PUBLISHED REPORT

PhilRatings PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT
	SAN MIGUEL CORPORATION

Date: July 23, 2026
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MONITORING OF ISSUE CREDIT RATING

Amount (in Billions PHP)	Tenor	Interest Rate	Issue Date	Maturity Date	Assigned Rating and Outlook
Series C 6.02266	10 years	5.7613%	March 1, 2017	March 1, 2027	PRS Aaa Stable Outlook
Series G 4.41590	10 years	7.1250%	March 19, 2018	March 19, 2028	
Series I 18.76019	6 years	7.4650%	July 8, 2021	July 8, 2027	
Series J 17.44000	5 years	5.2704%	March 4, 2022	March 4, 2027	
Series K 12.56000	7 years	5.8434%	March 4, 2022	March 4, 2029	
Series L 27.10055	5.25 years	7.4458%	December 14, 2022	March 14, 2028	
Series M 9.71226	7 years	7.8467%	December 14, 2022	December 14, 2029	
Series N 23.18179	10 years	8.4890%	December 14, 2022	December 14, 2032	
Series O 13.00000	6.5 years	7.2584%	July 3, 2024	January 3, 2031	
Series P 7.00000	10 years	7.7197%	July 3, 2024	July 3, 2034	
Total: ₱139.19875 billion					

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings.

A **Stable Outlook**, on the other hand, indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

OUTSTANDING PRS-RATED ISSUANCES AND ISSUER CREDIT RATING OF RELATED COMPANIES

San Miguel Food and Beverage, Inc. (SMFB) – SMFB was 88.76%-owned by San Miguel Corporation (SMC) as of end-2025.

Amount (in Billions PHP)	Tenor	Interest Rate	Issue Date	Maturity Date	Outstanding Rating and Outlook
Series B 7.00000	7 years	5.25%	March 10, 2020	March 10, 2027	PRS Aaa Stable Outlook
Total: ₱7.0 billion					

Petron Corporation (Petron) – Petron was 71.82%-owned by SMC as of end-2025.

Amount (in Billions PHP)	Tenor	Interest Rate	Issue Date	Maturity Date	Outstanding Rating and Outlook
Series F 9.00000	6 years	4.3368%	October 12, 2021	October 12, 2027	PRS Aaa Stable Outlook
Series G 15.91000	5 years	6.59450%	July 7, 2025	July 7, 2030	
Series H 4.60400	7 years	6.97610%	July 7, 2025	July 7, 2032	
Series I 11.48600	10 years	7.38960%	July 7, 2025	July 7, 2035	
Total: ₱41.0 billion					

San Miguel Global Power Holdings Corp. (SMGP; formerly SMC Global Power Holdings Corp.) – SMGP was wholly-owned by SMC as of end-2025.

Amount (in Billions PHP)	Tenor	Interest Rate	Issue Date	Maturity Date	Outstanding Rating and Outlook
Series F 3.60902	10 years	6.6250%	December 22, 2017	December 22, 2027	PRS Aaa Stable Outlook
Series L 25.00000	5.75 years	7.1051%	July 26, 2022	April 26, 2028	
Series M 10.00000	10 years	8.0288%	July 26, 2022	July 26, 2032	
Series N 14.60742	5.25 years	7.62640%	April 17, 2026	July 17, 2031	
Series O 5.50489	7 years	7.86820%	April 17, 2026	April 17, 2033	
Series P 9.88769	10 years	8.17610%	April 17, 2026	April 17, 2036	
Total: ₱68.60902 billion					

SMC Tollways Corporation (SMC Tollways) – SMC Tollways was wholly-owned by Atlantic Aurum Investments B.V. (AAIBV) as of end-June 2025. AAIBV, in turn, was 95%-owned by San Miguel Holdings Corporation (SMHC), a wholly-owned subsidiary of SMC.

Amount (in Billions PHP)	Tenor	Interest Rate	Issue Date	Maturity Date	Outstanding Rating and Outlook
Series A 10.5601	5.25 years	6.4783%	December 5, 2024	March 5, 2030	PRS Aaa Stable Outlook
Series B 5.89895	7 years	6.7026%	December 5, 2024	December 5, 2031	
Series C 18.54095	10 years	6.9331%	December 5, 2024	December 5, 2034	
Total: ₱35.0 billion					

Bank of Commerce (BankCom) – As of end-2025, BankCom was 31.91%- and 4.86%-owned by San Miguel Properties, Inc. (SMPI) and SMC Equivest Corporation (SMCEC), respectively. SMPI and SMCEC are both wholly-owned subsidiaries of SMC. SMC Retirement Plan, an affiliate of SMC and the registered retirement plan of SMC Group employees, also had a 30.83% stake in BankCom.

Type of Rating	Outstanding Rating and Outlook
Issuer Credit Rating	PRS Aa plus (corp.) Stable Outlook

RATIONALE

The assigned ratings and the corresponding Outlook take into account SMC's:

1. **Diversified portfolio that includes market-leading businesses**

   SMC has built a highly diversified portfolio of businesses which includes food and beverage, packaging, energy, fuel and oil, infrastructure, cement, property, and banking services. Over the years, its key businesses have established solid market leadership, supported by strong brand equity and proven track record.

2. **Solid leadership, with a well-defined succession program**

   SMC's management is composed of highly skilled and well-experienced professionals, with a track record of successfully steering the conglomerate through various economic and industry highs and lows. The Company is led by Mr. Ramon S. Ang, SMC's Chairman and Chief Executive Officer (CEO). Mr. Ang is largely credited with the successful diversification of SMC outside of the food and beverage business.

   In June 2024, Mr. John Paul L. Ang, the eldest son of Mr. Ramon S. Ang, was elected as President and Chief Operating Officer (COO) of SMC. In May 2026, he was further elected as the President and CEO of Petron. He is also the President and CEO of SMFB since 2024, Eagle Cement Corporation since 2008, and Solid North Mineral Corp. and Southwestern Cement Corporation since 2017. He is moreover the President of San Miguel Equity Investments Inc. (SMEII) since 2023.

His steady rise to senior leadership positions within the SMC Group over the years reflects the Group’s strategy on business continuity, supported by a clear succession plan.

3. Sustained profitability, albeit higher charges and non-recurring transactions affected bottom line

Consolidated sales expanded by 8.9% to ₱1.6 trillion in 2024, attributed to stronger sales volume growth across all major business segments. Gross profit amounted to ₱263.4 billion, higher by 10.5% than in 2023, supported by higher top line. Net other charges, however, amounted to ₱16.5 billion in 2024, contrasting with the net Other Income of ₱4.1 billion in 2023. The charges were primarily due to foreign exchange (forex) losses that resulted from the revaluation of foreign currency-denominated long-term debt against the backdrop of the Philippine Peso depreciation. Consequently, consolidated net income dropped by 18.0% to ₱36.7 billion in 2024. Net profit margin also decreased from 3.1% to 2.3%.

Consolidated net income significantly recovered in 2025, ballooning by 158.2% to ₱94.7 billion. The jump was attributed to the one-time gain from the deconsolidation of power subsidiaries and improved performance of key businesses. Excluding the one-time gain, net income would still record a significant growth of 98.4% to ₱72.7 billion.

Consolidated sales went up by 18.7% to ₱428.3 billion in the first three months of 2026 (3M2026). Such was backed by higher revenues from the Fuel and Oil, Energy, and Food businesses. Gross profit margin slightly improved from 19.3% in 3M2025 to 19.9% in 3M2026. The substantial charges for the period, however, reduced net profit margin from 12.0% in 3M2025 to 5.2% in 3M2026. Net other charges amounted to ₱17.6 billion, a significant turnaround from the net Other Income of ₱25.3 billion in the same period last year. The net charges were due to the exclusion of the one-time gain recognized in the previous year, as well as the recognized forex loss for the period, in contrast to the forex gain last year. Given such, consolidated net income posted a 48.2% decline to ₱22.5 billion in 3M2026, compared with a net income of ₱43.3 billion in 3M2025. Excluding the one-time gain recorded in 3M2025, net profit margin for the period would have been 5.9%, and which is more comparable with the net profit margin of 5.2% in 3M2026. Moreover, the decline in net income in 3M2026 from the recomputed 3M2025 net income would be tempered to 4.7%.

Continued core business expansion and enhancement projects will be supportive of top line growth going forward. Combining such with cost control measures, margins will stay within historical levels.

4. Ample liquidity, supported by stable cash flow generation

Net cash from operating activities remained robust at ₱101.6 billion in 2024 and ₱157.2 billion in 2025. Generated cash was mainly backed by higher pre-tax income and positive cash movements from working capital changes. SMC also acquired additional cash from financing activities in 2024 amounting to ₱78.3 billion, the bulk of which came from long-term borrowings. In 2025, however, the Company redeemed preferred shares and repurchased capital securities. Such resulted in a net cash outlay for financing activities of ₱73.0 billion in 2025. Cash used for investing activities amounted to ₱149.4 billion in 2024 and ₱28.6 billion in 2025.

Year-end cash and cash equivalents grew by 12.4% to ₱293.7 billion as of end-2024, and further by 19.8% to ₱351.7 billion as of end-2025. Current ratio inched up from 1.1x as of end-2023 to 1.2x as of end-2024, and then remained at the same level as of end-2025.

In 3M2026, cash continued to primarily come from operating activities amounting to ₱51.7 billion. Net cash from financing activities of ₱35.2 billion also bolstered funds. Generated cash was used in disbursements relating to investing activities, totaling ₱22.1 billion. Given the foregoing, cash and cash equivalents stood at ₱424.5 billion as of end-March 2026, expanding by 20.7% from end-2025. Current ratio remained adequate at 1.2x.

Moving forward, cash flows are expected to be healthy, backed by sound profitability. SMC is seen to be in a good position to service its debt obligations throughout the projected period.

BUSINESS RISK

Company Profile

SMC is one of the Philippines' largest and most diversified conglomerates. Having started as a single-product brewery in 1890, the Company has expanded its business interests to various sectors, such as food and beverage, packaging, energy, fuel and oil, infrastructure, cement, property, and banking services. SMC's portfolio includes companies with strong brand recognition and well-entrenched market leadership in their respective industries. In 2025, the SMC Group's ₱1.5 trillion revenues represented approximately 5.3% of the country's Gross Domestic Product (GDP).

With the Company's implementation of its business diversification strategy in 2008, SMC has directed its resources into what it views as attractive growth sectors. This strategy, along with the pursuit of growth plans for each business, has enabled and is seen to support the continuous expansion and diversification of SMC's revenue streams, mitigating the impact of crises and downturns.

Analysts' note: Please refer to Annex A for the group structure of the SMC conglomerate, showing its major subsidiaries, associates, and joint ventures as of end-2025.

Table 1. Major Businesses of SMC

Industry	Companies	SMC's Effective Ownership	Market Position
Food and Beverage	SMFB and subsidiaries	88.76%	Food: comprised of leading food companies that offer some of the most recognizable brands in various product categories of the domestic food industry (e.g., Magnolia, Monterey, Purefoods, B-Meg, Star and Dari Crème) Beverage: includes the country's largest beer producer and the world's largest gin producer by volume.[1]

[1] SMC Annual Report 2025

Industry	Companies	SMC's Effective Ownership	Market Position
Packaging	- San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries - San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries - Mindanao Corrugated Fireboard, Inc. (Mincorr)	65.00% 65.00% 100.00%	The Packaging Group manages one of the largest packaging operations in the Philippines. It offers packaging solutions and provides services to major food, beverages, pharmaceutical, chemical, and personal care manufacturers in the region. The Packaging Group is the major source of packaging requirements of the other business units in the SMC Group.
Energy	SMGP and subsidiaries	100.00%	One of the country's largest power companies, controlling 5,710 megawatts (MW) of combined capacity from diversified fuel sources. The installed generating capacity of SMGP accounts for approximately 20% of the National Grid, 25% of the Luzon Grid, 5% of the Visayas Grid, and 9% of the Mindanao Grid as of end-2025.
Fuel and Oil	SEA Refinery Corporation and subsidiary: Petron and subsidiaries	100.00% 71.8%	Petron is the largest oil refining and marketing company in the Philippines. As of end-June 2025, it accounted for 27.8%[2] of the country's petroleum product market and 25.1% of its LPG market.[3] Petron is also a leading player in the Malaysian market.
Infrastructure	San Miguel Holdings Corp. (SMHC; *doing business under the name and style of SMC Infrastructure*) and subsidiaries	100.00%	Handles the construction, management, and operations of the country's largest infrastructure network. SMHC's portfolio includes: the Tarlac-Pangasinan-La Union Expressway (TPLEX), the Southern Tagalog Arterial Road (STAR), the South Luzon Expressway (SLEX), the Skyway System, the NAIA Expressway (NAIAX), the Boracay Airport, and the Bulacan Bulk Water Supply Project. Major ongoing projects include: the Metro Rail Transit Line 7 (MRT-7), various toll roads, the Manila International Airport (MIA), and the Ninoy Aquino International Airport (NAIA) rehabilitation.
Cement	SMEII and subsidiaries	100.00%	Owns and operates fully-integrated cement production facilities, with a combined annual rated cement product capacity of around 17.5 million metric tons per year (MTPY) of finished cement.

[2] https://www.foi.gov.ph/documentview/view/foi-01-doe-155816361412-2025-petroleum-product-market-share-2026-01-13-002-dr/

[3] https://mb.com.ph/2026/03/03/petron-hits-record-p156-billion-profit-in-2025-as-sales-volumes-rise

Table 2. Revenue Contribution per Operating Segment in 2023–2025

Revenues (in Millions PHP)	2023	% of Total	2024	% of Total	2025	% of Total
Food and Beverage	379,822	26.3%	400,872	25.4%	419,060	28.2%
Packaging	38,379	2.7%	40,162	2.5%	40,359	2.7%
Energy	169,590	11.7%	205,091	13.0%	157,208	10.6%
Fuel and Oil	801,027	55.4%	867,966	55.1%	809,766	54.5%
Infrastructure	34,984	2.4%	37,523	2.4%	40,152	2.7%
Cement	37,231	2.6%	34,934	2.2%	33,163	2.2%
Real Estate and Others	64,291	4.4%	64,761	4.1%	65,873	4.4%
Eliminations	(78,621)	-5.4%	(75,930)	-4.8%	(80,236)	-5.4%
TOTAL	**1,446,703**	**100.0%**	**1,575,379**	**100.0%**	**1,485,345**	**100.0%**

Table 3. Revenue Contribution per Operating Segment in 3M2025 and 3M2026

Revenues (in Millions PHP)	3M2025	% of Total	3M2026	% of Total
Food and Beverage	98,878	27.4%	103,102	24.1%
Packaging	8,971	2.5%	8,924	2.1%
Energy	42,497	11.8%	53,617	12.5%
Fuel and Oil	194,376	53.9%	246,019	57.4%
Infrastructure	9,732	2.7%	10,438	2.4%
Cement	8,934	2.5%	9,243	2.2%
Real Estate and Others	15,054	4.2%	16,267	3.8%
Eliminations	(17,531)	-4.9%	(19,289)	-4.5%
TOTAL	**360,911**	**100.0%**	**428,321**	**100.0%**

SMC's Fuel and Oil business remained as the biggest revenue contributor in 2024 and 2025, albeit revenue share slightly decreased to 55.1% in 2024 and 54.5% in 2025. The Food and Beverage business followed, growing its contribution from 25.4% to 28.2% in 2025. The Energy business came third, with its 13.0% share in 2024 and lower contribution of 10.6% in 2025. The rest of SMC's businesses had shares of less than 5.0%.

In 3M2026, top revenue contributors continued to be the Fuel and Oil, Food and Beverage, and Energy segments. The Fuel and Oil segment's share of total revenues increased to 57.4%. Food and Beverage's contribution went down to 24.1%, while the Energy segment's share inched up to 12.5%.

Table 4. Operating Income Contribution per Operating Segment in 2023-2025

Operating Income (in Millions PHP)	2023	% of Total	2024	% of Total	2025	% of Total
Food and Beverage	48,411	33.5%	55,792	34.7%	61,040	33.6%
Packaging	1,915	1.3%	2,600	1.6%	2,694	1.5%
Energy	32,526	22.5%	40,457	25.2%	43,770	24.1%
Fuel and Oil	30,713	21.3%	29,223	18.2%	37,323	20.6%
Infrastructure	18,164	12.6%	20,291	12.6%	22,081	12.2%
Cement	5,980	4.1%	6,550	4.1%	6,287	3.5%
Real Estate and Others	6,648	4.6%	5,610	3.5%	8,137	4.5%
Eliminations	128	0.1%	293	0.2%	254	0.1%
TOTAL	**144,485**	**100.0%**	**160,816**	**100.0%**	**181,586**	**100.0%**

Table 5. Operating Income Contribution per Operating Segment in 3M2025 and 3M2026

Operating Income (in Millions PHP)	3M2025	% of Total	3M2026	% of Total
Food and Beverage	15,204	33.3%	15,729	26.4%
Packaging	788	1.7%	715	1.2%
Energy	10,688	23.4%	28,109	47.1%
Fuel and Oil	9,472	20.8%	6,063	10.2%
Infrastructure	5,343	11.7%	5,961	10.0%
Cement	1,626	3.6%	1,674	2.8%
Real Estate and Others	1,531	3.4%	1,422	2.4%
Eliminations	953	2.1%	(52)	-0.1%
TOTAL	**45,605**	**100.0%**	**59,621**	**100.0%**

In terms of income from operations, the Food and Beverage business was the top contributor for the past three years, with its share averaging 33.9%. The Energy segment followed with an average share of 23.9%, and then the Fuel and Oil business with 20.0%. It is worth noting that in 3M2026, the biggest contributor was the Energy segment with its 47.1% share, overtaking Food and Beverage's 26.4% share. Fuel and Oil remained at the third spot, albeit its share halved from 20.8% in 3M2025 to 10.2%.

Analysts' Note: The financial performance of SMC and its major business segments will be discussed in detail in the next sections of the report.

<u>Recent Developments</u>

First-ever Preferred Share Exchange in the Philippine market

In October 2025, SMC conducted a maiden preferred shares exchange offering, the first of its kind by a private company in the Philippine Capital Market. The Company's ₱18.86 billion exchange offer covered its Series 2-P, 2-Q, and 2-R preferred shares, allowing holders of the Company's Series 2-J and 2-K preferred shares to swap their investments on a one-for-one basis instead of waiting for redemption. This exchange offer gave SMC's investors the opportunity to reduce investment friction and opportunity costs.

At the same time, SMC launched a ₱30 billion public offer of preferred shares—Series 2-S, 2-T, and 2-U—with a ₱20 billion base offer and a ₱10 billion oversubscription option. Priced at ₱75 each, the offer of 400 million new preferred shares was oversubscribed by 1.5x[4]. Proceeds will be used to refinance at least ₱16.75 billion in short-term debt, as well as for investments in its airports and tollways businesses.[5]

Maiden Drawdown from Japanese Yen (JPY) Denominated Term Loan Facilities

On May 8, 2025, SMC drew a total of JPY61.6 billion from Facility A and Facility B of its term loan facilities, which were signed on March 13, 2025. The term of Facility A is three years, with an option to extend for an additional two years, while the term of Facility B is five years. Both facilities are subject to floating interest rates. The proceeds of the loan were used for general corporate purposes. Such transaction represents the Group's maiden foray into the Yen market, further diversifying its sources of liquidity.

Planned Preferred Shares Issuance[6]

SMC is planning to offer 266.67 million new Series 2 preferred shares, valued at ₱75 each, with an oversubscription option of up to 133.33 million shares. The shares will be issued in three subseries—2-V, 2-W and 2-X.

Proceeds from the base offer will partly support the development of the NMIA project in Bulacan, as well as the refinancing of maturing debt obligations such as SMC's Series J and Series C bonds due in March 2027. Additional proceeds from the oversubscription option will be allocated for the repayment of short-term bridge loans, including borrowings from BDO Unibank Inc.

The offer period is scheduled from July 15 to July 23. The preferred shares are then targeted to debut on the Philippine Stock Exchange (PSE) on August 3.

Management

SMC is managed by officers who are considered well-seasoned and competent, with established track record of successfully steering the Company through various economic and industry highs and lows.

In December 2024, the Securities and Exchange Commission (SEC) approved the Amended By-Laws of SMC that delineates and identifies the role, functions and duties of the Chairman and CEO and that of the President and COO. The amendments stated that the position of Chairman will be merged with the position of CEO, while the position of President and CEO will be delineated in the position of President and COO.

On June 11, 2024, Mr. John Paul L. Ang, the eldest son of Mr. Ramon S. Ang, was elected as President and COO of SMC. He was elected as a Director of the Company on January 21, 2021, and has been a member of the Board of Directors for five years. In May 2026, Mr. John Paul Ang was elected as the President and CEO of Petron. He is also the President and CEO of SMFB since 2024, Eagle Cement Corporation since 2008, and Solid North Mineral Corp. and Southwestern Cement Corporation since 2017. He is also

[4] https://corporate.pse.com.ph/san-miguel-corporation-lists-maiden-exchange-offering-and-follow-on-offering-series-2-preferred-shares/
[5] https://mb.com.ph/2025/10/24/smc-pioneers-share-swap-lists-49-billion-preferred-shares-to-fund-mega-projects
[6] https://business.inquirer.net/593121/san-miguel-files-for-p30-b-preferred-share-offering

President of SMEII. His steady rise to senior leadership positions within the SMC Group over the years reflects the Group's strategy on business continuity through a well-streamlined succession planning. Mr. John Paul Ang concurrently holds Directorships in other listed SMC subsidiaries—Petron, SMFB, and Ginebra San Miguel, Inc. (GSMI)—and SMC's Parent, Top Frontier Investment Holdings, Inc. He is also the Vice Chairman of SMGP since 2021. He is the Chairman, President and Managing Director of San Miguel Brewing International Limited. He is also a director of San Miguel Brewery Inc., SMC Tollways Corporation, San Miguel Aerocity, Inc., Trans-Aire Development Holdings Corp., and SMC SLEX Inc. Additionally, Mr. Ang also holds Directorships in various SMC international subsidiaries.

Mr. Ramon S. Ang is the Chairman and CEO of the Company since June 11, 2024. Prior to this position, he served as President and CEO of SMC since November 2, 2021. He was also the Vice Chairman of SMC from January 28, 1999 until June 11, 2024.

Effective February 1, 2025, Mr. Bryan U. Villanueva and Mr. Joseph N. Pineda were appointed as SMC's Chief Finance Officer (CFO) and Treasurer, respectively, replacing Mr. Ferdinand K. Constantino. These positions were occupied by Mr. Constantino prior to his retirement. On June 10, 2025, Mr. Pineda was elected as a Director of SMC. He concurrently holds Directorships in various SMC subsidiaries. Mr. Pineda has a Bachelor of Arts in Economics degree from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. Similarly, Mr. Villanueva was elected as a Director of SMC. He obtained a BS Management Engineering from degree Ateneo de Manila University in 1991. He also has a Master in Business Administration degree, Major in Finance, from Wharton Business School.

Ms. Cecile L. Ang, the eldest daughter of Mr. Ramon S. Ang, was elected as a Director of SMC on June 10, 2025. She has been a director of GSMI since May 30, 2024, as well as of other subsidiaries of SMC. She is also a Director of the PSE. Ms. Ang chairs the San Miguel Foundation Inc. She obtained her Bachelor of Arts in European Studies degree from Ateneo de Manila University.

As of end-2025, the SMC Group had a total of 55,024 regular employees. There were 5,192 labor union members, representing around 9% of the total workforce, with 34 collective bargaining agreements (CBAs).

Strategy and Environmental, Social, and Governance (ESG) Initiatives

In 2025, SMC completed a Physical Climate Risk assessment for its major operating assets and progress on its Roadmap to Net Zero. Renewable energy capacity was strengthened by four hydro projects with 4,200 MW as well as three solar projects with 2,225 MW. Cement operations implemented raw material and fuel substitution alongside the adoption of renewable energy and energy efficiency projects. For its Fuel and Oil segment, Petron's Coco Methyl Ester (CME) plant will increase its production of biodiesel.

SMC also implemented an ESG checklist for its capital investments to support resilience through cost reduction and operations improvement projects. Workshops and forums related to Carbon Markets and Supplier Sustainability were held to enhance understanding of carbon pricing, promote the alignment of contracted suppliers to ESG initiatives, among others.

Virgilio S. Jacinto, Compliance Officer, ensures adherence to corporate principles and best practices. Mr. Jacinto has been the Compliance Officer of SMC since October 2010.

In response to the disruptions on account of the ongoing war between the US-Israel and Iran, SMC continues to assess its potential implications on operations. War-related risks include higher fuel and commodity prices, increased freight costs, forex volatility, and potentially softer consumer demand. Nevertheless, the conglomerate's diversified portfolio, supported by its strong domestic operating footprint across various key businesses as well as established risk management measures, are seen to temper these risks.

- Fuel and Oil – The segment has established its supply lines, tapping non-Middle East suppliers as needed, and now maintains adequate and optimal inventory levels. Positively, while there was a slight contraction initially, overall demand for oil remains strong, particularly compared with COVID-19 levels. The Company is also currently benefitting from favorable refining margins. Petron stated that there are no issues in terms of supply at present, although prices remain elevated due to challenges in the operating environment.

  In relation to the resulting increase in working capital requirements, Petron has successfully secured credit lines from various banks. The company also secured a ₱15.0 billion short-term revolving credit facility from the Maharlika Investment Corporation (MIC), reflecting government support amid a volatile supply situation. Additionally, Petron is allowed to pass on some operating costs to consumers through weekly price calibrations coordinated with the Department of Energy (DOE).

- Power – Operations of the Power business are not expected to be materially affected as coal remains largely sourced from outside the Middle East, and which is supported by long-standing supplier relationships. Offtake arrangements, which include fuel cost and forex pass through mechanism, also help mitigate market volatility.

- Infrastructure – Overall traffic is seen to remain resilient. Any potential increase in fuel and construction-related costs is likewise expected to remain manageable at the present time.

- Food and Beverage – Current cost coverage and secured inventory positions help limit near-term exposure. Key inputs for product lines are also sourced locally. While Beer and Spirits operations may face indirect pressure given rising inflation costs, higher input and distribution costs, and possible softened consumer demand, management continues to closely monitor and manage effects through pricing, cost discipline, and portfolio measures.

SMC continues to implement prudent risk-mitigating measures, including supply chain diversification, inventory management, hedging, disciplined capital and operating expenditure management, as well as strict financial and risk controls. Additionally, the Company believes that its strong fundamentals, scale, operational resilience, and diversified portfolio will allow it to navigate near-term external challenges.

Updates on Major Businesses

Food and Beverage

Table 6. SMFB's Financial Highlights for 2023–2025

In Millions PHP	2023	2024	2025	% Change 2024	% Change 2025
Revenues	379,822	400,872	419,060	5.5%	4.5%
Cost of Sales	279,222	289,940	298,700	3.8%	3.0%
Operating Income	48,411	55,792	61,040	15.3%	9.4%
Net Income	38,105	40,933	46,280	7.4%	13.1%

SMFB's consolidated revenues increased by 5.5%, from ₱379.8 billion in 2023 to ₱400.9 billion in 2024, driven by higher sales volume and better selling prices across its business segments. Of the total, the Food segment accounted for the largest share of 46.1%. This was followed by the Beer and NAB segment with share 38.3% and the Spirits segment with 15.6% share. Consolidated cost of sales, on the other hand, inched up by 3.8%, from ₱279.2 billion to ₱289.9 billion, due to higher sales volume, increased manufacturing expenses, and elevated excise tax rates in the Beer and NAB as well as Spirits segments. Gross profit rose by 10.3%, from ₱100.6 billion to ₱110.9 billion. SMFB's operating income grew by 15.3%, from ₱48.4 billion in 2023 to ₱55.8 billion in 2024. Net income increased by 7.4%, from ₱38.1 billion to ₱40.9 billion. Net profit margin, meanwhile, marginally improved from 10.0% to 10.2%.

In 2025, the company sustained its growth momentum, with revenues increasing by 4.5% to ₱419.1 billion, supported by sales volume growth and improved selling prices. The Food segment continued to account for the largest share of total revenues at 46.8%, followed by the Beer and NAB segment at 37.1% and the Spirits segment at 16.1%. Cost of sales grew by a slower 3.0% to ₱298.7 billion, driven by increased sales volume, manufacturing expenses, and excise taxes in the Beer and NAB and Spirits segments. Gross profit rose by 8.5% to ₱120.4 billion. Despite an 8.0% increase in selling and administrative expenses due to volume growth initiatives and higher depreciation and manpower-related costs, operating income managed to increase by 9.4% to ₱61.0 billion. Net income further rose by 13.1% to ₱46.3 billion, on account of higher operating income coupled with the improvement in Other Income. Net profit margin also improved to 11.0%.

Table 7. SMFB's Financial Highlights for 3M2025 and 3M2026

In Millions PHP	3M2025	3M2026	% Change
Revenues	98,878	103,102	4.3%
Cost of Sales	70,317	73,217	4.1%
Operating Income	15,204	15,729	3.5%
Net Income	11,582	11,783	1.7%

SMFB recorded consolidated revenues of ₱103.1 billion in 3M2026, 4.3% higher than the ₱98.9 billion generated in the same period in 2025. This was primarily attributable to favorable selling prices across all businesses and stronger volume growth in the Food segment. The Beer and NAB, Spirits, and Food segments accounted for 35.7%, 16.2%, and 48.1% of consolidated revenues, respectively. Consolidated cost of sales slightly increased by 4.1%, from ₱70.3 billion in 3M2025 to ₱73.2 billion in 3M2026, due to higher sales volume, annual increases in excise taxes, and elevated input costs. As a result, gross profit went up by 4.6% to ₱29.9 billion.

The combination of 3.5% marginal increase in operating income, 12.0% drop in financing charges, and 9.0% decrease in interest income, resulted in minimal net income growth of 1.7%, from ₱11.6 billion in 3M2025 to ₱11.8 billion in 3M2026. Net profit margin slightly declined from 11.7% in 3M2025 to 11.4% in 3M2025.

a) Beer and NAB Segment (San Miguel Brewery Inc. – SMB)

Table 8. SMB's Financial Highlights for 2023–2025

In Millions PHP	2023	2024	2025	% Change	
				2024	2025
Revenues	147,347	153,362	155,437	4.1%	1.4%
Domestic	131,695	137,536	139,057	4.4%	1.1%
International	15,652	15,826	16,380	1.1%	3.5%
Cost of Sales	93,015	96,298	96,346	3.5%	0.1%
Operating Income	31,408	33,422	32,859	6.4%	-1.7%
Net Income	25,322	25,625	26,494	1.2%	3.4%

Analysts' Note: Movements in international revenues may differ due to forex effects.

SMB posted a 4.1% growth in its consolidated revenues to ₱153.4 billion in 2024, from ₱147.3 billion in the prior year. This was mainly driven by the full-year impact of the price adjustments implemented in 2023 and 2024. The price increases implemented in March 2023 and September 2024, along with favorable sales volume, led domestic operations' revenues to increase by 4.4% to ₱137.5 billion in 2024. For SMB's international operations, San Miguel Brewing International Limited's (SMBIL) revenues slightly declined by 1.4% to $276.5 million due to lower volumes, unfavorable sales mix, and the appreciation of the US Dollar against most local currencies.

Cost of sales increased by 3.5% to ₱96.3 billion in 2024, primarily attributable to the increase in excise taxes for fermented liquors in the Philippines from ₱41.0 per liter in 2023 to ₱43.0 per liter effective January 1, 2024. Selling and administrative expenses likewise registered a 3.1% uptick to ₱23.6 billion in 2024. Nevertheless, operating income grew by 6.4%, from ₱31.4 billion in 2023 to ₱33.4 billion in 2024.

In terms of Other Income, SMB recorded a 63.9% decline to ₱484.0 million given the recognition of a Tax Credit Certificate issued by the BIR for the 2012 San Mig Light tax case in 2023. Impairment losses related to the fixed assets and spare parts of San Miguel Brewery Hong Kong Limited (SMBHK), amounting to ₱673.0 million, was also recognized in 2024. The company reported a 1.2% increase in net income from ₱25.3 billion in 2023 to ₱25.6 billion in 2024. Net profit margin, however, slightly declined from 17.2% to 16.7%.

SMB's consolidated revenues continued to register growth in 2025, increasing slightly by 1.4% to ₱155.4 billion, on account of the full-year impact of the price increase implemented in 2024. Revenues from domestic operations grew by 4.4% to ₱139.1 billion on the back of higher sales volume and selling price adjustment. Revenues from international operations rose by 2.9% to $285.0 million due to a 3.7% increase in sales volume, partly offset by an unfavorable market mix and the impact of weaker local currencies against the US Dollar.

Consolidated cost of sales was flat at ₱96.3 billion in 2025, as favorable materials and supply costs partly offset the impact of higher excise taxes implemented in January 2025. Given higher personnel expenses, contracted services, provision for deferred containers, and increased depreciation and amortization in 2025, selling and administrative expenses increased by 11.0% to ₱26.2 billion. Operating income declined by 1.7% to ₱32.9 billion.

Overall net income of the Beer and NAB Segment was 3.4% higher at ₱26.5 billion in 2025, supported by lower interest expense and higher Other Income. Net profit margin correspondingly improved to 17.0% in 2025.

Table 9. SMB's Financial Highlights for 3M2025 and 3M2026

In Millions PHP	3M2025	3M2026	% Change
Revenues	36,297	36,751	1.3%
Domestic	31,957	32,722	2.4%
International	4,340	4,029	-7.2%
Cost of Sales	22,410	22,810	1.8%
Operating Income	8,215	7,925	-3.5%
Net Income	6,572	6,248	-4.9%

Analysts' Note: Movements in international revenues may differ due to forex effects.

In 3M2026, the Beer and NAB segment's revenues marginally grew by 1.3% to ₱36.8 billion. Domestic revenues increased by 2.4% to ₱32.7 billion, supported by the increase in selling price that was implemented in January 2026. In contrast, SMBIL's revenues declined by 9.0% to $68.3 million due to lower export volumes following disruptions in the Middle East arising from the US-Israel-Iran conflict, partly offset by a favorable market mix.

Cost of sales inched up by 1.8% to ₱22.8 billion due to higher excise taxes for fermented liquors in the Philippines. Selling and administrative expenses rose by 6.1% to ₱6.0 billion, due to hikes in depreciation and amortization as well as advertising and promotional expenses. Operating income therefore declined by 3.5% to ₱7.9 billion.

Net income declined by 4.9% to ₱6.2 billion. This translated to a lower net profit margin of 17.0% in 3M2026, from 18.1% in 3M2025.

New Products

In 2024, the Beer and NAB launched San Miguel Chocolate Lager, a limited-edition dark beer with rich chocolate and caramel notes. It also introduced packaging innovations, including new can and bottle formats for selected products such as San Miguel Cerveza Blanca, San Miguel Cerveza Negra, San Mig Zero, and Red Horse.

In 2025, SMB introduced San Miguel Mango Yuzu, a limited-edition Belgian-style wheat beer infused with natural mango and yuzu flavors and real fruit juice. The Company also launched San Miguel Flavored Beer Apple in Taiwan and Dragon Yue X in South China, while expanding its international portfolio through the introduction of San Miguel Cerveza Blanca and San Miguel Cerveza Negra in the United Arab Emirates and San Mig Light in Mongolia. For its NAB portfolio, Magnolia Fruit Drink Grape and Mango variants were transitioned to the Magnolia Healthtea brand.

Other Developments

SMB continues to strengthen its operational footprint, with the commissioning of the Lucanin Malt Terminal in Bataan and the on-track installation of a new canning line in Mandaue, Cebu.

b) Spirits Segment (Ginebra San Miguel, Inc. – GSMI)

Table 10. GSMI's Financial Highlights for 2023–2025

In Millions PHP	2023	2024	2025	% Change	
				2024	2025
Revenues	53,639	62,505	67,354	16.5%	7.8%
Cost of Sales	40,835	47,270	49,847	15.8%	5.5%
Operating Income	6,835	8,596	10,380	25.8%	20.8%
Net Income	7,046	7,257	8,677	3.0%	19.6%

GSMI reported consolidated revenues of ₱62.5 billion in 2024, a 16.5% increase from ₱53.6 billion in 2023. This was primarily driven by overall volume growth and price increases implemented during the period. The company's improved performance was backed up by sustained consumer demand and strong brand equity.

Cost of sales likewise grew by 15.8%, from ₱40.8 billion in 2023 to ₱47.3 billion in 2024, mainly due to higher excise taxes and input costs. Selling and administrative expenses also rose by 11.2% to ₱6.6 billion, largely due to higher advertising and promotion expenses, delivery and marketing costs, and personnel expenses. Operating income increased by 25.8%, from ₱6.8 billion in 2023 to ₱8.6 billion in 2024.

Despite lower Other Income due to the absence of the one-time gain from the assignment of product rights to Don Papa products recognized in 2023, GSMI's consolidated net income managed to slightly go up by 3.0% to ₱7.3 billion in 2024. Net profit margin, however, declined from 13.1% to 11.6%.

In 2025, GSMI's topline further climbed by 7.8% to ₱67.4 billion, propelled by price adjustments and modest growth in sales volume. Cost of sales grew at a slower pace of 5.5% to ₱49.8 billion, as lower raw material costs resulting from diversified sourcing and improved recovery yields partly offset the impact of higher excise taxes. Despite the 7.4% increase in selling and administrative expenses, the company managed to record a notable 20.8% increase in income from operations to ₱10.4 billion.

With higher operating income and improved Other Income arising from net tolling revenues and rental income from newly acquired properties, GSMI's net income jumped by 19.6% to ₱8.7 billion. This translated to a higher net profit margin of 12.9%.

Table 11. GSMI's Financial Highlights for 3M2025 and 3M2026

In Millions PHP	3M2025	3M2026	% Change
Revenues	16,270	16,727	2.8%
Cost of Sales	12,187	12,216	0.2%
Operating Income	2,464	2,829	14.8%
Net Income	2,112	2,292	8.5%

GSMI's revenues slightly increased by 2.8% to ₱16.7 billion in 3M2026, from ₱16.3 billion in the same period in 2025. Such was propelled by the adjustment in selling price implemented during the period. Cost of sales, meanwhile, remained relatively stable at ₱12.2 billion, as lower material input costs offset the impact of higher excise taxes.

Selling and administrative expenses increased by 3.9% to ₱1.7 billion due to higher delivery, personnel-related, and depreciation expenses. Income from operations increased by 14.8%, from ₱2.5 billion in 3M2025 to ₱2.8 billion in 3M2026. Interest income likewise increased by 5.3% to ₱237.5 million due to higher money market placements. The company also recorded net other charges of ₱1.2 million in 3M2026, compared to net Other Income of ₱141.0 million in 3M2025, attributable to derivative losses and lower tolling income.

The Spirits segment ended the period with an 8.5% increase in bottom line rose, from ₱2.1 billion in 3M2025 to ₱2.3 billion in 3M2026. Net profit margin also marginally increased from 13.0% to 13.7%.

New Products

In 2024, GSMI expanded its product portfolio through the launch of GSM Blue Lychee Martini, a low-alcohol ready-to-drink beverage targeting young consumers. It also introduced Freedom Island Light Rum, a 55-proof rum crafted using ingredients from Negros, and Archangel Reserve Premium Dry Gin, a premium 90-proof gin aimed at the high-end market.

Other Developments

GSMI is moving forward its modernization program through the installation of a new production line in Cabuyao, Laguna and a mechanized washing facility in Lucena City, Quezon.

c) Food Segment

Table 12. Food Segment's Financial Highlights for 2023 – 2025

In Millions PHP	2023	2024	2025	% Change	
				2024	2025
Revenues	178,847	185,016	196,280	3.4%	6.1%
Cost of Sales	145,395	146,390	152,492	0.7%	4.2%
Operating Income	9,724	13,301	17,315	36.8%	30.2%
Net Income	6,304	8,386	11,594	33.0%	38.3%

In 2024, revenues from the Food segment amounted to ₱185.0 billion, up by 3.4% from ₱178.8 billion in the prior year. Although the resurgence of African Swine Fever (ASF) in several provinces continued to constrain the fresh meats business and weaker feed demand weighed on the Animal Nutrition and Health business, the Food segment maintained revenue growth through stronger volumes across most businesses, favorable selling prices of Prepared and Packaged Food products, and the recovery of chicken prices beginning in the second quarter of 2024 (2Q2024).

Cost of sales increased by a sluggish 0.7% to ₱146.4 billion, as lower raw material costs and improved operational efficiencies helped offset the impact of higher sales volume. Income from operations significantly increased by 36.8%, from ₱9.7 billion in 2023 to ₱13.3 billion in 2024.

Net income increased by 33.0% to ₱8.4 billion in 2024, translating to a higher net profit margin of 4.5%.

In 2025, the Food segment's revenues further increased by 6.1% to ₱196.3 billion, its highest level on record. Such was supported by the recovery of the Animal Nutrition and Health business, stronger demand from food service and supermarket channels, and stable selling prices across key product categories. While the fresh meats business continued to operate at a scaled-down level due to the lingering effects of ASF, improved performance in the poultry and Prepared and Packaged Food businesses sustained the segment's expansion.

With the increase in sales volume and higher prices of imported meat and dairy materials, as well as hikes in fuel and power costs, cost of sales went up by 4.2% to ₱152.5 billion. Selling and administrative expenses likewise grew by 4.5% to ₱26.5 billion, due to higher manpower and logistics costs, depreciation from new facilities, and increased advertising and promotion expenses. Stronger revenues and prudent cost management, however, fueled income from operations by 30.2% to ₱17.3 billion in 2025.

Overall, net income of the Food segment rose by 38.3% to a record-high ₱11.6 billion in 2025. Net profit margin increased to 5.9%.

Table 13. Food Segment's Financial Highlights for 3M2025 and 3M2026

In Millions PHP	3M2025	3M2026	% Change
Revenues	46,313	49,625	7.2%
Cost of Sales	35,720	38,182	6.9%
Operating Income	4,419	4,860	10.0%
Net Income	3,029	3,284	8.4%

The Food segment recorded revenues of ₱49.6 billion in 3M2026, 7.2% higher than the ₱46.3 billion generated in the same period in 2025. The increase was supported by stronger contributions from the Animal Nutrition and Health business, alongside improved performance of the Prepared and Packaged Food business attributable to favorable pricing and sustained consumer demand. While the Protein business continued to face challenges from elevated industry inventories and the lingering effects of ASF, growth in other businesses more than offset these pressures on revenue.

In line with higher sales volume, cost of sales went up by 6.9% to ₱38.2 billion due to rising prices of imported meat and dairy inputs and elevated fuel costs. Selling and administrative expenses also increased by 7.0% to ₱6.6 billion on account of higher logistics, manpower, and advertising expenses. Operating income grew by 10.0% to ₱4.9 billion in 3M2026.

Net income increased by 8.4% to ₱3.3 billion in 3M2026. Net profit margin likewise marginally improved from 6.5% to 6.6%.

New Products

In 2024, the Food segment introduced new products across its key brands, including additional variants under Purefoods Tender Juicy, Purefoods Corned Beef, Magnolia Chicken Timplados, and Magnolia Golden Crunch breading mixes. The segment also reintroduced Old Town White Coffee in the Philippine market and launched new products under the B-MEG, AlphaPro, Majesty, and San Miguel Animal Health Care brands.

The segment further expanded its portfolio in 2025 with products such as Purefoods Sizzling Sisig Savers, Purefoods Pinoy Favorites Embutido, and one-kilogram Tender Juicy Cheesy Pizza and Cheesy Spaghetti hotdogs. Magnolia also launched new Vanilla ice cream flavors, including Affogato, Vanilla Salted Caramel, and Cookie Dough, as well as additional Chicken Timplados variants and Chick'n Sulit products.

Other Developments

In 2025, San Miguel Foods Inc. (SMF) completed its second grain terminal in Sta. Cruz, Davao del Sur. The grain terminal handles the storage of major feed ingredients such as corn, wheat, and soybean meal. In the same year, the Company also added a new five-house module to its Magnolia poultry farm complex in Hagonoy, Davao del Sur. The module increased the farm's production capacity to 20 million birds annually.

Also in 2025, SMF commissioned its central premix plant in Bulacan for its feeds business. The facility produces pre-blended base mixes used across all SMF feed mills, strengthening micro-ingredient quality control and ensuring consistent feed formulations nationwide.

In 2026, the Food segment is further enhancing its operations through the construction of a new cold storage facility adjacent to the Purefoods-Hormel Company, Inc. plant in Cavite and the expansion of its dairy facility in Cavite to support growing demand for dairy products.

<u>Packaging</u>

Table 14. Packaging Business' Financial Highlights (2023–2025 and 3M2025/26)

In Millions PHP	2023	2024	% Change	2025	% Change	3M2025	3M2026	% Change
Revenues	38,379	40,162	4.6%	40,359	0.5%	8,971	8,924	-0.5%
Operating Income	1,915	2,600	35.8%	2,694	3.6%	788	715	-9.3%

In 2024, consolidated revenues of the Packaging business inched up by 4.6% to ₱40.2 billion, supported by new product launches in both domestic and international operations. Growth was attributable to the plastics, beverage filling, flexibles, paper, and metal segments. Operating income notably climbed by 35.8% to ₱2.6 billion, attributable to operational efficiency initiatives such as facilities modernization and technology upgrades.[7]

Revenues were almost flat at ₱40.4 billion in 2025, as higher demand for glass containers, plastics, paper packaging, and metal closures offset lower sales volumes of other packaging formats. Given well managed costs and expenses coupled with operational efficiency initiatives, operating income posted an uptick of 3.6% to ₱2.7 billion.

In 3M2026, the Packaging segment's top line inched down to ₱8.9 billion and operating income decreased to ₱715 million, on the back of the weaker performance of the glass segment.

[7] https://www.sanmiguel.com.ph/storage/files/reports/IR%20Briefing%20FY2024%20-%20CAPEX2.pdf

Energy

Table 15. SMGP's Financial Highlights (2023–2025 and 3M2025/26)

In Millions PHP	2023	2024	% Change	2025	% Change	3M2025	3M2026	% Change
Revenues	169,590	205,091	20.9%	157,208	-23.3%	42,497	53,617	26.2%
Operating Income	32,526	40,457	24.4%	43,770	8.2%	10,688	28,109	163.0%

SMGP's consolidated revenues rose by 20.9% to ₱205.1 billion in 2024, supported by increased offtake volumes. Such was mainly driven by new Power Supply Agreements (PSAs) with Meralco and other distribution utilities under fuel pass-through arrangements. Operating income likewise increased by 24.4% to ₱40.5 billion, driven by the transition to fuel pass-through arrangements for most bilateral customers, as well as improved margins from Battery Energy Storage System (BESS) ancillary services.

In 2025, revenues amounted to ₱157.2 billion, 23.3% lower than 2024, attributable to lower offtake volumes, primarily due to the divestment and deconsolidation of Excellent Energy Resources Inc. (EERI) and South Premiere Power Corp. (SPPC) as part of the Chromite transaction.[8] Nonetheless, propped by better contracted margins and increased contribution from BESS facilities, operating income grew by 8.2% to ₱43.8 billion.

In 3M2026, SMGP posted top line expansion of 26.2% to ₱53.6 billion, bolstered by fresh contributions from hydroelectric projects and BESS facilities. Consolidated income from operations more than doubled to ₱28.1 billion, mainly driven by improved margins on contracted capacities and higher BESS contributions due to sales in the reserve market.

Recent Developments
Analysts' Note: Please refer to SMGP's latest Credit Rating Report (February 2026) for more details on the company's operations and performance.

A. SMGP purchased on various dates through the PSE a total of 46,596,596 common shares of Meralco at ₱90.00 per share from Land Bank of the Philippines. As of end-2025, SMGP revalued the shares at the fair market value of ₱574.00 per share and recognized a revaluation gain of ₱22.4 billion (net of tax).

B. Planned Solar Projects under the GEAP 4 (GEA-4)

   In line with the initiative to significantly reduce carbon footprint and transition to cleaner sources of energy, SMGP, through its wholly owned subsidiary, SMC Global Light and Power Corp. (SGLP), is developing a portfolio of solar power projects together with potential partners.

[8] On January 27, 2025, SMGP completed a series of transactions, collectively known as the "Chromite transaction", pursuant to agreements executed on March 1, 2024, with Chromite Gas Holdings Inc. (CGHI). CGHI is a jointly owned entity by Meralco PowerGen Corporation (MGen, a subsidiary of Meralco) and Therma NatGas Power, Inc. (TNGP, a subsidiary of AboitizPower). Through these transactions, CGHI gained a 67.0% equity interest in SPPC, EERI, and Ilijan Primeline Industrial Estate Corp. (IPIEC), thereby diluting the previous 100.0% ownership of SMGP to 33.0%. CGHI also acquired a 67.2% equity interest in Linseed Field Corporation (LFC), while the balance of 32.98% was bought by the Company.

On November 6, 2025, SGLP was part of the winning bidders for the Green Energy Auction Program (GEA-4) launched in March 2025. SGLP won an aggregate offered capacity of 2.3 gigawatts in Alternating Current (GWac) floating solar and ground-mounted solar projects. Plans are to build these projects in Bulacan, Davao and Isabela, with expected completion dates from 2026 to 2029.

C. Planned Hydro Projects under the GEAP 3 (GEA-3)

SMGP's San Roque Hydropower Inc. (SRHI) and SMC's Pan Pacific Renewable Power Philippines Corp. (PPRPPC) were part of the winner bidders of the GEA-3 conducted on February 11, 2025.

a. In September 2025, the Department of Energy (DOE) awarded SRHI an aggregate offered capacity of 1,850-megawatt (MW) pump storage hydropower across three facilities which are to be completed between 2031 and 2035.

b. Similarly, PPRPPC was awarded an aggregate offered capacity of 2,300 MW pump storage hydropower and impounding hydropower across three facilities which are to be completed between 2030 and 2031.

The planned hydro power projects will be built and operated in various locations in Aklan, Apayao, and Pangasinan.

Fuel and Oil

Table 16. Petron's Financial Highlights (2023–2025 and 3M2025/26)

In Millions PHP	2023	2024	% Change	2025	% Change	3M2025	3M2026	% Change
Revenues	801,027	867,966	8.4%	809,766	-6.7%	194,376	246,019	26.6%
Operating Income	30,713	29,223	-4.9%	37,323	27.7%	9,472	6,063	-36.0%
Net Income	10,112	8,471	-16.2%	15,627	84.5%	4,025	1,778	-55.8%

Petron's revenues increased by 8.4% to ₱868.0 billion in 2024, on account of higher barrels sold in the Philippines and in Singapore, supported by network expansion and marketing efforts. Despite posting higher revenues, operating income inched down by 4.9% to ₱29.2 billion in 2024, due to volatility in global oil prices on account of geopolitical conflicts in the Middle East and weakened demand from China. Combined with higher financing costs and lower interest income, net income decreased by 16.2% to ₱8.5 billion in 2024.

In 2025, revenues decreased by 6.7% to ₱809.8 billion, on the back of the declines in trading volumes and average fuel prices. During the year, Petron registered consolidated sales volume of 137.9 million barrels, slightly lower than 2024's 139.9 million barrels. The decrease in sales volume was due to reduced trading and export volumes, partly offset by higher domestic sales. Consolidated operating income nevertheless climbed by 27.7% to ₱37.3 billion, supported by lower cost per liter of crude oil. With lower financing costs and tax expenses, bottom line surged by 84.5% to ₱15.6 billion.

Top line jumped by 26.6% to ₱246.0 billion in 3M2026, primarily due to the growth in sales volume as well as elevated fuel prices. Petron's overall production, however, was tempered by the scheduled maintenance at the Bataan refinery and the shutdown of Port Dickson Refinery in Malaysia[9], which led to higher product costs and negatively impacted refining margins for the period. Operating income was significantly down by 36.0% to ₱6.1 billion. Combined with lower Other Income, net income significantly fell by 55.8% to ₱1.8 billion.

Recent Developments
Analysts' Note: Please refer to Petron's Credit Rating Report (2025) for more details on the company's operations and performance.

A. Petron's Successful Return to the Offshore Capital Markets

   Petron issued US dollar (USD) 475 million in perpetual securities, which were listed on the Singapore Exchange in September 2025. The issuance was 22x oversubscribed, reflecting strong investor confidence in Petron's credit profile and long-term strategy.

B. Renewal of licenses and approvals for Petron products

   In 2025, Petron was able to secure the renewal of licenses and approvals for its products from industry governing organizations. These bodies include the American Petroleum Institute (API) alongside with the International Lubricant Specification Advisory Committee (ILSAC), Association des Constructeurs Européens d'Automobiles/Association European Automobile Manufacturers Association (ACEA), National Marine Manufacturers Association (NMMA), and Japan Lubricating Oil Society (JALOS). Petron also secured Original Equipment Manufacturer (OEM) approvals from Porsche, Volvo, Mack, Renault, Cummins, MTU, and Scania, as well as licenses for food-grade products from the Halal, Kosher, and National Sanitation Foundation (NSF).

   These globally accepted OEM approvals and licenses are not only recognized in the Philippines but also in other markets where Petron's products are sold such as the Malaysian, Chinese, Brunei, Vietnamese, and Cambodian markets.

C. New Short-term Revolving Credit Facility from Maharlika Investment Corporation[10]

   In May 2026, Petron signed an agreement with MIC for a short-term revolving credit facility of up to ₱15.0 billion. Under the agreement, MIC will provide financing that Petron may use solely for the purchase and/or importation of crude oil, refined petroleum products, and related working

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[9] Since November 2025, the Port Dickson Refinery in Malaysia has remained on shut down after its product jetty was damaged during Tropical Storm Senyar. *Source: https://www.petron.com/news/petron-reports-p1-8-billion-net-income-for-first-quarter-of-2026-commits-to-ensuring-nations-fuel-security/*

Looking ahead, according to Petron Malaysia Refining & Marketing Bhd, the refinery is expected to resume full operations by 3M2027 upon completion of a new jetty. *Source: https://theedgemalaysia.com/node/804511*

[10] https://www.pna.gov.ph/articles/1275094

capital requirements. According to MIC President and Chief Executive Officer Rafael Consing Jr., “this facility allows MIC to support fuel supply stability while deploying capital in a sector that is essential to the economy.”

Infrastructure

Table 17. SMC Infrastructure's Financial Highlights (2023–2025 and 3M2025/26)

In Millions PHP	2023	2024	% Change	2025	% Change	3M2025	3M2026	% Change
Revenues	34,984	37,523	7.3%	40,152	7.0%	9,732	10,438	7.3%
Operating Income	18,164	20,291	11.7%	22,081	8.8%	5,343	5,961	11.6%

The Infrastructure business generated consolidated revenues of ₱37.5 billion in 2024, up by 7.3% from 2023. The increase in top line was due to higher combined average daily traffic volume (+2%). Operating income also increased by 11.7% to ₱20.3 billion.

Top line growth was sustained in 2025, with revenues growing to ₱40.2 billion due to improved traffic volumes across all toll roads. Combined annual average daily traffic reached 1,079,889 vehicles, 5% higher than 2024. Operating income grew by 8.8% to ₱22.1 billion, supported by higher revenues and well managed costs and expenses.

Revenues further went up by 7.3% to ₱10.4 billion in 3M2026, on the back of the 3% increase in combined average daily vehicle volume to 1,102,356 vehicles. Consolidated operating income jumped by 11.6% to ₱6.0 billion, supported by the higher top line and slower increase in costs.

Recent Developments

Analysts’ Note: Please refer to SMC Tollways’ Credit Rating Report (2025) for more details on the company’s operations and performance.

A. Updates on Projects

a. Merger with Metro Pacific Tollways Corp. (MPTC)

In June 2026, MPTC CEO Manuel V. Pangilinan stated that the merger is expected to happen in 3Q2026. The long-discussed deal was initially slowed by valuation discussions and efforts to strengthen the toll road group’s balance sheet. The merger will involve SMC’s toll road network and MPTC’s Philippine assets. The latter’s offshore roads, including its sprawling expressway network in Indonesia, are to be excluded.[11]

As of report writing date, negotiations are now at the valuation stage. MPTC management indicated that the combined domestic tollway platform could land at roughly 45:55 in SMC’s favor, excluding MPTC’s Indonesian and Vietnam assets.

[11] https://insiderph.com/san-miguel-metro-pacific-eye-q3-mega-toll-road-merger

SMC's management confirmed that they are in discussion with MPTC on the tollway merger, albeit it is still in the exploratory stage.

b. NAIA

NAIA, owned by New NAIA Infrastructure Corporation (NNIC)[12], closed 2025 with record-high passenger traffic. Total passenger traffic reached 52.02 million, highlighting strong demand for air travel and heightened airport activity. In 3M2026, total passenger traffic reached 13.88 million, a 7% increase from the same period in 2024.

Several initiatives have been completed, including the landside cafeteria and employee facilities, Transport Network Vehicle Service (TNVS) facilities, Overseas Filipino Worker (OFW) Lounges in Terminals 1 (T1) and Terminal 3 (T3), Arrivals and Mezzanine Food Halls in Terminal 3, a business class lounge[13], among others.

c. SLEX Widening Project

Work on the SLEX Widening Project continues to advance across several key locations. Carriageway widening of Phases 1 to 3 is 50% complete, with ongoing structural activities and laying of Portland Cement Concrete Pavement (PCCP). Bridge widening activities, on the other hand, have remaining works which include backwall and wingwall construction, girder installation, approach and deck slab castings, parapet barriers installation, and longitudinal expansion joints reinforcement to connect the existing bridge to the extension.

d. SLEX Toll Road 4 (SLEX TR4)

The SLEX TR4 will span 66.74 kilometers (km), extending SLEX from Sto. Tomas, Batangas to Lucena, Quezon.[14]

Sections A to E have ongoing works which include clearing and grubbing, embankment works, bridge, overpass and underpass construction, culverts, and laying of base courses in preparation for PCCP works. For Section F, right-of-way (ROW) acquisition activities, clearing and grubbing, and embankment work are ongoing.

According to Toll Regulatory Board's (TRB's) Status Report, Sections A to C are on track to be completed this 2026, while expected completion is June 2028 for Sections E and June 2029 for Sections D and F.[15]

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[12] NNIC is a consortium composed of SMHC., RMM Asian Logistics Inc., RLW Aviation Development Inc., and Incheon International Airport Corp., that began operating and maintaining the NAIA in September 2024 after it won the bid for the public-private partnership (PPP) project to rehabilitate the airport. Over the 15-year concession period, NNIC will focus on improving the overall passenger experience through modernized terminals, optimized airport capacity, and reliable operations.
Source: https://smcinfrastructure.com.ph/our-businesses/our-businesses/airports/nnic

[13] https://newsinfo.inquirer.net/2241216/7-airlines-now-co-sharing-new-premium-lounge-at-naia-terminal-3

[14] https://smcinfrastructure.com.ph/our-businesses/our-businesses/tollways/slex-tr4-tr5

[15] https://www.dpwh.gov.ph/dpwh/sites/default/files/ppp/19_slex_tr4_2026.pdf

e. Skyway Stage 1 & 2[16]

The Skyway Widening works in the Elevated section (Amorsolo-Magallanes) is nearing its completion.

f. Skyway Stage 3

The remaining scope of work for the project includes the construction of the Plaza Dilao Off-Ramp and Section 2A, a 1.2-km link road connecting to the NLEX–SLEX Connector Road.

The Quirino Southbound On-Ramp is substantially complete and was opened to the public on December 27, 2025. Remaining works for this ramp include at-grade restoration and drainage.

In addition, the Quirino Southbound Off Ramp is also substantially complete with remaining works including at-grade restoration and drainage, electrical works in the toll plaza, and painting of toll collection booth.

Acting Transportation Secretary Giovanni Z. Lopez said that Section 2A is expected to begin operations in 2027.[17]

g. STAR

Construction activities for the STAR Widening Project[18] are ongoing across key bridges and interchange locations. As of April 9, 2026, road widening was progressing smoothly, while the bridge widening had ongoing activities including bored piling works, rebar installation for coping beam and deck slab, and sheet piling works.

h. NAIAX

NAIAX Westbound Off Ramp to T3 was opened to the public on March 27, 2026. The 320-meter road cuts travel time from SLEX, Skyway Stage 3, Lawton Avenue to T3 by 15 to 25 minutes.[19] Additionally, road widening was carried out along Circulo del Mundo Rotonda leading directly to NAIA T3.[20]

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[16] SMC's subsidiary, SMC Tollways is undergoing the Skyway Extension Projects. For Skyway Stage 1 & 2, the widening project spans from Sucat to Alabang, targeting to improve traffic queuing by
providing an additional lane to the whole section of the southbound viaduct which merges with the SLEX
southbound lanes. For Skyway Stage 3, the construction of additional On (Entrance) and Off (Exit) ramps are in the works to provide additional routes for motorists.

[17] https://www.pna.gov.ph/articles/1270877

[18] The Southern Tagalog Arterial Road (STAR) is a 41.9-km expressway that spans the province of Batangas, from the City of Santo Tomas to the capital City of Batangas. Widening projects include the construction of LIMA Gateway through a new six-lane access road that will directly link the STAR Tollway to LIMA Estate via J.P. Laurel Highway, with targeted completion on 2027.
Source:https://business.inquirer.net/576438/new-star-tollway-interchange-strengthens-connectivity-and-long-term-investment-readiness-in-batangas

[19] https://www.topgear.com.ph/news/motoring-news/naiax-westbound-off-ramp-terminal-3-opening-a2578-20260327

[20] https://pia.gov.ph/news/new-naiax-off-ramp-to-terminal-3-opens-eases-traffic-in-pasay/

i. Boracay Airport

In June 2025, previous Secretary of Department of Transportation (DOTr), Mr. Vivencio B. Dizon shared that SMC committed to complete the project before 2028 or before the end of the current administration. On July 14, 2025, the site where the new two-story terminal will stand broke ground. Witnessing the event with SMC were President Ferdinand R. Marcos Jr., representatives from local government units, concerned government agencies, partners from the private sector, and the Civil Aviation Authority of the Philippines (CAAP).

The airport is projected to handle seven million passengers per year, with a simultaneous capacity of 3,000 passengers at any given time. The new Caticlan Airport PTB will have modern facilities to ensure efficient passenger flow, comfort, and safety.[21]

j. Bulacan Bulk Water

The construction of the Water Treatment Plant, Pipeline Conveyance Facility, and System Improvement Projects for Stages 1 & 2 have been completed, while developments for Stage 3A are ongoing.

a. Manila International Airport[22]

As of June 2026, SMC Chairman and CEO Mr. Ramon Ang said construction of the airport's first runway remains on track for 2028 and could even be delivered earlier than initially planned. The target completion date for the passenger terminal and logistics center, on the other hand, was revised from 2025 to 2026 attributable to the extensive land preparation required prior its construction.

b. Metro Rail Transit Line 7 (MRT-7)

The Railway and Highway components are moving toward final completion. According to the DOTr, the project is on track to commence operations of the initial 12 stations (from Sacred Heart to North Avenue) by 2Q2027.[23]

<u>Cement</u>

Table 18. Cement Business' Financial Highlights (2023–2025 and 3M2025/26)

In Millions PHP	2023	2024	% Change	2025	% Change	3M2025	3M2026	% Change
Revenues	37,231	34,934	-6.2%	33,163	-5.1%	8,934	9,243	3.5%
Operating Income	5,980	6,550	9.5%	6,287	-4.0%	1,626	1,674	3.0%

[21] https://www.caap.gov.ph/in-photos-groundbreaking-ceremony-of-caticlan-airports-new-passenger-terminal-building-ptb/
[22] https://business.inquirer.net/594551/smcs-nmia-runway-seen-ready-in-28
[23] https://www.pna.gov.ph/articles/1276206

In 2024, revenues from the Cement Business dropped by 6.2% to ₱34.9 billion, mainly due to lower average selling price of cement resulting from the influx of imported traded cement, partly offset by the 3% growth in sales volume. Nevertheless, operating income managed to go up by 9.5% to ₱6.6 billion due to slower growth in costs.

Revenues further decreased by 5.1% to ₱33.2 billion in 2025, attributed to muted market demand given competition from imports and lower selling prices, slightly counterbalanced by stable sales volume. Given ongoing operational efficiencies and cost management efforts, however, operating income posted a slower decrease of 4.0% to ₱6.3 billion.

In 3M2026, revenues posted a 3.5% uptick to ₱9.2 billion, driven by strong volume growth which offset lower selling prices. Volume expansion was supported by lower traded imports, following the implementation of anti-dumping duties in February 2026. Operating income inched up by 3.0% to ₱1.7 billion.

FINANCIAL RISK

Analysts' Note: PhilRatings' calculation of certain ratios may be different from what the Company uses and publishes.

Profitability

2024

Consolidated sales expanded by 8.9% to ₱1.6 trillion in 2024, attributable to stronger sales volume growth across all major business segments. Revenues from the Fuel and Oil business continued to account for the largest share to total consolidated revenues at 55.1%. Such grew by 8.4% in 2024, driven by higher sales volume and network expansion. The Energy business recorded the biggest increase of 20.9%, backed by new PSAs and retail electricity supply customers. Other business segments likewise recorded healthy increases in sales, as follows: Food and Beverage (+5.5%); Packaging (+4.6%); Infrastructure (+7.3%); and Real Estate and Others (+0.7%). On the other hand, the Cement business posted a decline of 6.2% in sales, primarily driven by the significant decrease in the average selling price of cement, which was partly offset by the increase in sales volume.

Cost of sales likewise increased by 8.6% in proportion to sales growth, mainly driven by: (1) higher sales volume, partly tempered by lower average cost per liter of petroleum products of Petron and (2) higher cost generation and power purchases of the Energy business, partly offset by lower cost of coal given reduced coal price indices.

As a result, gross profit amounted to ₱263.4 billion, higher by 10.5%. Gross profit margin inched up to 16.7% in 2024, from 16.5%.

Operating income grew by 11.3% to ₱160.8 billion, translating to a slightly higher operating profit margin of 10.2% from 10.0%. Selling and administrative expenses rose by 9.3%, mainly in relation to personnel salaries and wages.

Interest expense and other financing charges went up by 8.9%, attributed to higher interest rates and increases in the average borrowings of SMC, Petron, and the Energy business.

Net other charges amounted to ₱16.5 billion in 2024, contrasting with the net Other Income of ₱4.1 billion in 2023. The charges were primarily from the loss on forex following the revaluation of foreign currency-denominated long-term debt amid a backdrop of the Philippine Peso depreciation against the US Dollar.[24]

Due to the material increase in other charges, which counterbalanced the higher top line, consolidated net income dropped by 18.0% to ₱36.7 billion in 2024. Net profit margin was lower at 2.3%, from 3.1%. Nevertheless, Debt Service Coverage Ratio (DSCR) improved to 0.8x in 2024 from 0.4x, owing to lower current debt obligations.

2025

Consolidated sales recorded a 5.7% drop to ₱1.5 trillion. The revenue growth for the Infrastructure (+7.0%) and Food and Beverage (+4.5%) businesses were offset by revenue declines in the Energy (-23.3%), Fuel and Oil (-6.7%), and Cement (-5.1%) businesses. The decreases in revenues were attributed to the lower average selling price and sales volume of Petron, lower sales of the Energy business following the deconsolidation of SPPC on January 27, 2025, and weaker sales of the Cement business.

Cost of sales had a faster decrease of 8.5% to ₱1.2 trillion. The decrease was mainly driven by lower average cost per liter of petroleum products, reduced costs due to subsidiary deconsolidation, and lower generation costs resulting from the decline in global coal prices.

As a result, gross profit went up by 8.2% to ₱285.1 billion. Gross profit margin likewise improved to 19.2%.

Interest expense and other financing charges marginally increased by 0.9% but was offset by the 9.9% growth in interest income. The latter's increase was primarily due to higher average balance of cash placements. Net Other Income amounted to ₱14.2 billion, a significant turnaround from net other charges in 2024, mainly attributable to the one-time gain of ₱21.9 billion in relation to the higher fair value of the remaining interest in deconsolidated subsidiaries. Excluding the one-time gain, SMC would have recorded net other charges of ₱7.7 billion, which was significantly lower by 53.3% than the net other charges recorded in the previous year.

Consolidated net income significantly recovered in 2025, ballooning by 158.2% to ₱94.7 billion, backed by the one-time gains from the deconsolidation transaction and improved performance of key businesses. This translated to a higher net profit margin of 6.4%. DSCR, however, went down to 0.6x, largely driven by higher current debt maturities for the year. Excluding the one-time gain, net income would still record a significant growth of 98.4% to ₱72.7 billion.

3M2026

Consolidated net income posted a 48.2% decline to ₱22.5 billion, compared with a net income of ₱43.4 billion in 3M2025. Despite higher top line, substantial net other charges booked during the quarter weighed down on the bottom line.

[24] US Dollar to Philippine Peso as of December 31, 2024 = ₱57.845 versus December 31, 2023 = ₱55.370
Source: SMC AFS 2024

SMC's consolidated sales were up by 18.7% to ₱428.3 billion, backed by higher revenues from the Fuel and Oil, Energy, and Food businesses. The increase in revenues was due to: (1) higher average selling prices and sales volume growth of Petron; (2) additional revenues from recovered incremental power supply costs of Meralco; and (3) full-quarter revenues from the BESS facilities, which started commercial operations in 2025.

Gross profit margin slightly improved from 19.3% in 3M2025 to 19.9% in 3M2026, mainly due to higher top line. Cost of sales reported a 17.8% growth, primarily driven by greater volume and higher average cost per liter of oil.

Equity in net earnings from associates and joint ventures doubled to ₱4.1 billion in 3M2026. Such was driven by the share of net earnings in SPPC and EERI for the period after its deconsolidation, compared with their two-month contributions last year.

On the other hand, net other charges amounted to ₱17.6 billion, a reversal from the net Other Income of ₱25.3 billion in 3M2025. The net charges were due to the exclusion of the one-time gain recognized in the previous year, as well as the recognized forex loss for the period, in contrast to the forex gain last year.

The substantial charges for the period reduced net profit margin from 12.0% in 3M2025 to 5.2% in 3M2026. PhilRatings notes, nevertheless, that the net profit margin for the period was within historical levels. This was due to the non-recurring gain in 2025. Excluding the one-time gain recorded in 3M2025, net profit margin would have been 5.9%, and which is more comparable with the net profit margin in 3M2026. Moreover, the decline in net income in 3M2026 from the recomputed 3M2025 net income would be tempered to 4.7%.

Projected Period

Going forward, continued core business expansion and enhancement projects will be supportive of top line growth. Combining such with cost management strategies, operating margins will be within historical levels.

Cash Flow and Liquidity

2024

Net cash from operating activities remained positive and amounted to ₱101.6 billion, higher compared with ₱83.1 billion in 2023. Such was backed by cash adjustments for forex loss and positive cash movements from working capital changes.

Generated cash was mainly used for investing activities amounting to ₱149.4 billion for the year, particularly for property, plant and equipment (PPE) and other intangible assets. Such was slightly lower than the investing cash outlay of ₱155.5 billion in 2023.

Additional net cash inflow of ₱78.3 billion was raised from financing activities, mainly from the net proceeds of long- and short-term borrowings and the issuance of preferred shares of subsidiaries. The preferred shares were issued by Petron to redeem its existing preferred shares offering and to fund other corporate purposes. The cash inflow was partly offset by the distribution of dividends to shareholders and payments of lease liabilities.

Year-end cash and cash equivalents stood at ₱293.7 billion, 12.4% higher than as of end-2023. Current ratio inched up to 1.2x, from 1.1x.

2025

Net cash generated from operating activities was robust at ₱157.2 billion, backed by higher pre-tax income for the year.

Net cash outlay from investing activities was lower at ₱28.6 billion, as cash disbursements for the year were partly counterbalanced by the proceeds from the redeemed preferred shares held by SMGP. The subsidiaries of SMGP redeemed and paid a total of ₱78.7 billion for the redeemable preferred shares issued to SMGP.

Net cash used in financing activities amounted to ₱73.0 billion. Such contrasted with the net cash inflow of ₱78.3 billion in 2024. Other than the settlement of short- and long-term obligations, SMC also redeemed a series of preferred shares and Senior Perpetual Capital Securities (SPCS).[25]

The foregoing resulted in a net increase of 19.8% to ₱351.7 billion in cash and cash equivalents as of end-2025. Current ratio, on the other hand, was stable at 1.2x as of end of the year.

3M2026

Cash continued to primarily come from operating activities, generating a net cash inflow of ₱51.7 billion for the period, supported by positive cash adjustments from working capital. This was higher than the ₱25.4 billion posted in 3M2025.

SMC also generated additional cash from financing activities, which amounted to ₱35.2 billion. Bulk of the cash from financing activities came from long-term borrowings and proceeds from the issuances of preferred shares and capital securities of subsidiaries. These were partly offset by payments of borrowings, dividend distributions to shareholders, payments of lease liabilities, and redemption of preferred shares.

Additions to PPE mainly accounted for net cash disbursements in investing activities. The latter amounted to ₱22.1 billion.

Period-ending cash and cash equivalents stood at ₱424.5 billion, expanding by 20.7% from as of end-2025. Current ratio also remained more than adequate at 1.2x as of the same period.

Of the total current assets, cash and cash equivalents accounted for 39.2%, while net trade and other receivables accounted for 24.4%. Trade receivables accounted for 65.7% of gross receivables, of which

[25] In June 2025, SMC redeemed all its outstanding USD 500 million SPCS under its USD 3.0 billion Medium Term Note and Securities Programme.
SPCS are hybrid fixed-income instruments with no maturity date and pay interest indefinitely, combining features of both equity and debt. *Source: https://www.investopedia.com/terms/p/perpetualbond.asp*

78.8% were classified as current and collectible. SMC allocated an allowance equivalent to about 6% of gross receivables for impairment losses.

Projected Period

Operating cash is expected to remain robust, augmented by additional cash from financing activities. Projects in the pipeline, on the other hand, will continue to drive investment spending. Cash flows will then be healthy overall. Current ratio will also remain more than satisfactory moving forward.

On May 29, 2026, SMC listed with the SEC an offering of up to ₱30.0 billion in preferred shares, including the exercise of the Oversubscription Option.[26] The proceeds of the base offer of approximately ₱20.0 billion will be allocated to the refinancing of the preferred shares and bonds (Series C and Series J) that are maturing in 2027. A portion of the proceeds is also intended to fund the airport and infrastructure related projects. The offer period is scheduled from July 15-23, 2026.

Capital Structure

2024

SMC's total assets stood at ₱2.7 trillion as of end-2024, registering an 8.8% growth. The largest contributor to total assets was PPE (33.3% of total assets), which jumped by 18.3%, mainly due to the reclassification of right-of-use assets to PPE.[27] Other intangible assets, comprising mainly of concession rights from the toll road, airport, and water businesses, held the second largest share (12.7% of total assets) and grew by 11.0%. Cash and cash equivalents and Trade and other receivables likewise contributed to total asset growth, recording a total increase of 6.9%.

Total liabilities were at ₱2.0 trillion as of end-2024, of which 63.3% or ₱1.3 trillion were long-term debt. Bulk of long-term debt (₱1.2 trillion, equivalent to 92.6% of the total amount) were classified as non-current. Loans payable, accounting for 14.7% of total liabilities, likewise increased by 36.5% to ₱293.2 billion due to net availments by the Group.

In July 2024, SMC issued its Series O and Series P bonds totaling ₱20.0 billion, with maturities from 2031 to 2034. On the other hand, the ₱7.3 billion Series B bonds and ₱10.0 billion Series H bonds were settled in March and October 2024, respectively.

Total equity inched up by 1.7% to ₱676.4 billion, mainly driven by higher equity in non-controlling interests due to the issuance of subsidiaries' capital securities. The latter was partly counterbalanced by the 11.1% decline in retained earnings due to declared dividends to shareholders, interest distributions to SPCS holders of SMC, and comprehensive loss primarily on the remeasurement of retirement plan assets.

Debt-to-equity ratio marginally increased to 2.4x as of end-2024 due to higher debt and slower increase in total equity.

[26] Preliminary Prospectus - Series2-V, Series 2-W, Series2-X Preferred Shares

[27] The Sual Coal-fired Thermal Power Plant was reclassified from right-of-use assets following the turn-over of the plant to Sual Power Inc. (SPI) at the end of its Independent Power Producer Administration (IPPA) agreement with (PSALM) in October 2024.

2025

The increases in cash and cash equivalents (+19.8%), investments and advances (+140.3%), and investments in equity and debt instruments (+127.4%) drove the marginal 1.8% expansion in total assets to ₱2.73 billion as of end-2025. The growth was partly offset by the 9.3% decline in PPE, on account of the exclusion of fair valued assets of SPPC and EERI after the subsidiaries' deconsolidation from SMC.

Net repayments drove the 21.4% decrease in loans payable to ₱230.6 billion. The deconsolidation of SPPC and EERI reduced accounts payable and accrued expenses by 12.1%. The foregoing declines were partly counterbalanced by the 7.1% increase in long-term debt to ₱1.4 trillion. As such, total liabilities dipped by 1.1% to ₱1.98 trillion as of end-2025.

Total equity went up by 10.5% and stood at ₱747.3 billion as of end-2025. Retained earnings increased by 27.2% primarily due to higher bottom line, while equity reserves leaped by 196.2% due to higher fair valuation of subsidiaries' investments in equity stocks.

SMC ended the year with lower debt-to-equity ratio of 2.2x.

3M2026

Total assets recorded an 8.1% growth to ₱2.9 trillion as of end-March 2026, mainly fueled by increases in cash and cash equivalents (+20.7%), trade and other receivables (+6.9%), and inventories (+68.5%). Net movement in PPE, on the other hand, was nominal (+0.2%).

Net debt availments backed the 6.3% increase in long-term debt to ₱1.4 trillion, while net payments drove the 2.0% decline in loans payable. Accounts payable and accrued expenses jumped by 51.3% due to higher liabilities to suppliers for fuel and crude purchases and hedging counterparties of Petron. Given such movements, total liabilities expanded by 10.7% and stood at ₱2.2 trillion as of end-March 2026.

Total equity, on the other hand, slightly went up by 1.3% to ₱756.9 billion. Retained earnings posted a modest 2.2% growth, which was partly counterbalanced by the 11.4% increase in treasury shares.

SMC's debt-to-equity ratio slightly rose to 2.3x as of end-March 2026, driven by the rise in total debt.

Of the total debt as of end-March 2026, 47.9% were foreign currency-denominated. To manage its foreign currency exposure, the Group enters into foreign currency hedges such as foreign currency forwards, options or swaps. SMC likewise maintains foreign currency-denominated monetary assets to naturally buffer forex movements.

Projected Period

Debt-to-equity ratio is seen to stay within historical levels. SMC will also remain compliant with its debt covenants.

Total assets will continue to expand, supported by continued plowback of earnings into operations.

The following bonds are set to mature in 2027: ₱6.0 billion Series C bonds, ₱18.8 billion Series I bonds, and ₱ 17.4 billion Series J bonds. SMC is seen to be in a comfortable position to service its maturing bonds.

Financial Flexibility

SMC has available short-term credit lines and long-term loan facilities from various financial institutions. In addition, SMC and some of its major subsidiaries are publicly listed, providing the SMC Group with the option to tap the equities market for funding of capex needs. As of June 30, 2026, SMC had a market capitalization of ₱162.1 billion.

The attributable market capitalization of listed SMC subsidiaries as of June 30, 2026 were: SMFB, (88.76% equity) ₱258.6 billion; GSMI, (76%) ₱57.2 billion; and Petron, (71.82%) ₱14.3 billion.

ECONOMY

Gross Domestic Product (GDP)[28]

The country's GDP growth slowed to 4.4% in 2025, missing the government's target range of 5.5%–6.5% and marking the third consecutive year that it has fallen short of the target. Department of Economy, Planning, and Development (DEPDev) Secretary Arsenio Balisacan cited the impact of weather-related disturbances for the year and the corruption scandal surrounding flood control projects as reasons for the missed growth target. The latter reportedly dampened investments and eroded consumer confidence in the first half of 2025 (1H2025).

On the supply side, full-year growth was anchored by Services (+5.9%) and a modest recovery in Agriculture, Forestry, and Fishing (AFF, +3.1%), while Industry lagged behind at 1.5%.

On the demand side, Household Final Consumption Expenditure (HFCE) slowed to 4.6% in 2025 (from 4.9% in 2024), while Government Final Consumption Expenditure (GFCE) accelerated to 9.1% (up from 7.3% in 2024). Gross capital formation (GCF) contracted by 2.1% in 2025, a sharp reversal from the 7.7% growth in 2024, driven by the government's aggressive freeze on project disbursements and a strict anti-corruption clampdown in the last quarter of the year following the flood control scandal.

In 1Q2026, Philippine GDP expanded by 2.8%. This was a marginal slowdown from the 3.0% growth recorded in the 4Q2025 and a sharp decline from the 5.4% registered in 1Q2025. Excluding the contractions experienced during the height of the COVID-19 pandemic, this marks the country's slowest quarterly growth since 3Q2011. According to the DEPDev, the deceleration was due to the lingering effects of the flood control controversy, delays in both the passage of the national budget and the release of funding for infrastructure spending, as well as the impact of the Middle East conflict on global oil prices.[29]

[28] Philippine Statistics Authority
https://business.inquirer.net/571342/philippine-gdp-growth-down-to-3-in-q4-2025
https://www.abs-cbn.com/news/business/2026/5/7/gdp-growth-skids-to-2-8-percent-in-first-quarter-of-2026-1007
https://psa.gov.ph/statistics/national-accounts
[29] https://www.abs-cbn.com/news/business/2026/5/7/gdp-growth-skids-to-2-8-percent-in-first-quarter-of-2026-1007

On the supply side, the Services sector remained the primary driver of the country's economy, with a YoY growth of 4.5%. AFF and Industry, on the other hand, posted YoY contractions of 0.2% and 0.1%, respectively.

On the demand side, HFCE grew by 3.0% YoY in 1Q2026, slower than the 5.3% growth in the same period in 2025. GFCE posted a growth of 4.8%, a notable slowdown from the 18.7% surge in 1Q2025. GCF, on the other hand, contracted by 3.3% in 1Q2026, reversing the 4.0% growth in 1Q2025, driven by the slump in the construction sector.[30]

Inflation[31]

Inflation averaged 1.7% in 2025, marking the slowest annual pace of price growth since 2016 and remaining below the Bangko Sentral ng Pilipinas' (BSP) 2–4% target range. The low inflation outturn was driven by easing rice prices and generally stable commodity costs, although food prices edged up toward year-end due to weather-related supply disruptions and stronger holiday demand.

Headline inflation eased to 6.8% in May 2026 from 7.2% in April 2026, though it remained significantly higher compared to 1.3% a year ago. This brings the year-to-date inflation to 4.5%. The slowdown was driven by softer price increases in transport, food, and housing, water, electricity, gas and other fuels. Notwithstanding such, domestic fuel costs remained elevated due to lingering external pressures, including Middle East-related supply disruptions and peso depreciation risks.

In June 2026, the government revised its inflation forecast upward to 6%–7% for 2026 and 4%–5% for 2027, a sharp increase from the previous assumption of 2%–4% for both years.

Interest Rates

Considering the subdued inflationary environment in 2025, the Bangko Sentral ng Pilipinas (BSP) implemented a series of 25-basis-point (bps) cuts during the year that brought the key policy rate down from 5.75% at the beginning of the year to 4.50% by end-2025.

The BSP, however, has now shifted from monetary easing to monetary tightening. After further bringing down the policy rate to 4.25% in February 2026, the BSP made two consecutive 25-bps rate hikes that brought the policy rate to 4.75% in June 2026. The central bank cited inflationary pressures due to rising oil and fertilizer costs, second-round inflationary effects broadening quicker than expected, and the projected sluggish economic activity in the near-term as the main reasons for the rate hike in June. While inflation eased in May, the BSP maintained a cautious stance, noting that upside risks remain due to food supply constraints, elevated transport costs, and external shocks arising from geopolitical tensions in the Middle East.

[30] https://psa.gov.ph/system/files/nap/Q1%202026%20NAP%20Publication.pdf
[31] https://business.inquirer.net/567690/philippine-2025-inflation-slows-to-1-7-a-9-yr-low
https://www.abs-cbn.com/news/business/2026/6/5/inflation-eases-to-6-8-percent-in-may-0907

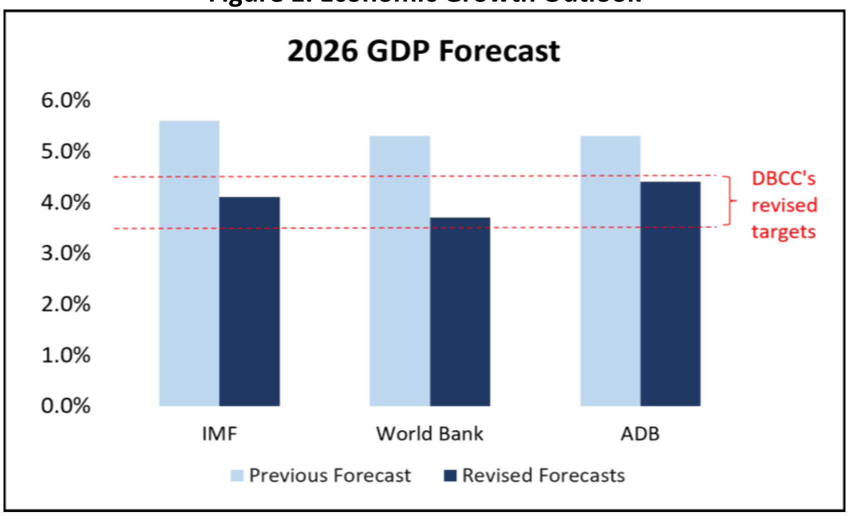
Outlook[32]

In June 2026, the Development Budget Coordination Committee (DBCC) cut the country's 2026 growth target to 3.5%–4.5% (from 5.0%–6.0%), following the economic slowdown amid the Middle East war, oil shock, and weakened government spending. The DBCC likewise lowered its GDP growth targets for 2027–2030 to 5.0%–6.0%, from the previous targets of 5.5%–6.5% for 2027 and 6.0%–7.0% for 2028–2030.

Similarly, institutions such as the International Monetary Fund (IMF), World Bank (WB), and the Asian Development Bank (ADB) downgraded their Philippine GDP growth forecasts.

The following charts summarize the latest downward revisions made by the IMF, WB, and the ADB in relation to their growth forecasts for the country in 2026. These adjustments were made in response to the following: (1) the impact of the Middle East conflict on the Philippine economy; (2) the lingering confidence issues from the flood corruption scandal; (3) the continued delays in public investment; (4) the added impact of severe weather events; (5) higher import bills; and (6) the depreciation of the peso. PhilRatings notes that the downgraded economic forecasts fall within DBCC's revised target of 3.5%–4.5%.

Figure 1. Economic Growth Outlook



S&P Global Ratings (S&P) meanwhile downgraded the Philippines' outlook from 'Positive' to 'Stable', signaling that while the country's 'BBB+' investment-grade rating remains secure, a near-term upgrade is unlikely due to compounding external and fiscal risks. Fitch Ratings, on the other hand, revised its outlook for the Philippines from 'Stable' to 'Negative', while affirming the country's' long-term foreign-currency issuer default rating (IDR) at 'BBB'. It cited the potential negative impact of the ongoing crisis in the Middle East on the country's growth moving forward and on the gradual public capex recovery as the reason for the outlook revision. Fitch Ratings' growth outlook for the Philippines for 2026 is 4.6%, while S&P made a

[32] https://www.bworldonline.com/top-stories/2026/04/09/741674/world-bank-slashes-phl-growth-forecast-to-3-7/
https://www.adb.org/news/philippine-gdp-growth-remain-subdued-amid-global-uncertainty
https://manilastandard.net/business/314726875/imf-moodys-cut-2026-philippine-growth-outlook
https://www.pna.gov.ph/articles/1272350
https://www.abs-cbn.com/news/business/2026/4/9/s-p-downgrades-philippine-outlook-to-stable-from-positive-amid-middle-east-war-1449
https://tribune.net.ph/2026/04/21/fitch-cuts-philippines-outlook-to-negative-govt-responds

sharp downgrade on its growth outlook from 5.6% to 4.1%. For 2027, S&P expects the country's GDP growth to rebound to 5.8%, lower than its last 6.2% forecast.[33]

Domestic Impact of the Ongoing Middle East Conflict[34]

The US-Israel-Iran conflict and maritime transit constraints at the Strait of Hormuz led to a declaration of State of National Energy Emergency by President Ferdinand Marcos Jr. in March 2026.

While the initial ceasefire deal between the U.S. and Iran in early April and its ongoing extension lowered global oil prices, the two-month tension between the two countries—marked by maritime friction and elevated logistics and insurance costs—will keep domestic fuel prices elevated, weighing heavily on the country's manufacturing output, household consumption, and fiscal buffers.

On June 17, 2026, the U.S. and Iran Presidents signed a Memorandum of Agreement (MOU) declaring the immediate and permanent termination of the war. The MOU includes the reopening of the Strait of Hormuz and easing of certain financial restrictions on Iran. Under the MOU, the U.S. and Iran also commit to reach a final deal within 60 days, including the arrangements related to Iran's nuclear program. As of report-writing date, the next phase of the negotiations is still ongoing.

Days after the MOU was signed, Iran declared the Strait of Hormuz closed again amid Israel's strikes in Lebanon. The U.S., however, denied this claim highlighting that approximately 17 million barrels of oil transit the waterway despite Iran's declaration of its closure. According to a U.S. official, Iran would be unable to effectively close Hormuz due to the presence of the U.S. military escorts.

Foreign Exchange Rate[35]

In 2025, the Philippine peso averaged ₱57.51 per USD, a marginal depreciation from ₱57.29 in 2024. The Philippine peso, however, further weakened against the USD in the 1H2026, with the average monthly exchange rate reaching ₱59.97 per USD. The depreciation became more pronounced beginning March 2026 amid the onset of the Middle East war.

According to MUFG Global Markets Research's baseline forecast, the Philippine Peso is seen to trade between ₱60.5 and ₱61.5 over time. Given external pressures such as the possible prolonged Middle East conflict and the delayed rate cuts by the US Fed, however, the local currency could further weaken to the ₱62 to ₱64.5 range.[36]

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[33] https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3542352
[34] https://psa.gov.ph/price-indices/cpi-ir
https://www.gmanetwork.com/news/money/economy/984266/diesel-prices-liter-gasoline-week
https://www.aljazeera.com/news/2026/4/18/iran-closes-strait-of-hormuz-again-over-us-blockade-of-its-ports
https://www.gmanetwork.com/news/money/economy/982088/pump-price-increase-middle-east-war/story
https://bworldonline.com/editors-picks/2026/05/25/751701/remittances-from-mideast-likely-to-remain-resilient/
https://tribune.net.ph/2026/05/19/ofw-remittance-risks-rise-amid-middle-east-conflict-ilo
[35] https://www.bsp.gov.ph/statistics/external/day99_data.aspx
[36] https://business.inquirer.net/593227/peso-at-risk-of-hitting-641-level-mufg

INDUSTRY

Food and Beverage[37]

The country's food and beverage (F&B) market recorded steady growth in recent years, fueled by the country's rising disposable income, expanding middle class, improved labor market, growth of digital platforms, and evolving consumer preference. In 2025, the demand for staple foods, packaged foods, dining experiences, and premium beverage remained robust. Processed meat and seafood continued to be the largest contributor in terms of value. The demand for staple foods is expected to remain strong, supported by the easing cost pressures and growing adoption of e-commerce channels.

Moreover, according to the US Department of Agriculture-Foreign Agricultural Service (USDA-FAS), food service sales in 2025 were estimated to grow by 8% to $14 billion, from $13 billion in 2024.[38] Such was expected to grow by 10% to $15.4 billion in 2026. This would bring the country's food service sales to pre-pandemic levels. While the Philippine economy is projected to grow at a slower pace amid domestic and external headwinds, consumer spending on food is expected to remain robust, supported by a higher employment rate and a growing middle class. In terms of consumer preference, there was an observed shift toward health-oriented and convenience products. There has also been a growing demand for natural, wholesome ingredients, such as whole grains, nuts and seeds, legumes, and less processed, healthier snacks and beverages.

Additionally, according to a Kantar report, F&B brands continued to dominate the fast-moving consumer goods (FMCG) segment. The report highlighted that the FMCG brands that are bought by more homes and those that continue to increase penetration are better positioned for growth. Having presence on five or more channels is also essential to remain competitive.

In 2025, the Philippine beer market, in terms of sales, stood at $6.28 billion and is expected to further grow to $9.73 billion by 2032. Such growth will be supported by expected improvement in economic conditions, a youth population, and active brand participation by large brewers. Beer consumption is also expected to improve, as events, social occasions, and tourism pick up pace.

By product type, pale lager remains the most popular/preferred type of beer and has the largest share at 95%. Local mid-range lagers like San Miguel Pale Pilsen and Red Horse continue to be favored by local palates as they are affordable, smooth-tasting, and highly reputed brands. The increase in popularity among premium and flavored lagers is also supporting growth. Players like Heineken, Asahi, and Corona Extra are also increasing visibility through up-to-date retail and on-trade channels.

San Miguel Beer products continued to dominate the country's beer market in 2025. Competition in the beer sector, however, is expected to tighten as Heineken, the international premium beer brand, has established its presence here in the Philippines through the domestic brewer, Asia Brewery Inc.

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[37] https://www.6wresearch.com/industry-report/philippines-food-and-beverage-market
https://www.euromonitor.com/staple-foods-in-the-philippines/report
https://mb.com.ph/2025/12/31/philippine-food-service-sales-set-to-return-to-pre-pandemic-levels-in-2025
https://bworldonline.com/economy/2025/06/05/677559/food-and-beverage-tops-list-of-leading-fmcg-products/
https://www.vyansaintelligence.com/industry-report/philippines-beer-market-trend
https://vocal.media/trader/philippines-beer-market-2026-volume-retention-steady-value-expansion-and-distribution-dominance
[38] Actual food service sales

PhilRatings notes that the beer in the country is highly influenced by the top three brands, accounting for approximately 95% of the total beer market share.

Fuel and Oil

As of report-writing date, Petron remains the only petroleum refinery in the country. The rest of the market participants are importers of finished petroleum products and/or purchase products in the local market.

The Middle East conflict pushed Dubai crude oil prices to more than $100 per barrel in March 2026, from an average of $62 in January 2026. The increase was attributed to concerns over global oil supply following the closure of the Strait of Hormuz, a transit route through which 20% of global oil passes. With the uncertainties in the Middle East conflict, the oil market had been highly volatile with huge fluctuations in prices of both crude and finished products. Approximately 98% of the country's crude oil importation comes from the Middle East.

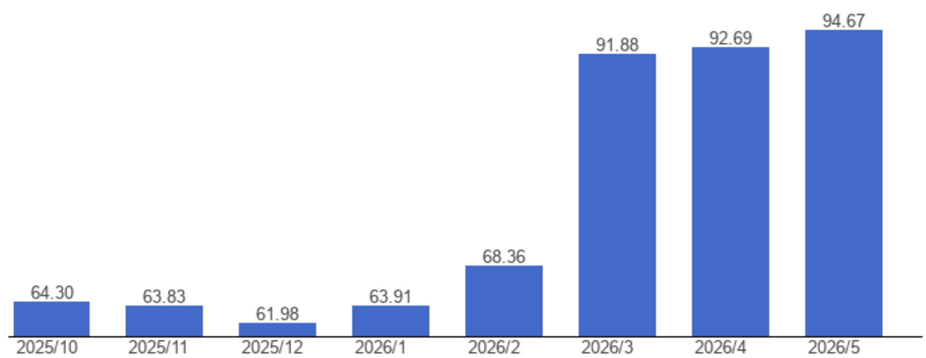

Figure 2. Average Dubai Crude Oil Price Per Month
Source: theglobaleconomy.com

In light of the conflict in the Middle East, Executive Order 110 was signed declaring the Philippines under a State of National Energy Emergency. The initiatives undertaken by the government include the following:

1. Directing the PNOC to procure fuel and implement energy conservation and prioritization measures;
2. Providing fuel subsidies for the transport sector; and
3. Monitoring of excessive price increases on basic commodities.

In March 2026, President Ferdinand R. Marcos signed Republic Act No. 12316 into law. This measure authorizes the President to suspend/reduce excise taxes on petroleum when the price of Dubai crude oil exceeds $80 per barrel for one month. In the following month, the President also issued an executive order suspending the excise taxes on specific petroleum products. The said tax rates will revert back to previous rates one week after the one-month average Dubai crude oil price falls below $80 per barrel. Additionally, the government also suspended excise tax levied on LPG and kerosene. The removal of the tax is equivalent to ₱3.36 per kilo of LPG, or almost a ₱37 reduction for every tank of LPG, and ₱5.60 for every liter of kerosene.

A significant price roll back on fuels took effect on June 23, 2026, following the signed MOU between the US and Iran. Gasoline prices decreased by ₱3.9–₱5.9 per liter, while kerosene and diesel prices fell by ₱9.04–₱11.04 per liter and ₱9.82–₱11.82 per liter, respectively. The price rollback was implemented despite Iran's announcement of the closure of the Strait of Hormuz on June 20, 2026. According to the DOE, the price adjustments in relation to such could be reflected a week after. The DOE also noted that it might take 12 months for domestic fuel prices to return to pre-war levels.

Energy

Peak Demand[39]

In 2025, the country's total peak declined marginally or by 0.3% to 19,212 MW, from 19,274 MW in 2024. The Luzon grid continued to account for the largest share of the total demand at 72.7%, while Visayas and Mindanao grids each contributed 14.0%.

Power Generation and Consumption

Total electricity generation and consumption likewise declined marginally, from 126,941 GWh in 2024 to 126,378 GWh in 2025. The residential segment continued to be the main driver of electricity consumption, accounting for 33.2% of the total consumption. It was followed by the industrial and commercial segments, with 24.8% and 22.7% shares, respectively.

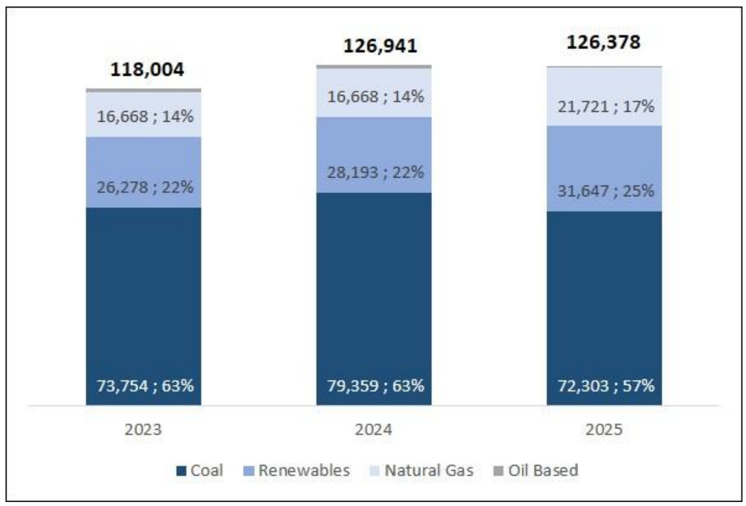

Figure 3. Power Generation and Consumption (GWh)

As of end-2025, coal remained the dominant power source in the country, accounting for 57% of the total generation mix. Nevertheless, this was an improvement from 63% share in the previous years. In contrast, the share of renewable energy and natural gas to total generation mix increased in 2025 to 25% and 17%, respectively.

[39] https://legacy.doe.gov.ph/energy-statistics/philippine-power-statistics

Installed and Dependable Capacity[40]

The country's power supply, in terms of total installed capacity, increased by 7.8%, from 29,706 MW in 2024 to 32,037 MW in 2025. A total of 2,331 MW was added to the country's supply base during the year. The majority (1,320 MW) of the total additions came from natural gas, while the rest (1,101 MW) was from RE sources, the majority of which was from solar power (834 MW).

In 2025, the share of total capacities from natural gas notably increased to 16%, from 13% in 2024. RE sources similarly increased, albeit marginally, from 32% in 2024 to 33% in 2025. While coal-fired power plants still accounted for the bulk of total installed capacities at 41%, such was lower than the 44% recorded in the previous year.

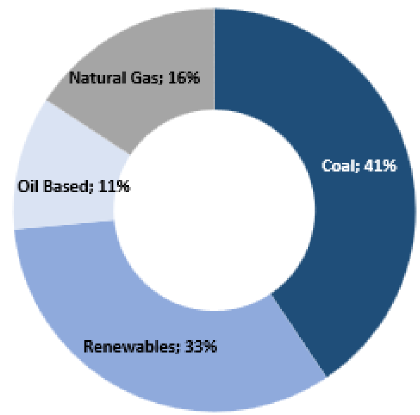

Figure 4. Installed Capacity Mix (2025)

In terms of dependable capacity, the Philippines had 27,866 MW in 2025, up by 6.8% from 26,086 MW in 2024. The additional capacities were also primarily from natural gas and RE sources – primarily solar. It is worth noting, however, that dependable capacities from hydro power were down by 145 MW in 2025.

In 2026, the total share of RE's installed capacity (40%) is expected to surpass that of coal (37%).

Moratorium on Coal

The Philippine government aims to increase the share of renewable energy in power generation to 35% in 2030 and 50% in 2040. To reach this goal, the government banned the construction of coal-fired power generation facility projects in 2020. Based on the issued Moratorium on New Coal Power Plants in 2020, the country will no longer accept new proposals for coal-based power projects. The existing coal-fired power plants, committed power projects, and indicative power projects with substantial permitting accomplishments, however, were still allowed to expand their facilities. The progression of these projects is expected to contribute to the continued expansion of coal generation in the years ahead, and therefore coal is projected to keep its position as the primary power source until 2031.[41] As of the report-writing date, the SMC Group also remains heavily invested in coal-powered facilities. Nevertheless, the Group intends to further expand and accelerate its transition to a clean energy future.

Green Energy Auction Program (GEAP)[42]

GEAP is a government program that promotes renewable energy development by allowing energy developers to bid for contracts or the rights to supply/generate clean energy to the power grid. In 4Q2025, the DOE announced the results of the fourth auction round of the GEAP (GEA-4). A total of 123 projects with 10,195 MW capacities were selected, including over 4,179 MW of ground-mounted solar projects, 2,284 MW of floating solar projects, around 2,518 MW of onshore wind, 1,189 MW of integrated renewable energy storage systems (IRESS), and 25 MW of rooftop solar projects. This amount exceeds the

[40] https://prod-cms.doe.gov.ph/documents/d/guest/04-lvm-summary-6-pdf
[41] https://www.philstar.com/business/2022/04/07/2172922/philippines-ramp-clean-power-coal-remain-king-fitch-unit
[42] https://www.enerdata.net/publications/daily-energy-news/philippines-awards-102-gw-gea-4-renewable-auction.html

previous award of 9,423 MW in September 2025. PhilRatings notes that more than 30% of the total ground-mounted projects were awarded to or secured by the SMC Group through SGLP.

Philippine Natural Gas Industry Development Act

In January 2025, the Philippine Natural Gas Industry Development Act (Republic Act No. 12120) was signed into law. Such is expected to promote natural gas as a safe, efficient, and cost-effective source of energy and as an indispensable contributor to energy security through the Philippine Downstream Natural Gas Industry (PDNGI). With the implementation of this law, the government expects to (a) develop natural gas as a reliable fuel for power plants; (b) promote conversion of existing fossil fuel-operated facilities to natural gas; and (c) promote natural gas as an energy fuel and develop the Philippines as an LNG trading and transshipment hub within the Asia-Pacific Region. The Philippines commissioned its first LNG terminal in 2023.

In January 2026, the country had its first major natural gas discovery in Malampaya East 1 (MAE1) reservoir, located approximately five km east of the existing Malampaya field. Based on initial estimates, MAE-1 is estimated to contain around 98 billion cubic feet of gas. The discovery is expected to boost the country's energy supply and strengthen long-term energy security.

Outages across Luzon and Visayas[43]

In May 2026, the Luzon and Visayas grids were placed on red alert due to the critically low electricity supply. Electricity consumers in both grids experienced rotating brownouts from May 13 to 15, 2026. Aside from the surge in electricity demand amid the hot weather, the red alert in Luzon was also driven by the transmission constraint of the 500 kV Tayabas-Ilijan and Dasmariñas-Ilijan Transmission Lines. The transmission constraint resulted in the disconnection of the Ilijan Power Plants (1,200 MW) and EERI Units (1,262.1 MW), as well as the outage of Masinloc Unit 3 in Zambales; SMC owns or have stakes on all the aforementioned plants. In the Visayas, the red alert was primarily driven by the continued forced outage of some units of Therma Visayas Inc. (TVI) and Panay Energy Development Corporation (PEDC). TVI and PEDC are two major coal-fired power plants in the region.

Due to these circumstances, the Energy Regulatory Commission (ERC) issued and adopted Resolution No. 18, Series of 2026 in June 2026, allowing non-National Grip Corporation of the Philippines (NGCP) entities to develop transmission projects. The resolution also sets out the implementing rules for the development, ownership and operation of transmission facilities and for the financing and construction of transmission projects by entities other than the NGCP.

While Luzon has been under normal conditions since the red alert in May, following the full capacity operation of major Luzon power plants, Visayas grid has been suffering nearly uninterrupted yellow alerts as TVI and PEDC remain unavailable.

[43] https://www.abs-cbn.com/news/business/2026/6/23/ph-strengthens-role-in-regional-clean-energy-future-1440
https://www.pna.gov.ph/articles/1274953
https://www.pna.gov.ph/articles/1277925
https://business.inquirer.net/596111/erc-lets-non-ngcp-firms-build-transmission-projects

Infrastructure[44]

In 2025, the country's infrastructure spending and other capital outlays declined by 17.3%, from ₱1.33 trillion in 2024 to ₱1.10 trillion. This was also 18.8% lower than the ₱1.35 trillion program set by the DBCC. The total infrastructure spending in 2025 was equivalent to 4.7% of GDP, lower than the 5.3% target for the year and the 5.8% contribution in 2024.

According to the Department of Budget and Management (DBM), infrastructure spending significantly declined in 1H2025 due to the stricter verification of infrastructure projects and validation payments by the Department of Public Works and Highways (DPWH) following the flood control corruption scandal. In December alone, disbursements dropped by 27.9%, marking the sixth consecutive month of decline since July. On top of this, adverse weather conditions in 4Q2025 also hampered the implementation and completion of other infrastructure activities. In 2026, DBM cut its infrastructure spending target to 4.3% of GDP, from 5.1% previously.

In April 2026, infrastructure spending dropped by nearly 52% to ₱41.5 billion, from ₱85.8 billion in the same month in 2025. Such was attributable to the weak spending performance of the DPWH, as the implementation of the 2026 budget and the completion of the prior year's projects are still ongoing. The more stringent validation of processing payment claims also contributed to the slowed spending for the month. According to the DBM, approximately ₱13.8 billion worth of outstanding checks remained uncashed as of end-April, as some suppliers and contractors have yet to encash their checks. Infrastructure spending from January to April 2026 dropped to ₱189.3 billion, a 45.6% drop from ₱347.6 billion in the same period in 2025.

Air Transport[45]

In 2025, the Civil Aviation Authority of the Philippines (CAAP) committed to spend ₱12.4 billion to upgrade the country's regional airports and to support inter-island connectivity. Of the total budget, ₱10.6 billion was allotted for civil works, while the rest were for system upgrades. Some of the key projects include the night-rating upgrade of airports in Cauayan in Isabela, Dipolog and Pagadian.[46]

Moreover, the Department of Transportation (DOTr) received funding in the 2025 General Appropriations Act to build new airports and rehabilitate existing ones. Tacloban Airport received the largest funding (₱2.3 billion), followed by the Pag-asa Island Airport (P1.65 billion). Pag-asa is the largest island in the Kalayaan Island Group and is located 508 km northwest of Puerto Princesa City.

In January 2026, the first aircraft landing at Bukidnon Airport took place, marking the long-delayed project's shift from a construction site to a functional runway. DOTr Chief Giovanni Z. Lopez set a strict deadline of November 30, 2026 for the completion of the facility, with commercial turboprop flights to begin by December.

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[44] https://www.pna.gov.ph/articles/1247360
https://www.philstar.com/business/2026/04/10/2519824/government-infrastracture-spending-falls-below-program-2025
[45] https://ppp.gov.ph/in_the_news/over-p12-billion-allotted-for-airport-modernization/
https://www.sunstar.com.ph/davao/dotr-conducts-probing-flight-at-bukidnon-airports-runway
https://tribune.net.ph/2026/04/18/dotr-rolls-out-transport-measures-amid-oil-crisis
[46] Night-rating upgrade equips an airport with lighting, navigation, and safety systems that will allow aircraft operations at night or under low-visibility conditions.

Given the financial constraints, the government is contracting the operations and maintenance of some of the country's biggest airports to private groups. One of which is SMC for the rehabilitation of NAIA.

Notwithstanding the challenges posed by the oil price shocks, airport upgrades aimed at boosting domestic air travel continue to be underway. In April 2026, Mr. Lopez affirmed that the DOTr remains on track in its transport initiatives. In the aviation sector, the DOTr implemented reduced terminal fees and navigational fees to support fare stability for airline operators. Mr. Lopez also added that additional airports are being prepared for privatization under Public-Private Partnership arrangements, highlighting that the agency has been instructed to prioritize airport runway improvements.

Packaging[47]

The country's packaging volume reached 81.6 billion units in 2025, up from 78.5 billion units in 2024. Such is projected to reach 91.9 billion units by 2030, representing a compound annual growth rate (CAGR) of 2.4%. In terms of end-user, non-alcoholic beverages were the largest packaging consumer in 2025, using 45.8 billion units and holding a 56.2% share, followed by food with 28.3%. Both industries primarily used flexible packaging—the most commonly used packaging material in 2025.

According to IMARC, a consulting and market research firm, the packaging industry in the country is driven by growing consumer demand, e-commerce expansion, sustainability trends, and technological advancements. Additionally, rising disposable incomes and urbanization boosted packaged goods demand, while the rise of online shopping fueled the growth in protective packaging. Consumer preferences in eco-friendly products and innovations in recyclable packaging likewise supported the industry's growth. The SMC Group, in particular, intends to increase its investments in eco-friendly facilities, processes, and products, as consumer trend moves towards this direction.

Cement[48]

The Philippine cement industry continued to face a challenging environment in 2025, as demand remained subdued amid slower construction activity following the corruption scandal in 2H2025. With the slowdown in government infrastructure spending—which accounted for about 40% of total cement demand—and reduced DPWH budget in 2026, demand in 1H2026 remained sluggish even during the peak construction season (February to April).

Based on latest available data (as of end-2024), the country's cement industry has a total capacity of 51 million metric tons (MT), while the demand was only around 35 million MT or 53% of the total capacity. Of the total demand, 27 million MT were produced domestically, with the rest imported from multiple countries.

[47] https://www.globaldata.com/store/report/philippines-packaging-market-analysis/
[48] https://mb.com.ph/2026/05/26/cement-demand-seen-slowing-amid-government-spending-cuts
https://www.cemnet.com/News/story/181408/cemap-forecasts-cement-demand-decline-in-the-philippines.html
https://www.globalcement.com/news/19516-only-53-of-philippines-cement-capacity-in-use

The industry also faced intense competition from imported cement. Cement imports in 2024 reached 7.6 million MT, higher than the 7 million MT recorded in the previous year. Vietnam still accounted for majority of the cement imports, accounting for more than 90% of the total. It is estimated that as of 2025, imports continued to have a significant share of the market.

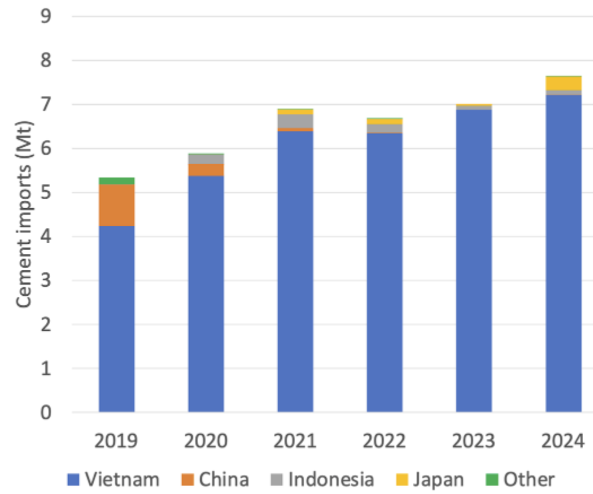


Figure 5. Historical Cement Imports
Source: Global Cement

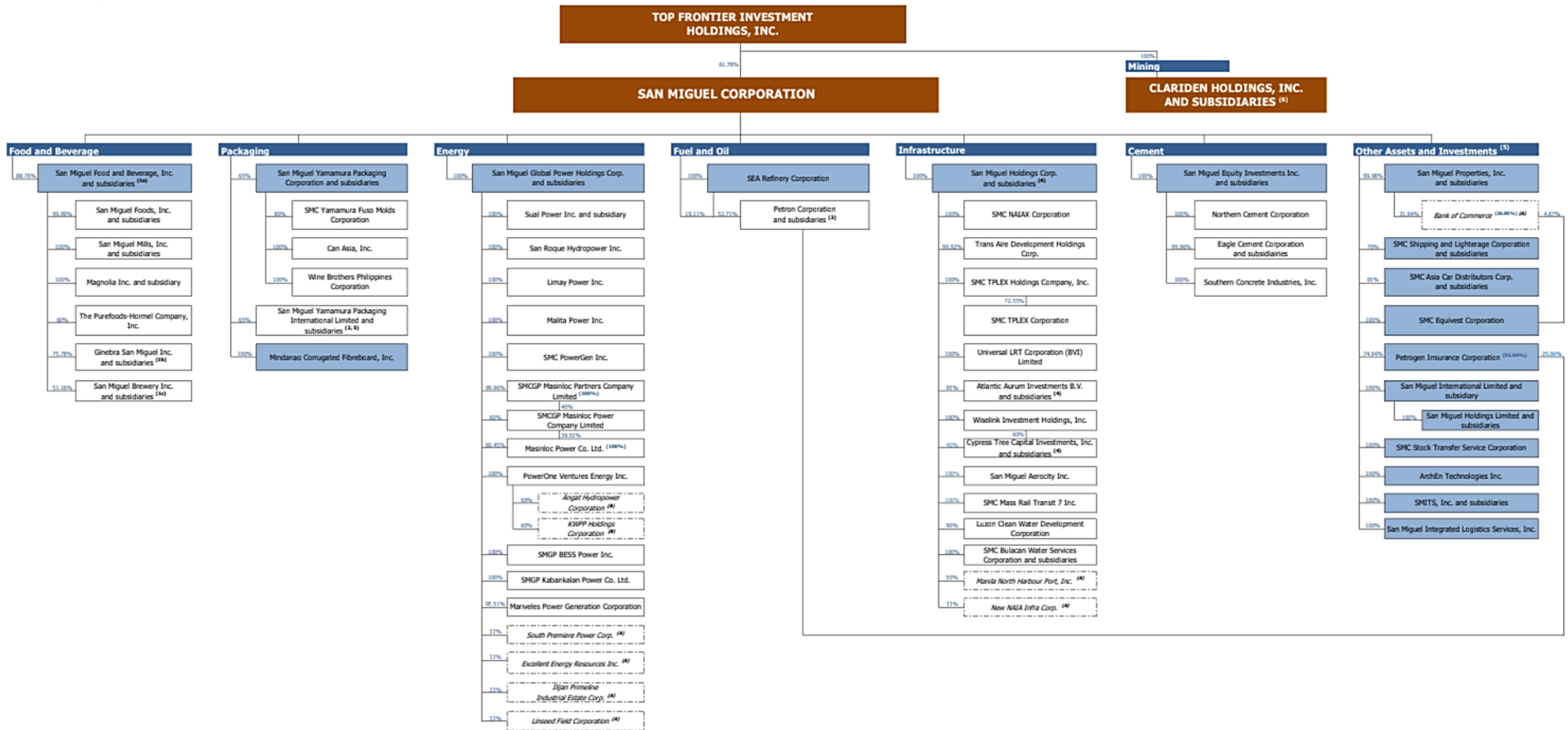
Given this situation, the Department of Trade and Industry (DTI) issued an administrative order imposing a provisional safeguard duty of ₱400 per ton or ₱16 per 40 kg bag on imported cement under AHTN Code 2523.29.90 (Ordinary Portland Cement) and AHTN Code 2523.90.00 (other hydraulic cements, including blended cement) from March to September 2025. In October 2025, the DTI imposed a definitive safeguard duty on imported cement of the aforementioned categories for three years. A rate of ₱349 per ton or ₱14 per 40 kg bag will be imposed in the first year. This, however, was lower than the Cement Manufacturers Association of the Philippines' (CeMAP) request for a safeguard of ₱600 per ton.

According to CeMAP President Reinier Dizon, the cement market would likely have a single-digit contraction by end-2026 as the government scales back big-ticket infrastructure development projects and as private construction activity has likewise weakened due to the increase in construction material prices.

Annex A

SMC Group Structure

As of end-December 2025



* The group structure includes the Parent Company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries, associates and joint ventures.

Note:
(A) Associate
(B) Joint Venture