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

KPI	Formula
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Volume Growth	$\left( \frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

## VI. OTHER MATTERS

### ▪ Commitments

The outstanding purchase commitments of the Group amounted to P248,484 million as at December 31, 2023.

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

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position, Financial Performance and Cash Flows.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- There are no significant elements of income or loss that did not arise from continuing operations.
- Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.