

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter

Ginebra San Miguel Inc.

3. Province, country or other jurisdiction of incorporation or organization

Philippines

4. SEC Identification Number

142312

5. BIR Tax Identification Code

000-083-856-000

6. Address of principal office

3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center,
Mandaluyong City

Postal Code

1550

7. Registrant's telephone number, including area code

(+632) 8841-5100

8. Date, time and place of the meeting of security holders

May 30, 2024, Thursday, 2:00 P.M., which will be via remote communication and
livestreamed at the Company's website: <http://www.ginebrasanmiguel.com>

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 8, 2024

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
(information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON STOCK	286,327,841

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

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

The Philippine Stock Exchange, Inc. - Common Shares

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Ginebra San Miguel, Inc.
GSMI

**PSE Disclosure Form 17-5 - Information Statement for Annual or
Special Stockholders' Meeting**
*References: SRC Rule 20 and
Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	May 30, 2024
Type (Annual or Special)	Annual
Time	2:00 P.M.
Venue	The meeting will be via remote communication and livestreamed at the Company's website: http://www.ginebrasanmiguel.com .
Record Date	Apr 26, 2024

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Apr 27, 2024
End date	May 1, 2024

Other Relevant Information

Please see attached Definitive Information Statement (SEC Form 20-IS) of the Company (with notice, agenda, and the rationale for each agenda item) for its 2024 Regular Stockholders' Meeting scheduled on May 30, 2024, cleared for release by the Securities and Exchange Commission today, May 3, 2024.

Filed on behalf by:

Name	Francis Joseph Cruz
Designation	General Counsel and Assistant Corporate Secretary

GINEBRA SAN MIGUEL INC.
NOTICE OF THE REGULAR STOCKHOLDERS' MEETING
May 30, 2024

NOTICE is hereby given that the 2024 Regular Stockholders' Meeting ("RSM") of Ginebra San Miguel Inc. (the "Company") will be held on **Thursday, May 30, 2024, at 2:00 P.M.**, via remote communication and livestreamed at the Company's website: <http://www.ginebrasanmiguel.com>. Only stockholders of record at the close of business hours on April 26, 2024 are entitled to vote at this meeting.

The Agenda of the Meeting is as follows:

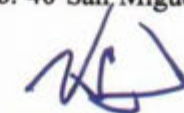
1. Call to Order/Certification of Notice and Quorum
2. Approval of the Minutes of the Regular Stockholders' Meeting held on May 25, 2023
3. Presentation of the 2023 Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Election of Directors
6. Appointment of External Auditor
7. Other Matters
8. Adjournment

An explanation for each agenda item is shown in Appendix 1.

Attendance to the meeting will be via remote communication and questions will be sent only through a dedicated email address. Stockholders should access the Company's website to access the link to view the livestream of the meeting which will be available on the day of the meeting. The procedure and further details for attending the meeting through remote communication are set forth in Appendix 2.

Votes will be cast only through ballots or proxies. Ballots and proxies may be submitted to the Corporate Secretary through email at gsmirms@ginebra.sanmiguel.com.ph, which shall be acknowledged and validated with the assistance of the Company's stock transfer agent, SMC Stock Transfer Service Corporation. Validated ballots and proxies will be considered for purposes of determining quorum and voting results. For your convenience, a sample of a ballot/proxy is attached as Appendix 3. For an individual, his ballot or proxy must be accompanied by a valid government-issued identification card with a photo. For partnerships, corporations or associations, the proxy must be accompanied by a notarized Secretary's Certificate stating the representative's authority to represent the corporation in the meeting. Proxies need not be notarized. Stockholders who provide their personal information shall be deemed to agree to the collection and processing of their personal information in accordance with the Company's privacy statement for its 2024 RSM posted on its website.

The deadline for the submission of ballots and proxies is on May 16, 2024. Validation of ballots and proxies will be on May 24, 2024 at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines.



Virgilio S. Jacinto
Corporate Secretary



EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

Approval of the Minutes of the Regular Stockholders' Meeting held on May 25, 2023

A copy of the draft Minutes of the 2023 RSM (the “Minutes”) of Ginebra San Miguel Inc. (the “Company”) was uploaded in the Company’s website, <http://www.ginebrasanmiguel.com>, within five (5) days from the said meeting and may be accessed therein. A copy of the Minutes is also attached to this Information Statement.

Presentation of the 2023 Annual Report

A report on the performance of the Company in 2023 (the “Annual Report”) will be presented to the stockholders including the financial results and position of the Company. After the presentation of the Annual Report, the Company shall entertain questions and comments from the stockholders. Questions and comments must be submitted either in advance or during the meeting by email to gsmirsm@ginebra.sanmiguel.com.ph. Questions which were not answered during the meeting shall be forwarded to the Office of the Corporate Secretary for appropriate responses.

Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

Ratification by the stockholders will be obtained for all acts, resolutions and proceedings of the Board of Directors (the “Board”) and corporate officers of the Company since the Regular Stockholders’ Meeting held on May 25, 2023 until May 30, 2024 as reflected in the minutes of the meetings of the Board, financial statements, records, reports and disclosures of the Company.

Election of Directors

The profiles of all the nine (9) nominees for election as directors of the Company are included in this Information Statement. The Corporate Governance Committee has determined during its meeting held on March 6, 2024, that all the nominees are qualified for election by the stockholders during the 2024 RSM scheduled on May 30, 2024.

Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock in his name in the books of the Company. However, in electing directors, every stockholder is entitled to cumulate his votes in accordance with the provisions of law.

Appointment of External Auditor

R.G. Manabat & Co. is nominated as the Company’s external auditor for 2024. On March 6, 2024, upon the favorable endorsement of the Audit and Risk Oversight Committee, the Board approved the nomination of the said external auditor for approval of the stockholders during the 2024 RSM. A more detailed information about the nominated external auditor may be found in <https://home.kpmg/ph/en/home/about/overview.html>.

Other Matters

Stockholders who, alone or together with other shareholders, hold at least five percent (5%) of the outstanding capital stock of the Company shall have the right to include items on the agenda prior to the 2024 RSM, in accordance with SEC Memorandum Circular No. 14, Series of 2020.

PROCEDURE FOR ATTENDING THE MEETING THROUGH REMOTE COMMUNICATION

1. Stockholders of record as of April 26, 2024, who intend to attend the meeting are requested to register by notifying the Company through email at **gsmirsm@ginebra.sanmiguel.com.ph**, not later than May 16, 2024. Intention to attend the meeting may be signified together with the submission of the Ballot and Proxies.
2. For validation purposes, the email should contain the following information: (i) name; (ii) address; (iii) telephone number; and (iv) email address, and a scanned copy of any valid government-issued identification card (“ID”) with photo of the stockholder. For partnerships, corporations or associations, the notarized Secretary’s Certificate stating the representative’s authority to represent the corporation in the meeting must be attached.
3. Only the stockholders who have notified the Company of their intention to participate as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance and quorum at the meeting, together with the stockholders attending through proxies.
4. Stockholders who failed to register may still attend the meeting by accessing the livestreaming link at the Company’s website, <http://www.ginebrasanmiguel.com>.
5. Shareholders may send their questions and/or comments prior to or during the meeting to **gsmirsm@ginebra.sanmiguel.com.ph**.
6. There will be a visual and audio recording of the meeting.

Should you have questions or requests for clarification on the procedure for attending the 2024 RSM through remote communication, please email them to **gsmirsm@ginebra.sanmiguel.com.ph**.

SAMPLE BALLOT/PROXY

Please mark the appropriate box:

Vote by ballot: The undersigned stockholder of GINEBRA SAN MIGUEL INC. (the “Company” or “GSML”) casts his vote on the agenda items for the 2024 Regular Stockholders’ Meeting (“RSM”) of GSML, as expressly indicated with “X” below in this ballot.

Vote by proxy: The undersigned stockholder of the Company hereby appoints _____ or, in his absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his name at the 2024 RSM and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with “X” below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DESCRIPTION PROXY
1. Election of Directors for 2024 The following are the nominees: Ramon S. Ang Francisco S. Alejo III Leo S. Alvez Aurora T. Calderon Gabriel S. Claudio Francis H. Jardeleza Cecile L. Ang Aurora S. Lagman-Independent Director Martin S. Villarama, Jr.-Independent Director INSTRUCTIONS: <i>To withhold authority to vote for any individual nominee(s), please mark Exception box and list the name(s) under.</i>				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the Regular Stockholders’ Meeting held on May 25, 2023				
3. Presentation of the Annual Report of the Company for the year ended December 31, 2023				
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers				
5. Appointment of R.G. Manabat and Co. as External Auditor of the Company for 2024				

Signed this ___ day of _____, 2024 at _____.

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER/ NAME AND
SIGNATURE OF AUTHORIZED SIGNATORY

THIS PROXY/BALLOT SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **May 16, 2024**. FOR STOCKHOLDERS, THAT ARE PARTNERSHIPS, CORPORATIONS OR ASSOCIATIONS, THE PROXY MUST BE ACCOMPANIED BY A NOTARIZED SECRETARY’S CERTIFICATE SETTING OUT THE AUTHORITY OF THEIR DESIGNATED PROXIES. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. NOTARIZATION OF THE PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its Charter:

GINEBRA SAN MIGUEL INC.

3. Province, country and other jurisdiction of incorporation or organization:

Metro Manila, Philippines

4. SEC Identification Number: **142312**

5. BIR Tax Identification Code: **000-083-856-000**

6. Address of principal office:
**3rd and 6th Floors, San Miguel Properties Centre,
St. Francis Street, Ortigas Center,
Mandaluyong City, Philippines**

Postal Code:
1550

7. Registrant's telephone number, including area code: **(632) 8841-5100**

8. Date, time and place of the meeting of stockholders:

Date: **May 30, 2024, Thursday**

Time: **2:00 P.M.**

Livestream via <http://www.ginebrasanmiguel.com>

9. Approximate date of which the Information Statement is to be first sent or given to security holders:

May 8, 2024 (by uploading an electronic copy in the Company's website and in PSE Edge in compliance with SEC Notice dated February 23, 2024).



10. Securities registered pursuant to Sections 8 and 12 of the SRC:

<u>Title of Each Class</u>	<u>Authorized</u>	<u>Outstanding</u>
(As of March 31, 2024)		
Common	460,000,000	286,327,841
Preferred	<u>100,000,000</u>	<u>0</u>
	560,000,000	286,327,841

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

Yes No

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

The Philippine Stock Exchange, Inc. - **Common Shares**

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Regular Meeting

Date: **May 30, 2024, Thursday**

Time: **2:00 P.M.**

Venue: **Livestream via <http://www.ginebrasanmiguel.com>**

The principal office of the Registrant is at 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Philippines.

The Information Statement is to be first sent to security holders approximately on **May 8, 2024**. The notice of the meeting shall be published in the business section of two (2) newspapers of general circulation, in print and online format for two (2) consecutive days, while the Information Statement shall be made available in the website of the Company, <http://www.ginebrasanmiguel.com> and in the online system of The Philippine Stock Exchange (the "PSE"), PSE Edge, in accordance with the Notice of the Securities and Exchange Commission (the "SEC") dated February 23, 2024.

WE ARE NOT ASKING YOU FOR A PROXY AND WE REQUEST THAT YOU REFRAIN FROM SENDING US A PROXY.

As attendance to the meeting will only be via remote communication, votes will be cast only through ballots or proxies. Ballots and proxies may be submitted to the Corporate Secretary through email at gsmirsm@ginebra.sanmiguel.com.ph, which shall be acknowledged and validated with the assistance of the Company's stock transfer agent, SMC Stock Transfer Service Corporation. Validated ballots and proxies will be considered for purposes of determining quorum and voting results. For your convenience, a sample of a ballot/proxy is attached as Appendix 3. For an individual, his ballot or proxy must be accompanied by a valid government-issued identification card with a photo. For partnerships, corporation, and association, the proxy must be accompanied by a notarized Secretary's Certificate stating the representative's authority to represent the corporation in the meeting. Proxies need not be notarized. Stockholders who provide their personal information shall be deemed to agree to the collection and processing of their personal information in accordance with the Company's privacy statement for its 2024 Regular Stockholders' Meeting ("RSM") posted on its website.

The deadline for the submission of ballots and proxies is on May 16, 2024. Validation of ballots and proxies will be on May 24, 2024 at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines.

Dissenters' Right of Appraisal

Any stockholder shall have the right to dissent and demand payment of the fair value of the shares in the following instances: amendment to the corporation's articles of incorporation which has the effect of changing and restricting the rights of any shareholder or class of shares; or of authorizing preferences in any respect superior to those of outstanding shares of any class; or of extending or shortening the term of corporate existence; sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; merger or consolidation; and investment of corporate funds in another corporation or business for any purpose other than its

primary purpose. The stockholders' right of appraisal may be exercised within a period of thirty (30) days from the date on which the vote on the corporate action was taken.¹

For the 2024 RSM of Ginebra San Miguel Inc. (the "Company" or "GSMI"), there are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in the Revised Corporation Code of the Philippines (the "RCCP").²

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Number of shares outstanding as of March 31, 2024:

Common Shares:	286,327,841
Total shares issued and outstanding:	286,327,841

All stockholders as of April 26, 2024 are entitled to vote at the 2024 RSM of the Company.

Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock in his name in the books of the Company. However, in electing members to the Board of Directors (the "Board"), every stockholder is entitled to cumulate his votes in accordance with the provisions of the RCCP.³

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the Company's voting securities as of March 31, 2024 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	San Miguel Food and Beverage, Inc., ⁴ No.	San Miguel Corporation	Filipino	216,972,000	75.78%

¹ As provided in Sections 80 and 81 of the Revised Corporation Code of the Philippines (the "RCCP").

² *Id.*

³ In accordance with Section 23 of the RCCP, a stockholder may; (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: Provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected.

⁴ The Board of Directors of San Miguel Food and Beverage, Inc. ("SMFB") authorizes any one Group A signatory, or any two Group B signatories to act and vote in person or by proxy, shares held by SMFB in other corporations. The Group A signatories of SMFB are Ramon S. Ang, Ferdinand K. Constantino, Francisco S. Alejo III, Joseph N. Pineda, Virgilio S. Jacinto, Aurora T. Calderon, Carlos Antonio M. Berba, Emmanuel B. Macalalag, Elizabeth R. Bay, Bella O. Navarra and Monica L. Ang. The

	40 San Miguel Avenue, Mandaluyong City, parent company of the issuer.				
Common	PCD Nominee Corporation ⁵ (Filipino), Ground Floor, Makati Stock Exchange Ayala, Ave., Makati City	Various	Filipino	42,630,462	14.89%
Common	PCD Nominee Corporation ⁶ (Non-Filipino), Ground Floor, Makati Stock Exchange Ayala, Ave., Makati City	Various	Non-Filipino	24,672,635	8.62%

As of March 31, 2024, there are 24,697,436 foreign-owned common shares, which accounts for 8.63% of the Company's total outstanding shares.

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the directors of the Company as of March 31, 2024:

(1) Title of Class	(2) Name of Record Owner	(3) Amount and Nature of Ownership	(4) Citizenship	(5) Percent of Class
Common	Ramon S. Ang	5,000 (Direct)	Filipino	0.00%
Common	Francisco S. Alejo III	5,000 (Direct)	Filipino	0.00%
Common	Gabriel S. Claudio	5,000 (Direct)	Filipino	0.00%
Common	Aurora T. Calderon	5,000 (Direct)	Filipino	0.00%
Common	Leo S. Alvez	5,000 (Direct)	Filipino	0.00%
Common	Francis H. Jardeleza	5,000 (Direct)	Filipino	0.00%
Common	Ana Leah V. Rodriguez	5,000 (Direct)	Filipino	0.00%
Common	Aurora S. Lagman	5,000 (Direct)	Filipino	0.00%
Common	Martin S. Villarama, Jr.	5,000 (Direct)	Filipino	0.00%

The aggregate number of shares owned of record by the directors of the Company, as a group, as of March 31, 2024, is 45,000 shares or approximately 0.0157% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors (as a group) of the Company as of March 31, 2024 is 194,500 shares or approximately 0.0679% of the Company's outstanding capital stock.

Group B signatories of SMFB are Almira C. Dalusung, Eileen P. Ratilla, Ildefonso B. Alindogan, Daniel T. De Castro, Jr., Rita Imelda B. Palabyab, Joseph Francis M. Cruz, Florence P. Pavon, Nina Frances Therese B. Tenorio and Rogelio G. Lui.

⁵ Registered owner of shares held by participants in the Philippine Depository & Trust Corp., a private company organized to implement an automated book entry of handling securities in the Philippines. PCD Nominee Corporation is not related to the Company. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant. The Company has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of the beneficial owners under a PCD participant owns more than 5% of the 5% of the Company's common shares.

⁶ *Id.*

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days from options, warrants, conversion privileges or similar obligations or otherwise.

DIRECTORS AND EXECUTIVE OFFICERS

Directors, Including Independent Directors and Nominees, and Executive Officers

The names of the incumbent directors and nominees for election as directors for 2024, as well as the incumbent executive officers of the Company, who are all Filipinos, and their respective ages, periods of service, education and directorships in other companies and positions in the last five (5) years, are as follows.

Directors

Ramon S. Ang, 70, is the President of the Company and has been a Director thereof since April 4, 2000 or for twenty four (24) years. He is the Chairman of the Executive Compensation Committee and a member of the Executive Committee of the Company. He currently holds the following positions in various subsidiaries and affiliates of the Company: Chairman and President of Distileria Bago, Inc.; Chairman of Ginebra San Miguel International Ltd. and GSM International Holdings Limited; and Director of Thai San Miguel Liquor Company Limited. He also holds positions in the following PSE-listed companies: Vice Chairman, President and Chief Executive Officer of San Miguel Food and Beverage, Inc. and San Miguel Corporation; Chief Executive Officer and President of Petron Corporation, Northern Cement Corporation and Top Frontier Investment Holdings, Inc. His other current positions, include, among others, the following: Chairman, Chief Executive Officer, President and Chief Operating Officer of San Miguel Global Power Holdings, Corp. Chairman, Chief Executive Officer and President of SMC TPLEX Corporation; Chairman and President of Integrated Geosolutions Inc., San Miguel Beverages, Inc., San Miguel Properties, Inc., Malita Power Inc., San Miguel Infrastructure Corporation, San Miguel Holdings Corp. and San Miguel Aerocity Inc.; Chairman and Chief Executive Officer of SMC Asia Cars Distributors Corp.; Chairman of San Miguel Brewery Inc., San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange); Magnolia Inc., San Miguel Foods, Inc., The Pure Foods Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, SMC Tollways Corporation, Anchor Insurance Brokerage Corp., Sea Refinery Corporation, Eagle Cement Corporation, Petron Malaysia Refining and Marketing Bhd (a company publicly listed in Malaysia), Philippine Diamond Hotel & Resort Inc. and Manila North Harbour Port, Inc. Mr. Ang was previously the President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc., Director of Air Philippines Corporation, and Vice Chairman of Manila Electric Company. He has held directorships in various companies, including domestic and international subsidiaries of San Miguel Corporation in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by Center for Global and Best Practices on November 2023.

Francisco S. Alejo III, 75, is a Director of the Company since May 28, 2015 or for nine (9) years, and is a member of the Company's Executive Committee and Audit and Risk Oversight Committee. He is also the Director and Chief Operating Officer – Food of the San Miguel Food and Beverage, Inc., a company listed with the PSE. He also holds the following positions: President of Magnolia Inc., The Purefoods-Hormel Company Inc., San Miguel Foods, Inc. and San Miguel Mills, Inc.; Chairman of San Miguel Purefoods Indonesia, Golden Food Management, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and San Miguel Foods International Limited; and Director of the following private companies: San Miguel Super Coffeemix Co., Inc., San Miguel Foods & Beverage International Limited (BVI) and San Miguel Pure Foods Investment (BVI) Ltd. He is also the President Commissioner of PT San Miguel Purefoods (VN) Co., Ltd. He is also a Board Member of San Miguel Foundation, Inc. He was previously the Senior Vice President of The

Purefoods-Hormel Company, Inc. Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School. As a director of a number of companies including listed companies, Mr. Alejo has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by SGV&Co on September 2023.

Aurora T. Calderon, 69, is a Director of the Company since November 9, 2017 or for six and a half (6 1/2) years, and is a member of the Company's Executive Committee, Executive Compensation Committee, Corporate Governance Committee and the Company's Retirement Plan - Board of Trustees. She currently holds the following positions in various subsidiaries and affiliates of the Company: Chairman and President of East Pacific Star Bottler Phils Inc., Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc.; Chairman of Global Beverage Holdings Limited and Siam Holdings Limited; and Director of Distilera Bago, Inc., Thai San Miguel Liquor Company Limited, Siam Wine and Liquor Limited, Ginebra San Miguel International Ltd. and GSM International Holdings Limited. She is a Director and Senior Vice President and Senior Executive Assistant to the President and Chief Executive Officer of San Miguel Corporation. She is also Director and Treasurer of Top Frontier Investment Holdings, Inc. and SMC Asia Car Distributors Corp and a Director of the following PSE-listed companies: San Miguel Food and Beverage, Inc., Top Frontier Investment Holdings, Inc. and Petron Corporation. Her other current positions, include, among others, the following: Director of SMITS, Inc., San Miguel Yamamura Packaging Corp., San Miguel Consolidated Power Corporation, SMC Tollways Corporation, San Miguel Infrastructure Corporation and Trans Aire Development Holdings Corp; Chairman and President of Florenza Estates Development Corporation and Ruzena Estates Development Corporation; and Board Advisor of Bank of Commerce, She was formerly a director of Philippine Holdings, Inc., Philippine Airlines, Inc. and Manila Electric Company, to name a few. Ms. Calderon is a Certified Public Accountant who graduated *Magna Cum Laude* from the University of the East with a degree in Business Administration major in Accounting. She is a member of the Financial Executives and the Philippine Institute of Certified Public Accountants. As a director of a number of companies including listed companies, Ms. Calderon has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by Center for Global and Best Practices on November 2023.

Leo S. Alvez, 81, has been a Director of the Company since April 24, 2002 or for twenty two (22) years. He is also a member of the Audit and Risk Oversight Committee, Executive Compensation Committee and Corporate Governance Committee of the Company. He was previously the Chairman of the Company's Nominations and Hearing Committee. He is also a former Director of San Miguel Corporation, a company listed with the PSE and San Miguel Purefoods Company, Inc. He has also held various positions in the government. He earned his Bachelor of Science Degree from the Philippine Military Academy and Masters in Business Administration from the University of the Philippines. He also attended various military education courses. Being a director for a considerable number of years, Mr. Alvez has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by Risk, Opportunities, Assessment and Management (ROAM) on October 2023.

Gabriel S. Claudio, 69, has been a Director of the Company since November 11, 2010 or for thirteen and a half (13 1/2) years, and a Member of the Company's Corporate Governance Committee. He is presently the Vice Chairman of Risks and Opportunities Assessment Management, Inc.; Independent Director of Rizal Commercial Banking Corporation; and a Member of the Board of Trustees of Conflict Resolution Group Foundation, Inc., and TOBY's Sports and Youth Foundation, Inc. He was formerly a Director of the Philippine Amusement and Gaming Corporation, Chairman of the Board of Trustees of Metropolitan Waterworks and Sewerage System and Conflict Resolution Group Foundation, Inc.; Director of the Development Bank of the Philippines and Member of the Board of Directors of the Philippine Charity Sweepstakes Office. He also occupied several cabinet positions: Presidential Political Adviser to Presidents Fidel V. Ramos and Gloria Macapagal Arroyo, Presidential Legislative Adviser, Chief of the Presidential Legislative Liaison Office, Cabinet Officer for Regional Development (CORD) for Eastern Visayas and Acting Executive Secretary. He obtained

his degree in AB Communication Arts from the Ateneo de Manila University and is a recipient of the Most Outstanding Graduating Communications Arts Major award. Being a director for a considerable number of years, Mr. Claudio has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by Risk, Opportunities, Assessment and Management (ROAM) on October 2023.

Francis H. Jardeleza, 74 is a Director of the Company since August 5, 2020 or for three and a half (3 ½) years. He is currently a director of San Miguel Food and Beverage, Inc., and Petron Corporation, which are both listed with the PSE. He is also an Independent Director of MORE Electric and Power Corporation. He is currently a professorial lecturer at the University of the Philippines College of Law and a Member of the Philippine Judicial Academy. He has previously held the following positions in the government: Associate Justice of the Supreme Court and Solicitor General and Deputy Ombudsman for Luzon. He was the former Senior Vice President and General Counsel of San Miguel Corporation and has been a partner in several law firms including the law firm of Angara Abello Concepcion Regala and Cruz and was also an Independent Director of EastWest Bank. He obtained his law degree from the University of the Philippines where he was class salutatorian, graduated *Cum Laude* and placed third in the 1974 Bar Examinations. He holds a Master of Laws degree from Harvard University. Retired Justice Jardeleza has attended various trainings and seminars on Corporate Governance, the most recent of which is the training conducted by SGV&Co on September 2023.

Ana Leah V. Rodriguez, 45, is a Director of the Company since May 26, 2022 or for two (2) years and is a member of the Corporate Governance Committee. She is currently the Head of Out of Home Business of San Miguel Holdings Corporation and the Channel Marketing and Standards Manager of the Company. She was previously the Head of Marketing and Ancillary Sales for Philippine Airlines, Inc. She also held the following positions in Shangri-La Hotels and Resorts: Assistant Director of Sales and Senior Business Development Manager in Shangri-La Hotel, Dubai and Room Sales Manager in Makati Shangri-La, Manila. She obtained her Bachelor of Science in Hotel and Restaurant Administration at University of the Philippines, Diliman. She has attended various trainings and seminars which include among others, the training on Developing the GM Mindset, the Seven Habits of Highly Effective People, San Miguel Corporation -Leadership and Management Development Program (Batch 20) at the Ateneo Graduate School of Business-Center for Continuing Education and Corporate Governance Seminar conducted by Risk, Opportunities, Assessment and Management (ROAM) on October 2023.

Aurora S. Lagman, 85, is an Independent Director of the Company since March 15, 2017 or for seven (7) years. She is the Lead Independent Director, Chairperson of the Corporate Governance Committee and a member of the Audit and Risk Oversight Committee of the Company. She is also an Independent Director of San Miguel Food and Beverage, Inc., a listed company. She is a part-time faculty member of the College of Law, Bulacan State University (currently on leave), a faculty member of the Manuel L. Quezon University, member of the Board of Trustees of Society for Judicial Excellence, and adviser of RTC Judges Association of Bulacan, Inc. Among others, she previously held the following positions: Member, Judicial and Bar Council; Associate Justice, Court of Appeals; and Judge, Regional Trial Court, Branch 77, Malolos, Bulacan. She obtained her law degree at the College of Law of Lyceum of the Philippines and attended special studies and short courses abroad such as Program of Instruction for Lawyers, Harvard Law School, Cambridge, Massachusetts, U.S.A. and Special Course on Evidence, National Judicial College, University of Nevada, Reno, U.S.A. She also attended various domestic and foreign trainings, seminars and conferences including trainings on Corporate Governance, the most recent of which is the training conducted by Risk, Opportunities, Assessment and Management (ROAM) on October 2023.

Martin S. Villarama, Jr., 78, is an Independent Director of the Company since March 9, 2023 or for two (2) years and is the Chairperson of the Company's Audit and Risk Oversight Committee and member of the Company's Executive Compensation Committee and Corporate Governance Committee. He currently serves as an Independent Director for the following Companies: SMC Tollways Corporation; SMC SLEX Inc.; and Eagle Cement Corporation. He is also a Court

Appointed Liquidator for Uniwide Group of Companies and a Member of the Board of Advisors of San Miguel Brewery Hongkong Ltd. He was previously an Associate Justice, Supreme Court, a Justice of the Court of Appeals, and a Judge at the Regional Trial Court-Pasig City. He obtained his degree in Bachelor of Science in Business Administration at the De La Salle University and his Bachelor of Laws degree at the Manuel L. Quezon University. He has attended various seminars and programs including the 36th Program on Instruction for Lawyers conducted by the Harvard Law School's Faculty at Cambridge, Massachusetts, U. S.A and trainings on Corporate Governance, the most recent of which is the training conducted by Risk, Opportunities, Assessment and Management (ROAM) on October 2023.

Nominee for Election as Director

Cecile L. Ang, 42, is currently a director of San Miguel Properties, Inc. ("SMPI"), SMPI Makati Flagship Realty Corporation, Diamond Hotel Philippines, San Roque Hydropower, Inc. and Board Advisor of Bank of Commerce. She is the Chairman/Trustee of San Miguel Foundation, Inc. and started the Better World Centers of the Foundation. She has worked with various companies under the San Miguel Group such as Petron Corporation, Intelligent E-Processes Technologies Corp., San Miguel Foods Inc. and San Miguel Aerocity Inc. She has a Bachelor of Arts degree in European Studies from Ateneo de Manila University.

Executive Officers

Virgilio S. Jacinto, 67, is the Company's Corporate Secretary and Compliance Officer since November 11, 2010 or for thirteen and a half (13 1/2) years. He also holds, among others, the following positions in the following PSE-listed companies: Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of San Miguel Corporation; Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Director of Petron Corporation. He is also a Director and Corporate Secretary of various domestic and international subsidiaries of the San Miguel Corporation group. He has served as a Director and Corporate Secretary of United Coconut Planters Bank, Director of San Miguel Brewery Inc. and a Partner of Villareal Law Offices, to name a few. He is an Associate Professor VII at the University of the Philippines, College of Law. Atty. Jacinto obtained his law degree from the University of the Philippines where he was class salutatorian and placed sixth in the 1981 Bar Examinations. He holds a Master of Laws degree from Harvard University and a member of the International Honor Society of the PHI KAPPA PHI and Harvard Club (Philippines). As a director and an officer of a number of companies including listed companies, Atty. Jacinto has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by SGV&Co on September 2023.

Emmanuel B. Macalalag, 58, is the Senior Vice President, and General Manager of the Company since October 1, 2017 or for six and a half (6 1/2) years. He currently holds the following positions in the various subsidiaries and affiliates of the Company: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc; and Director of Agricrops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited, and GSM International Holdings Limited. He is also a Director and Chief Operating Officer – Liquor of San Miguel Food and Beverage, Inc., a PSE-listed company. He previously held the following positions in the Company: Manufacturing Group Manager, Manufacturing Operations Group, Planning and Management Services Manager, Business Planning and Development Manager and Business Planning and Investor Relations Manager. Mr. Macalalag obtained his Bachelor of Science Degree, major in Applied Mathematics from De La Salle University (DLSU), Manila where he graduated *Cum Laude*. He also holds a Master's degree in Mathematics from DLSU and PhD degree in Operations Research from the University of Melbourne, Australia. Mr. Macalalag has attended various trainings and seminars, external and Company-sponsored, in the past five years, which include among others, Executive Business Process Workshop, Mindfulness for Leaders and Vulnerability Analysis-Crisis Management, Corporate Governance Seminar, Copyright and Patent, and Futures Thinking for Ginebra, and The Sustainability Imperative: ESG From Concept to Action, Sustainability Management Program for SMC Leaders.

Cynthia M. Baroy, 60, is the Vice President and Chief Finance Officer/Treasurer of the Company since May 1, 2009 or for fifteen (15) years. She is also a Director and Treasurer of all the wholly-owned domestic subsidiaries of the Company, which are Distileria Bago, Inc. (“DBI”), East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc. She is also an incumbent Director of the following foreign subsidiaries and affiliates of the Company: GSM International Holdings Limited, Siam Holdings Limited, Global Beverage Holdings Limited, Siam Wine and Liquor Limited, and Thai Ginebra Trading Company Limited. She is also a Member of the Board of Trustees of the Retirement Plan of the Company and DBI. She previously held the following positions: Financial Planning and Analysis Manager of San Miguel Yamamura Packaging Corporation; Finance Manager of Metal Closures & Lithography Business; and, Finance Manager of San Miguel Rengo Packaging Corporation. Ms. Baroy obtained her B.S. Commerce major in Accounting from the University of Sto. Tomas where she graduated *Cum Laude*. She is a Certified Public Accountant. Ms. Baroy has attended various trainings and seminars, external and Company-sponsored, in the past five years, which include among others, Executive Business Process Workshop, Crisis Management, Vulnerability Analysis-Crisis Management, Finance Conference 2023 - Culture of Excellence: Efficacy and Efficiency, Future CFO Virtual Summit Philippines 2022: Leading the Digital Growth, Corporate Governance Seminar, and Futures Thinking for Ginebra, Real Property Tax Refresher, and The Sustainability Imperative: ESG From Concept to Action, Sustainability Management Program for SMC Leaders

Allan P. Mercado, 58, is the Vice President and National Sales and Marketing Manager of the Company since July 1, 2019 or for five (5) years. He is also a Director of Siam Holdings Limited, Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc. He previously held the following positions National Sales Manager and Sales and Marketing Support Group Manager of the Company, National Sales Manager of San Miguel Beverages, Inc. and Selling Systems and Training Manager of Coca-Cola Bottlers Phils., Inc. He obtained his Bachelor of Science Degree in Management and Industrial Engineering at the Mapua Institute of Technology. Mr. Mercado has attended various trainings and seminars, external and Company-sponsored, in the past five years, which include among others, AIM’s Management Development Program, Executive Business Process Workshop, Crisis Management, Copyright and Patent, Corporate Governance Seminar, and Futures Thinking for Ginebra.

Term of Office

The members of the Board are elected at the regular meeting of the stockholders by the stockholders entitled to vote and they hold office until their successors are elected and qualified.

The nominees for election to the Board on May 30, 2024 are the following:

1. Ramon S. Ang
2. Francisco S. Alejo III
3. Aurora T. Calderon
4. Leo S. Alvez
5. Gabriel S. Claudio
6. Francis H. Jardeleza
7. Cecile L. Ang
8. Martin S. Villarama, Jr. – Independent Director
9. Aurora S. Lagman – Independent Director

Article II, Section 4.1 of the Company’s Amended By-Laws (the “By-Laws”) provides that all nominations for the election of directors by the stockholders shall be submitted in writing to the Board through the Corporate Secretary on or before January 20 or at such earlier or later date that the Board may fix.

Article II, Section 3 of the By-Laws also provides that any stockholder having at least five thousand (5,000) shares registered in his name may be elected director, provided, however, that no person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or is antagonistic to that of the Company.

The Corporate Governance Committee, during its meeting on March 6, 2024, pre-screened and shortlisted all the nine (9) candidates nominated to become members of the Board, and determined that all the nominees have all the qualifications and none of the disqualifications set forth in the Company’s Amended By-Laws, Corporate Governance Manual (“CG Manual”) and other applicable laws, circulars, rules and regulations, including the issuances of the SEC and are qualified for election as directors during the 2024 RSM of the Company. This is in accordance with the CG Manual and the Corporate Governance Committee Charter.

Independent Directors

The Company has two (2) Independent Directors in 2023, Directors Aurora S. Lagman and Director Martin S. Villarama, Jr. All the Company’s Independent Directors, apart from their fees and shareholdings, have no business or relationship with the Company, which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors.

The following are the incumbent Independent Directors of the Company, who are also nominated for re-election on May 30, 2024:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Aurora S. Lagman	Ramon S. Ang	None
Martin S. Villarama, Jr.	Ramon S. Ang	None

In approving the nomination for Independent Directors, the Corporate Governance Committee considered the guidelines on the nomination of Independent Directors prescribed in Rule 38 of the Securities Regulation Code (“SRC”), its Implementing Rules and Regulations, applicable issuances of the SEC and the Company’s By-Laws and CG Manual.

The foregoing Independent Directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The respective Certificates of Qualification⁷ of the said directors are attached hereto as **Annexes “A”** and **“A-1”**, respectively.

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth (4th) civil degree, either by consanguinity or affinity, among the directors, executive officers, or nominees for election as directors.

⁷ The attached Certificates of Qualification are compliant with the form prescribed in SEC Memorandum Circular No. 5, Series of 2017 dated 07 March 2017.

Certain Relationships and Related Transactions

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that were not in the ordinary course of business. The Company observes an arm's length policy in its dealings with related parties. The Company is also guided by the Material Related Party Transactions Policy of the Company, which was approved by the Board on August 7, 2019.

No director of the Company was involved in self-dealing or related party transactions.

Parent Company

As of March 31, 2024, San Miguel Food and Beverage, Inc. ("SMFB") owns 75.78% of the shares of the Company.

Involvement in Certain Legal Proceedings

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

Trainings and Continuing Education Program for the Directors and Key Officers

The Directors and the key officers keep themselves abreast with industry developments and business trends. Moreover, the Company's Compliance Officer regularly apprise the directors during Board meetings, on pertinent and current laws, regulations and government issuances, and advises the Board on all relevant issues as they arise.

The Directors also regularly attend a training or program on corporate governance at least once a year. In 2023, all incumbent directors and officers of the Company, including the Internal Audit Group Head, attended a Corporate Governance Seminar conducted by SEC-accredited providers: Risk, Opportunities, Assessment and Management (ROAM), Inc., SGV & Co. and Center for Global Best Practices, in compliance with the requirement of the SEC. The seminars were conducted via videoconferencing in view of the on-going Covid-19 pandemic. Below are the Corporate Governance Trainings attended by the members of the Board and senior executive officers:

DATE	PROVIDER	ATTENDEES
September 8, 2023	SGV & Co.	Francisco S. Alejo III Francis H. Jardeleza
September 20, 2023	SGV & Co.	Virgilio S. Jacinto
October 20, 2023	Risk, Opportunities, Assessment and Management (ROAM)	Leo S. Alvez Gabriel S. Claudio Ana Leah V. Rodriguez Aurora S. Lagman Martin S. Villarama, Jr.

		Emmanuel B. Macalalag Cynthia M. Baroy Allan P. Mercado
November 10, 2023	Center for Global Best Practices	Ramon S. Ang Aurora T. Calderon

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table summarizes the aggregate compensation (in Millions) paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Company's General Manager and senior executive officers:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the General Manager and Senior Executive Officers ⁸	2024 (estimated)	P47.7	P14.3	P12.2	P74.2
	2023	P46.8	P20.5	P11.5	P78.8
	2022	P41.4	P20.6	P10.5	P72.5
All other officers and directors as a group unnamed	2024 (estimated)	P34.5	P10.4	P10.4	P55.3
	2023	P36.4	P16.7	P10.8	P63.9
	2022	P34.9	P17.0	P11.2	P63.1
TOTAL	2024 (estimated)	P82.2	P24.7	P22.6	P129.5
	2023	P83.2	P37.2	P22.3	P142.7
	2022	P76.3	P37.6	P21.7	P135.6

The By-Laws of the Company provides that the members of the Board shall receive such compensation as may be approved by a majority vote of the stockholders at a regular or special meeting duly called, subject to such limitations as may be imposed by law.

The Directors do not receive compensation in their capacity as such from the Company but only per diem for attendance in Board and Board Committee meetings in accordance with Section 29 of the RCCP.⁹ In 2023, each director received a per diem of Ten Thousand Pesos (P10,000.00) during the March and May meetings, and a per diem of Twenty Thousand Pesos (P20,000.00) during the August and November meetings, per attendance at Board and Board Committee meetings of the Company. The total per diems received by each director in 2023 are summarized below:

Name of Director	No. of Board and Committee Meetings Attended	Total Per Diem Received
Ramon S. Ang	5	P70,000.00
Francisco S. Alejo III	9	P130,000.00
Aurora T. Calderon	6	P80,000.00

⁸ For 2023 to present, the General Manager and senior officers of the Company are as follows: Emmanuel B. Macalalag, Cynthia M. Baroy, Allan P. Mercado, Monina N. Cortez and Ronald Molina. Mr. Ramon S. Ang, the President of the Company, does not receive compensation from the Company other than the per diem for attendance in Board meetings.

⁹ In accordance with Section 29 of the RCCP, Compensation of Directors or Trustees. - In the absence of any provision in the bylaws fixing their compensation, the directors or trustees shall not receive any compensation in their capacity as such, except for reasonable per diems: Provided, however, That the stockholders representing at least a majority of the outstanding capital stock or majority of the members may grant directors or trustees with compensation and approve the amount thereof at a regular or special meeting. In no case shall the total yearly compensation of directors exceed ten percent (10%) of the net income before income tax of the corporation during the preceding year Directors or trustees shall not participate in the determination of their own per diems or compensation. Corporations vested with public interest shall submit to their shareholders and the Commission, an annual report of the total compensation of each of their directors or trustees.

Leo S. Alvez	8	P100,000.00
Gabriel S. Claudio	6	P80,000.00
Francis H. Jardeleza	5	P70,000.00
Ana Leah V. Rodriguez	6	P80,000.00
Aurora S. Lagman -Independent Director	10	P140,000.00
Martin S. Villarama, Jr. – Independent Director	10	P140,000.00

In 2023, there were five (5) Board and four (4) Audit and Risk Oversight Committee meetings held, while one (1) meeting for the Corporate Governance Committee. All these meetings were held via video conference. Details of the directors' attendance in the said meetings are set forth hereunder:

2023 BOARD MEETING ATTENDANCE

BOARD OF DIRECTORS	DESIGNATION	May 25, 2023		BOARD MEETING ATTENDANCE
		REGULAR STOCKHOLDERS MEETING (RSM)	ORGANIZATIONAL MEETING	
Ramon S. Ang	President	Present	Present	5/5
Francisco S. Alejo III	Director	Present	Present	5/5
Aurora T. Calderon	Director	Present	Present	5/5
Leo S. Alvez	Director	Present	Present	4/5
Gabriel S. Claudio	Director	Present	Present	5/5
Francis H. Jardeleza	Director	Present	Present	5/5
Ana Leah V. Rodriguez	Director	Present	Present	5/5
Aurora S. Lagman	Lead Independent Director	Present	Present	5/5
Martin S. Villarama, Jr.	Independent Director	Present	Present	5/5

2023 BOARD COMMITTEE MEETING ATTENDANCE¹⁰

MEMBER	AUDIT AND RISK OVERSIGHT	CORPORATE GOVERNANCE
Ramon S. Ang	n/a	n/a
Francisco S. Alejo III	4/4	n/a
Aurora T. Calderon	n/a	1/1
Leo S. Alvez	3/4	1/1
Gabriel S. Claudio	n/a	1/1
Francis H. Jardeleza	n/a	n/a
Ana Leah V. Rodriguez	n/a	1/1
Aurora S. Lagman	4/4	1/1 (Chairman)
Martin S. Villarama, Jr.	3/4 (Chairman)	1/1

There were no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, during the last fiscal year, and the ensuing fiscal year.

¹⁰ The Executive Committee and Executive Compensation Committee did not hold a meeting in 2023.

The executive officers of the Company, just like other full-time and permanent employees of the Company, subject to certain requirements,¹¹ are eligible to subscribe to Company shares under the SEC-approved Company's Employees Stock Purchase Plan (the "Plan"). However, the shares covered by the Plan are no longer available for subscription as the offering period provided under the Plan officially ended on January 21, 2013.

There were no employment contracts between the Company and its executive officers.

There were neither compensatory plans nor arrangements with respect to its executive officers.

ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the 2024 RSM:

1. Minutes of the 2023 Regular Stockholders' Meeting held on May 25, 2023 ("2023 Minutes") with the following agenda:
 - a) Approval of the Minutes of the Regular Stockholders' Meeting held on May 26, 2022
 - b) Presentation of the 2022 Annual Report
 - c) Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
 - d) Election of Directors
 - e) Appointment of External Auditor

A copy of the draft of the 2023 Minutes may be accessed through the Company's website, <http://www.ginebrasanmiguel.com>, which was uploaded in the website within five (5) days from the said meeting. A copy of the same is also attached hereto as **Annex "D"**.

The 2023 Minutes, among others, contain the following information:

1. Voting and vote tabulation procedures used in the 2023 meeting (page 2 and Annex C);
 2. The matters discussed and resolutions approved (pages 2 to 5);
 3. A record of the voting results for each agenda item (Annex C);
 4. A list of the directors or trustees, officers and stockholders or members who attended the meeting (page 1);
2. Annual Report of the Company for the year ended December 31, 2023.
 3. Ratification of all acts of the Board of Directors and Officers since the 2023 Regular Stockholders' Meeting, adopted in the ordinary course of business, including those matters taken up during Board meetings, as well as those disclosed with the SEC and the PSE and which were uploaded in the Company's website.¹² Such acts, include among others, the following:
 - a) Approval of the audited separate and consolidated financial statements of the Company;¹³
 - b) Election of officers, chairpersons and members of the Board Committees and Lead Independent Director;¹⁴

¹¹ All full-time and permanent employees of the Company and its subsidiaries, who have rendered at least one (1) year of continuous service on a regular status (one year after regularization) at the Exercise Date (defined under the Plan), are entitled to subscribe to shares of the capital stock of the Company under the Plan, subject to the terms and conditions provided therein, which subscription shall be subject to the employees' credit profile. Members of the Board who are not employees of the Company or its subsidiaries are not eligible to participate in the Plan. The named incumbent General Manager and senior officers of the Company, as of December 31, 2022, have an aggregate subscription of 76,500 common shares under the Plan.

¹² Copies of SEC Form 17-C (Current Reports) and other reports filed by the Company with the SEC and PSE in 2023 are made available in the Company's website at the following link: <http://ginebrasanmiguel.com/company-disclosures>.

¹³ This was disclosed by the Company in its SEC Form 17-C dated March 6, 2024.

¹⁴ The Board, during its organizational meeting on May 25, 2023, elected the Company's President, General Manager, Corporate Secretary and Compliance Officer, Treasurer/Chief Finance Officer, Assistant Corporate Secretary and Lead

- c) Designation of depository banks, approval of authorized signatories and limits for corporate transactions of the Company;¹⁵
 - d) Declaration of Dividends;¹⁶
 - e) Promotion of Mr. Lewisito D. Leonillo, National Logistics Manager from the rank of Manager to Assistant Vice President;¹⁷
 - f) Schedule, venue and agenda of the 2024 Regular Stockholders' Meeting and the grant of authority to the stockholders to participate and vote via remote communication or in absentia, as the circumstances may warrant, subject to compliance with applicable laws;¹⁸
 - g) Appointment of R.G. Manabat & Co for non-audit services;¹⁹ and
 - h) Approval of the material related party transactions of the Company.²⁰
4. Election of Directors.
 5. Appointment of External Auditor.²¹

VOTING PROCEDURES

All stockholders as of April 26, 2024 shall have the right to vote during the 2024 RSM. Each of the said stockholders shall be entitled to one (1) vote for each share of stock (whether common or preferred) in his name in the books of the Company. However, in the election of directors, the nine (9) nominees with the greatest number of votes will be elected directors. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected.

The approval of proposals or matters submitted to a vote will require an affirmative vote of the stockholders representing the majority of the shares of stock present or represented by proxy at the meeting.

Counting of the proxy and ballots will be the method by which votes will be counted. The Corporate Secretary, with the assistance of the Company's stock transfer agent, SMC Stock Transfer Service Corporation, is authorized to count any votes cast for the said meeting.

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

Ginebra San Miguel Inc. (the "Company" or "GSMI") was formed on July 10, 1987 as the legal entity for the acquisition by San Miguel Corporation ("SMC") of the production assets of a liquor company that has been in operation since 1902. The Company now operates three (3) liquor

Independent Director. During the said meeting the Chairman and members of the Executive Committee, Audit and Risk Oversight Committee, Executive Compensation Committee and Corporate Governance Committee were also elected.

¹⁵ This was disclosed by the Company in its SEC Form 17-C dated May 25, 2023.

¹⁶ For 2023, the Board approved the declaration of regular cash dividends to stockholders in the amount of Php0.75 per common share on March 8, May 9, August 2 and November 8, 2023. In addition, the Board also approved the declaration of special cash dividends in the amount of Php 1.75 per common share on the same dates. On March 6, 2024, the Board also approved the declaration of regular cash dividends and special dividends in the amount of Pph0.75 and Php1.75 per common share, respectively. All the aforementioned declarations were disclosed in the Company's SEC Form 17-C filed on even dates.

¹⁷ This was disclosed by the Company in its SEC Form 17-C dated March 6, 2024.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ The Board during its meetings on March 8, 2023 and March 6, 2024 approved the material related party transactions of the Company for 2023 and 2024, respectively. The Advisement Reports for 2023 were submitted to the SEC on May 29 and 31, 2023.

²¹ This was disclosed by the Company in its SEC Form 17-C dated March 6, 2024.

bottling facilities located in the following areas: (1) Mandaue City, Cebu; (2) Sta. Barbara, Pangasinan; and (3) Cabuyao, Laguna.

The Company is a public company under Section 17.2 of the Securities Regulation Code and its common shares are listed with the Philippine Stock Exchange (“PSE”).

The Company, previously a majority-owned direct subsidiary of SMC, whose ultimate parent company is Top Frontier Investment Holdings, Inc. (“Top Frontier”), is principally engaged in the manufacture and sale of liquor products. The Company by itself, or through its subsidiary, also toll-manufactures for third parties for the production of the latter’s alcoholic beverages.

In order to rationalize its businesses, SMC consolidated its food and beverage business under San Miguel Food and Beverage, Inc. (“SFMB”, formerly San Miguel Pure Foods Company, Inc.) through the execution of a Deed of Exchange dated April 5, 2018 executed between SMC and SMFB whereby SMC agreed to convey and transfer to SMFB 216,972,000 common shares held by SMC in the Company and 7,859,319,270 common shares in San Miguel Brewery Inc. In consideration of the said transfer and upon compliance with government requirements, SMFB issued 4,242,549,130 common shares in favor of SMC. Consequently, the ownership by SMFB of the common shares previously held by SMC in the Company has been registered in the books of the Company on November 5, 2018. Thus, the Company is now a majority-owned subsidiary of SMFB.

Domestic Subsidiaries and Operations

Of the Company’s domestic subsidiaries, the operating ones are Distileria Bago, Inc. (“DBI”), East Pacific Star Bottlers Phils Inc. (“EPSBPI”) and Agricrops Industries Inc. (“Agricrops”), hereinafter collectively referred to as the “Domestic Operating Subsidiaries”.

DBI became a wholly-owned subsidiary of the Company in 1996. On August 14, 2009, DBI amended its Articles of Incorporation to include in its primary purposes, the manufacture, production and tolling of not only distilled alcohol but also other types of alcohol and their by-products. It owns a distillery located in Bago City, Negros Occidental, that converts sugar cane molasses into alcohol.

EPSBPI, on the other hand, is principally engaged in the toll-manufacture and bottling of alcoholic beverages. It was purchased by the Company on January 27, 2012. The acquisition forged synergies with the Company’s on-going operations and provided additional capacity to fulfill the expansion plans of the Company. EPSBPI owns bottling facilities in Cauayan, Isabela and in Ligao City, Albay, which are currently being used principally for the Company’s liquor business.

AII was incorporated on September 14, 2000. It is currently engaged in the manufacture, sale and distribution of liquid fertilizer from various agro-industrial wastes.

The Company has other non-operating domestic subsidiaries, which are Healthy Condiments, Inc. and Crown Royal Distillers, Inc.

International Subsidiaries/Affiliates and Operations

To fast-track entry into regional markets, the Company in November 2004 entered into a Share Purchase Agreement (“SPA”) with Thai Life Group of Companies (the “Thai Life”) for the purchase of 40% ownership of the outstanding shares of C.N.T. Wine and Liquor Company Limited (“CNT”), a limited company organized under the laws of Thailand. CNT possesses a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets. Also, on the same date, the Company and Thai Life entered into a Joint Venture Agreement (“JVA”). The JVA established the terms and conditions regarding the ownership and operation of CNT and the joint control rights, obligations and responsibilities of the Company and Thai Life, as stockholders. The Company likewise incorporated Ginebra San Miguel International Ltd. (“GSMIL”) and subsequently

assigned its rights and obligations under the SPA and the JVA to GSMIL, including its right to purchase 40% ownership of the outstanding shares of CNT. The acquisition of CNT was completed in December of the same year. CNT was later renamed Thai San Miguel Liquor Company Limited (“TSML”).

On June 29, 2007, the Company incorporated GSM International Holdings Limited (“GSMIHL”), a wholly-owned subsidiary in Thailand. GSMIHL holds 40% of the shares of Thai Ginebra Trading Company Limited (“TGT”), another joint venture company formed with Thai Life. TGT is the selling and distribution arm of TSML.

On August 27, 2008 and September 11, 2008, the Company incorporated Global Beverages Holdings Limited (“GBHL”) and Siam Holdings Limited (“SHL”), respectively, as its wholly-owned subsidiaries. Both are entities established as holding companies for the acquisition of additional investment in TSML and TGT.

On October 14, 2008, SHL acquired 49% ownership of the outstanding shares of Siam Wine and Liquor Limited (“SWL”), a limited company organized under the laws of Thailand. On the same date, SWL acquired 10% ownership of the outstanding capital stock of TSML and TGT. Accordingly, the share in TSML and TGT of the Company and its subsidiaries was increased from 40% to 44.9%.

The Company and its subsidiaries, domestic and otherwise, and their respective interests in joint ventures shall be collectively referred to as the “Group”. Interest in joint venture is limited to the amount of investment and equity in net earnings only.

Other than the foregoing, there was no bankruptcy, receivership or similar proceeding or material reclassification, merger, consolidation, purchase or sale of a significant amount of assets by the Group which was not in the ordinary course of business during the past three (3) years. Other developments are also discussed in the Management Discussion and Analysis attached hereto as **Annex “C”**.

Financial Statements

The audited Consolidated Financial Statements of the Company as of December 31, 2023 with Auditor’s Report and Statement of Management’s Responsibility are attached hereto as **Annex “B”**. The notes to the Consolidated Financial Statements likewise include a discussion on the adequacy of the internal control or risk management systems of the Company.²²

In accordance with Part III (C) of SRC Rule 68, since the date of the Stockholders’ Meeting is beyond 135 days from the end of its fiscal year which is December 31, 2023, the Company’s SEC Form 17-Q for the first quarter of 2024 is likewise attached hereto as **Annex “B-1”**²³.

Management’s Discussion and Analysis or Plan of Operation

The Management’s Discussion and Analysis or Plan of Operation of the Company as of December 31, 2023 and March 31, 2024²⁴ are attached hereto as **Annex “C”** and **Annex “C-1”**, respectively.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There are no disagreements with accountants on accounting and financial disclosures.

²² Please refer to pages 53 to 62 of Annex B for further details.

²³ The First Quarter 17-Q was approved by the Board on April 30, 2024.

²⁴ The First Quarter MD&A was approved by the Board on April 30, 2024.

Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters

Market Price

The Company's common equity is traded in the PSE. The Company's high and low closing prices for each quarter of the last three (2) fiscal years are as follows:

Quarter	2024		2023		2022	
	High	Low	High	Low	High	Low
1 st	178.00	155.60	183.90	103.60	126.00	105.00
2 nd	-	-	163.80	140.10	112.00	98.00
3 rd	-	-	170.00	149.80	108.10	96.00
4 th	-	-	171.40	153.00	108.90	98.00

The closing price of the Company's common shares as of April 2, 2024, the latest practicable date is Php 170.00 per share.

Dividend Policy and Dividend Declarations

The Company's Articles of Incorporation ("AOI") provides for the right of shareholders to dividends, as and when declared by the Board at such rate or amount and period, as may be fixed by the Board. The AOI also provides that holders of preferred shares are entitled to receive, to the fullest extent allowable under the law, dividends at the rate of P1.50 per annum per preferred share, subject to certain adjustment. It shall be paid in priority to any dividend or distribution in favor of holders of common shares. Dividends on the preferred shares shall be fully cumulative.

On August 8, 2018, the Board passed and approved a Dividend Policy, which is quoted hereunder:

"Subject to the relevant provisions of applicable laws and regulations, holders of common shares shall be entitled to receive annual cash dividends at such amounts up to 50% of the prior year's recurring net income starting 2019, as may be determined by the Company's Board of Directors ("Board"). "Recurring net income" shall mean net income calculated without respect to extraordinary events that are not expected to recur. Any dividend declaration and distribution may be made over the four (4) quarters of the year.

In considering dividend declarations, the Board shall, in the exercise of its discretion and authority, take into consideration dividend payments on the preferred shares, debt covenant and restrictions, debt servicing requirements, implementation of business plans, operating expenses, budgets, appropriate reserves and working capital, major capital expenditure requirements, and funding of new investments.

This policy may be amended or modified by the GSMI's Board at any time."

In 2021, the Board approved the declaration of regular cash dividends to stockholders in the amount of Php 0.25 per common share on March 10, May 5, August 4 and November 10, 2021. Moreover, the Board likewise approved the declaration of special cash dividends in the amount Php1.00 per common share on May 5, August 4 and November 10, 2021. In 2022, the Board approved the declaration of regular cash dividends to stockholders in the amount of Php 0.375 per common share on March 9, April 27, August 3 and November 9, 2022. In addition, the Board likewise approved the declaration of special cash dividends in the amount Php1.00 per common share on the same dates. In 2023, the Board approved the declaration of regular cash dividends to stockholders in

the amount of Php 0.75 per common share on March 8, May 9, August 2 and November 8, 2023. In addition, the Board likewise approved the declaration of special cash dividends in the amount Php1.75 per common share on the same dates.

Common Equity and Related Stockholders' Matter

The approximate number of shareholders of common shares as of March 31, 2024 is six hundred sixteen (616).

The Company has not sold any unregistered securities or exempt securities, including issuance of securities constituting an exempt transaction, within the past three (3) fiscal years. Common shares were previously issued by the Company under its Employee Stock Purchase Plan (the "Plan"), which as confirmed by the SEC in its Resolution dated January 21, 2008, were exempted from the registration requirement of the SRC. The shares covered by the Plan are no longer available for subscription as the offering period provided therein expired on January 21, 2013.

The top twenty (20) stockholders of the Company as of March 31, 2024 are as follows:

Rank	Name of Stockholders	Common	Preferred	Total No. of Shares	% of Total O/S
1	San Miguel Food and Beverage, Inc.	216,972,000	0	216,972,000	75.78%
2	PCD Nominee Corporation (Filipino)	42,630,462	0	42,630,462	14.89%
3	PCD Nominee Corporation (Non-Filipino)	24,672,635	0	24,672,635	8.62%
4	La Suerte Cigar & Cigarette Factory	200,000	0	200,000	0.07%
5	Lim Tay	80,000	0	80,000	0.03%
6	Roman T. Yap	50,000	0	50,000	0.02%
7	Emmanuel B. Macalalag	46,500	0	46,500	0.02%
8	Isabel C. Suntay	31,000	0	31,000	0.01%
9	Monina N. Cortez	30,000	0	30,000	0.01%
10	Lucia C. Unsay	30,000	0	30,000	0.01%
11	FMF Development Corporation	30,000	0	30,000	0.01%
12	Cynthia M. Baroy	30,000	0	30,000	0.01%
13	Estrella M. Tamayo	30,000	0	30,000	0.01%
14	Edan Corporation	26,100	0	26,100	0.01%
15	Rolando B. Bisana	25,000	0	25,000	0.01%
16	Sysmart Corporation	24,702	0	24,702	0.01%
17	Luzviminda C. Santos &/or Cynthia C, Santos	21,000	0	21,000	0.01%
18	Elisea P. Tan	20,000	0	20,000	0.01%
19	Manuel P. Tan	20,000	0	20,000	0.01%
20	Jane P. Panganiban	20,000	0	20,000	0.01%

Independent Public Accountants

R.G. Manabat & Co. (formerly Manabat Sanagustin & Co., CPAs) has been the Company's external auditor since 2006. Compliant with Part I (3) (b) (ix) of SRC Rule 68, as amended, with respect to the re-engagement of the said audit firm, the Company consistently observes the rule on rotation for the signing partner every after five (5) years.

Fees for the services rendered by the external auditor to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings (inclusive of retainer fees and out-of-pocket expenses) amounted to P8.8 million, P8.2 million and P7.4 million in 2023, 2022 and 2021, respectively. There were no non-audit fees for the years 2023, 2022 and 2021.

The Company's Audit and Risk Oversight Committee, pursuant to its Duties and Responsibilities as set forth in its Charter and the Company's Manual, recommends to the Board the appointment of the Company's external auditor. The said Committee also reviews the terms of engagement and scope of services of the external auditor and endorses the same for the approval of the Board. It also exercises effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.

On March 6, 2024, the Board, upon endorsement of the Audit and Risk Oversight Committee, nominated R.G. Manabat & Co. as the Company's external auditor for 2024. The said nomination shall be recommended for approval of the stockholders during the 2024 RSM that will be held on May 30, 2024. The representatives of the said professional firm are expected to participate, virtually attend the said meeting and will be available to respond to appropriate questions, if necessary. They will also have the opportunity to make a statement, if they so desire.

Compliance with Leading Practice on Corporate Governance

The Company, its Board, Management, Officers and employees firmly believe that corporate governance is a necessary component of what constitutes sound strategic business management and the vital role it plays in attaining corporate goals and creating and sustaining shareholder value.

On August 6, 2002, the Company, through its Board institutionalized the principles of good corporate governance in the entire organization by establishing and implementing the Company's Manual on Corporate Governance (the "CG Manual"). Since its adoption, the CG Manual has been amended several times in order to align the provisions thereof with the prevailing issuances, rules and circulars of the Securities and Exchange Commission (the "SEC"), the most recent of which is the Memorandum Circular No. 19, Series of 2016 (the "Circular") on the Code of Corporate Governance for Publicly-Listed Companies that took effect on January 1, 2017. Conformably with the Circular, the Company formally approved and adopted an amended or new CG Manual on May 9, 2017.

The Board, conformably with the amended or new CG Manual and considering the Company's size, risk profile and operations, apart from the Executive Committee, established the following three (3) committees:

(1) Audit and Risk Oversight Committee (formerly known as the Audit Committee) is tasked to perform the functions of the Audit, Board Risk Oversight and Related Party Transactions Committees.

(2) Corporate Governance Committee (which took over the functions of the Nomination and Hearing Committee) is mandated to assist the Board in the performance of its corporate governance responsibilities, including, among others, the duty to pre-screen and shortlist all candidates nominated to become a member of the Board.

(3) Executive Compensation Committee, which is tasked among others to establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of corporate officers and directors.

As for the Company's Integrated Annual Corporate Governance Report ("I-ACGR"), which is a tool to disclose publicly-listed companies' compliance/noncompliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the

“comply or explain” approach, and for harmonizing the corporate governance reportorial requirements of the SEC and PSE, the Company complies with the requirements set forth in SEC Memorandum Circular No. 15, Series of 2017. The Company submitted its 2022 I-ACGR to SEC on May 30, 2023. For its 2023 I-ACGR, it will be submitted to the SEC not later than May 30, 2024, and shall be made available at its website.

All incumbent directors and officers of the Company, including the Internal Audit Group Head, attended a Corporate Governance Seminar conducted by SEC-accredited providers: Risk, Opportunities, Assessment and Management (ROAM), Inc., SGV & Co. and Center for Global Best Practices, in compliance with the requirement of the SEC. The seminars were conducted via videoconference.

Board Appraisals, Criteria and Procedures

Since 2011, it has been the practice of the Company for its Board and members of the Audit and Risk Oversight Committee to accomplish an annual Internal Self-Rating Form (the “Form”). For 2022, the Forms were distributed for their accomplishment during the last Regular Board Meeting held on November 8, 2023.

For the members of the Board, the Form covers four (4) broad areas of Board Performance: (1) Fulfillment of the Board’s Key Responsibilities; (2) Board-Management Relationship; (3) Effectiveness of Board Processes and Meetings; and (4) Individual Performance of Board Members. The Form requires the Board members to read each statement and rank their response on the 5-point scale directly below each statement with “1” indicating that they strongly disagree with the statement and “5” indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Form, the Board has substantially met its mandate with an average rating of five (5).

The members of the Audit and Risk Oversight Committee also accomplished the Form for the purpose of evaluating the said Committee’s performance for 2023. The Form covers the following areas: (1) Structure, Operation and Reporting Process; (2) Oversight on Financial Statements and Financial Reporting; (3) Oversight on Internal Controls and Risk Management; (4) Oversight on Internal Audit; (5) Oversight on External Audit; and (6) Compliance with Legal and Regulatory Requirements. The Form requires the said Committee members to read each statement and rank their response on the 5-point scale directly below each statement with “1” indicating that they strongly disagree with the statement and “5” indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Forms, the said Committee has also substantially met its mandate with an average rating of five (5).

[The space below intentionally left blank.]

UNDERTAKING

The Company will post the full version of its SEC Form 20-IS or the Definitive Information Statement (the "DIS") together with all its annexes, including the 2023 Audited Consolidated Financial Statements, as well as its SEC Form 17-A, and the First Quarter 17-Q, upon its approval by the SEC, in the Company's website, <https://www.ginebrasanmiguel.com>, and in the PSE Edge.

Upon the written request of a stockholder, the Company undertakes to furnish the stockholder a copy of the full version of the DIS, SEC Form 17-A, and/or SEC Form 17-Q. Any of the foregoing requests, which shall be provided by the Company free of charge, should be in writing and addressed to:

SMC Stock Transfer Service Corporation
2nd Floor, San Miguel Corporation
No. 40 San Miguel Avenue, Mandaluyong City,
1550 Metro Manila, Philippines
Email: smc_stsc@sanmiguel.com.ph

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on May 3, 2024.

GINEBRA SAN MIGUEL INC.

By:



Virgilio S. Jacinto
Corporate Secretary

Re: MSRD_Ginebra San Miguel Inc. (SEC Registration No. 142312)_Certification of Independent Director (Aurora S. Lagman)_06March2024

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>

Wed 3/6/2024 2:27 PM

To:Corsec Gsmi 1 <corsec.gsmi1@ginebra.sanmiguel.com.ph>

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----- NOTICE TO
COMPANIES -----

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

COVER SHEET

1 4 2 3 1 2
S. E. C. Registration Number

G I N E B R A
S A N M I G U E L
I N C .

(Company's Full Name)

3rd & 6th F L R S . S A N M I G U E L
P R O P E R T I E S C E N T R E ,
S T . F R A N C I S S T R E E T ,
O R T I G A S C E N T E R ,
M A N D A L U Y O N G C I T Y

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

FRANCIS JOSEPH A. CRUZ
Contact Person

8841-5100
Company Telephone Number

1 2
Month

3 1
Day

CERTIFICATE OF INDEPENDENT DIRECTOR
FORM TYPE

Month
Annual Meeting

Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Aurora S. Lagman**, Filipino, of legal age and a resident of 38 Samar Avenue, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Ginebra San Miguel Inc. ("GSMI") and have been its Independent Director since March 15, 2017.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
San Miguel Food and Beverage, Inc.	Independent Director	2022 - Present
Society for Judicial Excellence	Member Board of Trustees	2015 - Present
RTC Judges Association of Bulacan, Inc.	Adviser	2004 - Present
Kababaihang Manananggol ng Bulacan	Founding President	2003 - Present
Integrated Bar of the Philippines	Member	1978 - Present
College of Law Bulacan State University	Faculty Member (Part-time)	From July 2016; currently on leave
Manuel L. Quezon Universtiy	Faculty Member	2024 - Present
Judicial and Bar Council	Member	October 13, 2008 - July 9, 2016
Court of Appeals	Associate Justice	February 4, 2004 - January 15, 2008
Regional Trial Court, Branch 77, Malolos, Bulacan	Judge	May 11, 1994 - February 3, 2004

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of GSMI, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not in any way related to any director/officer/substantial shareholder of GSMI and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I have the required written permission from the Dean of the College of Law of Bulacan State University to be an Independent Director in GSMI, pursuant to the Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. Please refer to attached Annex "A".

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of GSMI of any changes in the abovementioned information within five days from its occurrence.


Done, this 6th day of March, 2024 at Mandaluyong City.


Aurora S. Lagman

SUBSCRIBED AND SWORN to before me this 6th day of March, 2024 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Senior Citizen ID No. 2360030 issued on 12 August 2003 at Minalin, Pampanga.

Doc. No. 243 :
Page No. 50 :
Book No. I :
Series of 2024.




MARIE ANTOINETTE V. PASCUA
Commission No. 0577-23
Notary Public for Mandaluyong City
Until December 31, 2024
GSMI, 6th Floor, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 62977
PTR No. 3199282; 01/12/2024, Mandaluyong City
IBP Lifetime Member No. 012773; 04/15/2014; RSM
MCLE Compliance No. VIII-0004218; 04/14/28; Pasig City

Annex "A"



Republic of the Philippines
BULACAN STATE UNIVERSITY
COLLEGE OF LAW
City of Malolos, Bulacan
Tel. No. 419-7900 loc. 1083



CERTIFICATION

This is to certify that **Justice AURORA S. LAGMAN, (Ret.)** is a part-time member of the faculty of College of Law, Bulacan State University and is allowed to engage directly in any private business, vocation or profession.

This certification is issued upon the request of Justice Lagman for whatever legal purpose it may serve her.

Done this 15th day of March 2017 at Malolos City, Province of Bulacan.

A handwritten signature in black ink, appearing to read "Nenta D.C. Tuazon".

DR. NENTA D.C. TUAZON, LLM, DCL
Dean, College of Law

Re: MSRD_Ginebra San Miguel Inc. (SEC Registration No. 142312)_Certification of Independent Director (Martin S. Villarama, Jr.)_06March2024

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>

Wed 3/6/2024 2:29 PM

To:Corsec Gsmi 1 <corsec.gsmi1@ginebra.sanmiguel.com.ph>

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5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

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1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

COVER SHEET

1 4 2 3 1 2
S. E. C. Registration Number

G I N E B R A
S A N M I G U E L
I N C .

(Company's Full Name)

3rd & 6th F L R S . S A N M I G U E L
P R O P E R T I E S C E N T R E ,
S T . F R A N C I S S T R E E T ,
O R T I G A S C E N T E R ,
M A N D A L U Y O N G C I T Y

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

FRANCIS JOSEPH A. CRUZ
Contact Person

8841-5100
Company Telephone Number

1 2
Month

3 1
Day

CERTIFICATE OF INDEPENDENT
DIRECTOR
FORM TYPE

Month
Annual Meeting

Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Martin S. Villarama, Jr.**, Filipino, of legal age and a resident of 22 Golden Street, Gloria 1 Subdivision, Tandang Sora, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Ginebra San Miguel Inc. ("GSMI") and have been its Independent Director since March 9, 2022.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
SMC Tollways Corporation	Independent Director	2021 to Present
SMC SLEX Inc.	Independent Director	2021 to Present
Uniwide Group of Companies	Court Appointed Liquidator	2018 to Present
Eagle Cement Corporation	Independent Director	2017 to Present
San Miguel Brewery HongKong Ltd.	Member, Board of Advisors	2017 to Present
Association of Retired Justices of the Supreme Court of the Philippines (ARJSCP)	Member	2016 to Present
BIR Tennis Club, Agham Road, Q.C.	Member	1983 to Present
Supreme Court of the Philippines	Associate Justice	2009 to 2016
Court of Appeals	Associate Justice	1998 to 2009
Philippine Judicial Academy	Lecturer	2007 to 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of GSMI, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not in any way related to any director/officer/substantial shareholder of GSMI and its subsidiaries and affiliates.
5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Theft (Co-respondent)	Office of the City Prosecutor - Paranaque City	The case for theft was filed against me in my capacity as court appointed liquidator of Uniwide Sales Inc. The case is pending Preliminary Investigation and I have filed my counter-affidavit on April 19, 2021

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I am neither in the government service nor affiliated with a government agency or government owned and controlled corporation.
8. I shall inform the Corporate Secretary of GSMI of any changes in the abovementioned information within five days from its occurrence.

Done, this 6th day of March, 2024 at Mandaluyong City.


Martin S. Villarama, Jr.

SUBSCRIBED AND SWORN to before me this 6th day of March, 2024 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Senior Citizen ID No. 82935 issued on 10 January 2008 at Quezon City.

Doc. No. 242;
Page No. 50;
Book No. 1;
Series of 2024.





MARIE ANTOINETTE V. PASCUA
Commission No. 0577-23
Notary Public for Mandaluyong City
Until December 31, 2024

GSMI, 6th Floor, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 62977

PTR No. 3199282; 01/12/2024, Mandaluyong City
IBP Lifetime Member No. 012773; 04/15/2014; RSM
MCLE Compliance No. VIII-0004218; 04/14/28; Pasig City



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

Annex "B"



The following document has been received:

Receiving: JAYSON ALDAY

Receipt Date and Time: April 12, 2024 03:30:43 PM

Company Information

SEC Registration No.: 0000142312

Company Name: GINEBRA SAN MIGUEL, INC.

Industry Classification: D15510

Company Type: Stock Corporation

Document Information

Document ID: OST10412202482192542

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Consolidated

Remarks: None

Acceptance of this document is subject to review of forms and contents

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021**

With Independent Auditors' Report



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Ginebra San Miguel Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


CYNTHIA M. BAROY
Chief Finance Officer


RAMON S. ANG
President

Signed this 6th day of March 2024

GINEBRA SAN MIGUEL, INC.

3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila, Philippines 1550 • Telephone: +632 8841-5100 • TeleFax: +632 8841-5240

A Subsidiary of  **SAN MIGUEL CORPORATION**

04 APR 2024

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me their Passport, as follow:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Ramon S. Ang	P2247867B	May 22, 2019	DFA Manila
Cynthia M. Baroy	P5612173A	January 13, 2018	DFA NCR East

Doc. No. 264 ;
Page No. 54 ;
Book No. I ;
Series of 2024.



(Signature)
MARIE ANTOINETTE V. PASCUA
Commission No. 0577-23
Notary Public for Mandaluyong City
Valid December 31, 2024
GSMI, 6th Floor, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 62977
PTR No. 3199282; 01/12/2024; Mandaluyong City
IBP Lifetime Member No. 012773; 04/15/2014; RSMI
MCLE Compliance No. VIII-0004218; 04/11/28; Pasig City



R.G. Manabat & Co.
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Philippines 1209
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floors, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

Opinion

We have audited the consolidated financial statements of Ginebra San Miguel Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until September 20, 2026

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Key Audit Matter

Key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the consolidated financial statements of the current period. This matter is addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue Recognition (P53,639 million)

Refer to Note 3, *Material Accounting Policies* to the consolidated financial statements.

The risk

Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. While revenue recognition and measurement is not complex for the Group, revenue may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

Our response

We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue management process.
- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We vouched, on a sampling basis, sales transactions to supporting documentation such as customers' sales invoices, delivery documents and proof of collections such as official receipts or bank statements to ascertain that revenue recognition criteria is met.
- We tested, on a sampling basis, sales transactions from the last month of the reporting period and also the first month of the following reporting period to supporting documentation such as customers' sales invoices, delivery documents and proof of collections such as official receipts and bank statements to assess whether these transactions are recorded in the appropriate reporting period.
- We tested high risk journal entries posted to revenue accounts to identify unusual or irregular items.



- We tested, on a sampling basis, credit notes issued after the reporting period, to identify and assess any credit notes that relate to sales transactions recognized during the reporting period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Maria Arleene C. Yu.

R.G. MANABAT & CO.


MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

Tax Identification No. 225-068-761

BIR Accreditation No. 08-000745-041-2023

Issued October 9, 2023, valid until October 9, 2026

PTR No. MKT 10075208

Issued January 2, 2024 at Makati City

April 8, 2024

Makati City, Metro Manila

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(In Thousands)

	<i>Note</i>	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	4, 5, 31, 32	P9,881,018	P5,457,277
Trade and other receivables - net	4, 6, 22, 26, 27, 31, 32	1,577,836	1,235,779
Inventories	4, 7	8,083,201	7,003,478
Prepaid expenses and other current assets	8, 27, 31, 32	817,344	868,981
Total Current Assets		20,359,399	14,565,515
Noncurrent Assets			
Investments in joint ventures	4, 9	-	-
Investment in debt instruments at amortized cost	4, 10, 27, 31, 32	1,500,000	1,500,000
Property, plant and equipment - net	4, 11	5,092,142	4,730,803
Right-of-use assets - net	4, 12, 27, 28	50,778	97,751
Goodwill - net	4, 13	126,863	126,863
Deferred tax assets - net	4, 18	562,775	524,963
Other noncurrent assets - net	4, 14, 27, 31, 32	75,848	66,218
Total Noncurrent Assets		7,408,406	7,046,598
		P27,767,805	P21,612,113
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	16	P1,000,000	P -
Accounts payable and accrued expenses	15, 27, 31, 32	5,694,109	5,540,299
Income and other taxes payable		1,736,095	719,846
Lease liabilities - current portion	4, 27, 28, 31	25,796	32,967
Current maturities of long-term debt - net of debt issue costs	17, 25, 31, 32	-	165,430
Total Current Liabilities		8,456,000	6,458,542
Noncurrent Liabilities			
Retirement liabilities	4, 29	880,891	635,751
Lease liabilities - net of current portion	4, 27, 28, 31	30,602	75,775
Long-term debt - net of current maturities and debt issue costs	17, 31, 32	-	-
Total Noncurrent Liabilities		911,493	711,526
Total Liabilities		9,367,493	7,170,068

Forward

	Note	2023	2022
Equity	19		
Capital stock		P399,063	P399,063
Additional paid-in capital		2,539,454	2,539,454
Equity reserves		(640,050)	(415,729)
Retained earnings:			
Appropriated		3,512,000	3,512,000
Unappropriated		16,259,818	12,077,230
Treasury stock		(3,669,973)	(3,669,973)
Total Equity		18,400,312	14,442,045
		P27,767,805	P21,612,113

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands, Except Per Share Data)

	<i>Note</i>	2023	2022	2021
SALES	27	P53,638,569	P47,340,746	P42,534,124
COST OF SALES	20	40,834,816	35,862,785	31,760,865
GROSS PROFIT		12,803,753	11,477,961	10,773,259
SELLING AND MARKETING EXPENSES	21	(3,715,966)	(3,397,473)	(3,100,609)
GENERAL AND ADMINISTRATIVE EXPENSES	22	(2,252,979)	(2,093,924)	(2,379,745)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	11, 16, 17, 25, 28, 29	(61,041)	(52,779)	(48,210)
INTEREST INCOME	5, 10, 27	552,354	130,537	38,471
GAIN (LOSS) ON DISPOSAL/RETIREMENT OF NONCURRENT ASSETS - Net	11, 14	784	(1,040)	5,583
OTHER INCOME (CHARGES) - Net	26	2,037,982	(5,031)	271,922
INCOME BEFORE INCOME TAXES		9,364,887	6,058,251	5,560,671
INCOME TAX EXPENSE	18	2,319,020	1,511,029	1,381,732
NET INCOME		P7,045,867	P4,547,222	P4,178,939
Basic and Diluted Earnings Per Share	30	P24.61	P15.88	P14.59

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

	<i>Note</i>	2023	2022	2021
NET INCOME		P7,045,867	P4,547,222	P4,178,939
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss				
Share in other comprehensive loss of joint ventures	9	-	-	(4,451)
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	29	(299,094)	(65,845)	89,633
Income tax	18	74,773	16,461	(51,312)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(224,321)	(49,384)	33,870
TOTAL COMPREHENSIVE INCOME - Net of tax		P6,821,546	P4,497,838	P4,212,809

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

	Note	Capital Stock		Additional Paid-in Capital	Equity Reserves		Retained Earnings		Treasury Stock		Total
		Common	Preferred		Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	
As at January 1, 2023		P345,625	P53,438	P2,539,454	(P415,729)	P -	P3,512,000	P 12,077,230	(P1,947,198)	(P1,722,775)	P 14,442,045
Net income		-	-	-	-	-	-	7,045,867	-	-	7,045,867
Other comprehensive loss:											
Share in other comprehensive loss of joint ventures	9	-	-	-	-	-	-	-	-	-	-
Equity reserve for retirement plan	29	-	-	-	(224,321)	-	-	-	-	-	(224,321)
Total comprehensive income		-	-	-	(224,321)	-	-	7,045,867	-	-	6,821,546
Cash dividends and distribution on common shares	19	-	-	-	-	-	-	(2,863,279)	-	-	(2,863,279)
As at December 31, 2023	19	P345,625	P53,438	P2,539,454	(P640,050)	P -	P3,512,000	P16,259,818	(P1,947,198)	(P1,722,775)	P18,400,312

Forward

	Note	Capital Stock		Additional Paid-in Capital	Equity Reserves		Retained Earnings		Treasury Stock		Total
		Common	Preferred		Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	
As at January 1, 2022		P345,625	P53,438	P2,539,454	(P366,345)	P -	P3,512,000	P9,104,812	(P1,947,198)	(P1,722,775)	P11,519,011
Net income		-	-	-	-	-	-	4,547,222	-	-	4,547,222
Other comprehensive loss:											
Share in other comprehensive loss of joint ventures	9	-	-	-	-	-	-	-	-	-	-
Equity reserve for retirement plan	29	-	-	-	(49,384)	-	-	-	-	-	(49,384)
Total comprehensive income		-	-	-	(49,384)	-	-	4,547,222	-	-	4,497,838
Cash dividends and distribution on common shares	19	-	-	-	-	-	-	(1,574,804)	-	-	(1,574,804)
As at December 31, 2022	19	P345,625	P53,438	P2,539,454	(P415,729)	P -	P3,512,000	P12,077,230	(P1,947,198)	(P1,722,775)	P14,442,045
As at January 1, 2021		P345,625	P53,438	P2,539,454	(P404,666)	P4,451	P2,500,000	P7,083,730	(P1,947,198)	(P722,775)	P9,452,059
Net income		-	-	-	-	-	-	4,178,939	-	-	4,178,939
Other comprehensive income (loss):											
Share in other comprehensive loss of joint ventures	9	-	-	-	-	(4,451)	-	-	-	-	(4,451)
Equity reserve for retirement plan	29	-	-	-	38,321	-	-	-	-	-	38,321
Total comprehensive income		-	-	-	38,321	(4,451)	-	4,178,939	-	-	4,212,809
Redemption of preferred shares		-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Appropriations (reversal of appropriations)		-	-	-	-	-	1,012,000	(1,012,000)	-	-	-
Cash dividends and distribution:											
Common	19	-	-	-	-	-	-	(1,145,311)	-	-	(1,145,311)
Preferred	19	-	-	-	-	-	-	(546)	-	-	(546)
As at December 31, 2021	19	P345,625	P53,438	P2,539,454	(P366,345)	P -	P3,512,000	P9,104,812	(P1,947,198)	(P1,722,775)	P11,519,011

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P9,364,887	P6,058,251	P5,560,671
Adjustments for:				
Depreciation and amortization	<i>11, 12, 14, 20, 21, 22, 23</i>	666,063	677,239	679,606
Retirement expense	<i>24, 29</i>	94,998	98,437	469,921
Interest expense and other financing charges	<i>11, 16, 17, 25, 28, 29</i>	61,041	52,779	48,210
Net provision (reversal) of impairment losses for write-down of inventories to net realizable value	<i>7, 20</i>	30,098	(10,325)	-
Net provision (reversal) of impairment losses on trade and other receivables	<i>6, 22</i>	(292)	10,325	83,126
Loss (gain) on disposal/retirement of noncurrent assets - net	<i>11, 14</i>	(784)	1,040	(5,583)
Gain on lease modification	<i>26</i>	(8,014)	(10,159)	(10,677)
Net derivative loss (gain)	<i>26, 32</i>	(2,000)	241,801	96,759
Net unrealized foreign exchange loss (gain)	<i>26, 31</i>	(33,905)	28,131	(2,659)
Interest income	<i>5, 10</i>	(552,354)	(130,537)	(38,471)
Operating income before working capital changes		9,619,738	7,016,982	6,880,903
Decrease (increase) in:				
Trade and other receivables		(325,961)	(199,903)	(165,026)
Inventories		(1,155,381)	1,529,566	(2,820,854)
Prepaid expenses and other current assets		(435,413)	(198,488)	(411,033)
Increase (decrease) in:				
Accounts payable and accrued expenses		179,404	287,349	(37,910)
Other taxes payable		820,160	130,043	115,507
Cash generated from operations		8,702,547	8,565,549	3,561,587
Contribution to retirement plan	<i>29</i>	(189,785)	(178,323)	(178,323)
Interest and other financing charges paid		(17,822)	(18,219)	(25,061)
Income taxes paid		(1,668,233)	(1,111,845)	(866,239)
Net cash flows provided by operating activities		6,826,707	7,257,162	2,491,964

Forward

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		P537,061	P 117,648	P37,313
Proceeds from disposal of property and equipment	11	784	3,270	6,383
Additions to advances to suppliers	14	(12,007)	(11,839)	(9,272)
Additions to property, plant and equipment	11	(966,026)	(990,333)	(588,643)
Additions to investment in debt instruments at amortized cost	10	-	(1,500,000)	-
Increase in other noncurrent assets		(10,274)	(20)	(33,562)
Net cash flows used in investing activities		(450,462)	(2,381,274)	(587,781)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	16	998,747	-	-
Payments of:				
Lease liabilities	28	(41,820)	(80,670)	(70,571)
Long-term borrowings	17	(166,666)	(166,667)	(166,667)
Cash dividends		(2,774,093)	(1,524,714)	(1,110,178)
Redemption of preferred shares	19	-	-	(1,000,000)
Net cash flows used in financing activities		(1,983,832)	(1,772,051)	(2,347,416)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		31,328	(25,726)	2,825
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		4,423,741	3,078,111	(440,408)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
	5	5,457,277	2,379,166	2,819,574
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	5	P9,881,018	P5,457,277	P2,379,166

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

Ginebra San Miguel Inc. (GSMI or the Company), a subsidiary of San Miguel Food and Beverage, Inc. (SMFB or Parent Company), was incorporated in the Philippines on July 10, 1987. SMFB is a subsidiary of San Miguel Corporation (SMC or Intermediate Parent Company). Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of GSMI.

GSMI is engaged in the manufacture and sale of alcoholic beverages, and all business activities incidental or related to carrying out these activities.

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

The accompanying consolidated financial statements comprise the financial statements of the Company and its Subsidiaries and the Group's interests in joint ventures (collectively referred to as the "Group").

The Group is engaged in the manufacture and sale of alcoholic beverages, tolling, marketing, distillation of alcohol, and bottling of alcohol and nonalcoholic beverages.

The Company and its domestic subsidiaries have a corporate life of 50 years pursuant to their Articles of Incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, existing and future corporations have been granted perpetual corporate life. Thus, the Company and its domestic subsidiaries shall have a perpetual corporate life.

The registered office address of the Company is 3rd and 6th Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 6, 2024.

Basis of Measurement

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

<u>Items</u>	<u>Measurement Basis</u>
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Group and the following wholly-owned subsidiaries:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries Inc. (All)	Philippines
Healthy Condiments, Inc. (HCI)	Philippines
Crown Royal Distillers, Inc. (CRDI)	Philippines
Ginebra San Miguel International Ltd. (GSMIL)	British Virgin Islands (BVI)
GSM International Holdings Limited (GSMIHL)	BVI
Global Beverages Holdings Limited (GBHL)	BVI
Siam Holdings Limited (SHL)	BVI

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

3. Material Accounting Policies

The material information of the principal accounting policies set out below have been applied consistently to all periods presented in the financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of amendments to standards as part of PFRS.

Adoption of Amendments to Standards

The Group has adopted the following amendments to standards effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.
- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements.

The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy information that users need to understand other information in the financial statements

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2023 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
 - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

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

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

The Group has no financial assets at FVOCI as at December 31, 2023 and 2022.

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

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

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

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost and security deposit are included under this category (Notes 5, 6, 10, 14, 31 and 32).

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

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

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

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 8, 31 and 32).

Financial Liabilities

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

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

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

The Group’s derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 15, 31 and 32).

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

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

The Group’s liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt and lease liabilities are included under this category (Notes 15, 16, 17, 28, 31 and 32).

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

Inventories

Finished goods and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Finished goods	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method.
Materials and supplies	-	at cost, using the moving-average method.

Finished Goods. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Materials and Supplies. Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals of write-down of inventories arising from an increase in net realizable value, if any, are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of joint venture is recognized as "Equity in net losses of joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the joint venture arising from changes in the joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income of joint ventures" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in joint venture and then recognizes the loss as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in joint venture upon loss of joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO) and capitalizable borrowing cost, if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	<u>Number of Years</u>
Land improvements	5 - 10
Buildings and improvements	20 - 50
Transportation equipment	5
Machinery and equipment	3 - 40
Furniture, fixtures and other equipment	2 - 5
Leasehold improvements	10 - 30
	or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

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

Group as Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

	Number of Years
Land and land improvements	12 - 14
Building and improvements	2 - 15

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (i.e., office equipment). The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Group as Lessor

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

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Impairment of Non-financial Assets

The carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, intangible assets with finite lives and deferred containers are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Fair Value Measurements

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

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

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

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

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

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

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

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. The Company considers the requirements of Section 42 of the Revised Corporation Code for its retained earnings. It addresses any excess over paid-in capital stock after permissible appropriations or restrictions under the said section, in the current or succeeding periods. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Goods

Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts are determined at inception of the contract and is not subject to variability. Trade returns do not result to significant variable consideration and are generally determined based on concluded sales transaction as at the end of each period.

Income from Other Sources

Tolling Fee. Tolling fee is recognized when the performance of contractually agreed task has been rendered and control over the service has been transferred to the customer. General payment terms is on an average of 30 days from invoice date.

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Others. Other income is recognized when earned.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

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

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statements of income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity.

The functional currency of GSMIL, GSMIHL, GBHL and SHL is United States Dollar (USD), while that of Thai San Miguel Liquor Co. Limited (TSML) and Thai Ginebra Trading (TGT) is the Thailand Baht (THB). The assets and liabilities of GSMIL, GSMIHL, GBHL, SHL, TSML and TGT are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year.

Taxes

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in consolidated statements of income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, (i) affects neither the accounting profit nor taxable profit or loss and (ii) does not give rise to equal taxable differences; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, (i) affects neither the accounting profit nor taxable profit or loss and (ii) does not give rise to equal taxable differences; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Income and other taxes payable” accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Operating Segment

The reporting format of the Group’s operating segment is determined based on the Group’s risks and rates of return which are affected predominantly by differences in the products and services produced. The Group has a single segment which is the alcoholic beverages segment.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

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

Rent income recognized as part of “Other income (charges) - net” account in the consolidated statements of income, amounted to P172 in 2023, 2022 and 2021 (Notes 26, 27 and 28).

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

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in TSML and TGT as joint ventures (Note 9).

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Estimates and Assumptions

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

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

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

Trade receivables written-off amounted to P3,897 and nil in 2023 and 2022, respectively. The Group recognized provision for impairment losses amounted to nil and P10,325 in 2023 and 2022, respectively. The allowance for impairment losses on trade receivables amounted to P9,768 and P18,254 as at December 31, 2023 and 2022, respectively (Note 6). The net carrying amount of trade receivables amounted to P1,348,927 and P962,099 as at December 31, 2023 and 2022, respectively (Notes 6, 31 and 32).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2023	2022
Other Financial Assets at Amortized Cost			
Cash and cash equivalents	5	P9,881,018	P5,457,277
Non-trade receivables - net of allowance for impairment losses* (included under "Trade and other receivables - net" account)**	6	213,915	211,343
Investment in debt instruments at amortized cost	10	1,500,000	1,500,000
Security deposit (included under "Trade and other receivables - net" and "Other noncurrent assets - net" accounts)	14	503	503

*Allowance for impairment losses on non-trade receivables amounted to P672,799 and P673,039 as at December 31, 2023 and 2022, respectively (Note 6).

** Excluding tax certificate receivables amounted to P14,984 and P62,327 as at December 31, 2023 and 2022, respectively and security deposit amounting to P10 as at December 31, 2023 and 2022 (Note 6).

Variable Consideration under Revenue. Revenue from sales is recognized based on the price specified in the contract, net of the estimated volume discounts and returns. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A provision for sales discount is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made through cash on delivery or with credit terms of 30 to 60 days, which is consistent with market practice.

It is the Group's policy to sell its products to the customer with a right of return. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 8, 9, 11, 12, 13, 15, 29 and 32.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P141,665 and P118,353 as at December 31, 2023 and 2022, respectively (Note 7).

The carrying amount of inventories amounted to P8,083,201 and P7,003,478 as at December 31, 2023 and 2022, respectively (Note 7).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Deferred Containers and Intangible Asset with Finite Useful Life. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

There are no changes in the estimated useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life as at December 31, 2023 and 2022.

Property, plant and equipment, net of accumulated depreciation and impairment losses amounted to P5,092,142 and P4,730,803 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment amounted to P9,922,509 and P9,328,669 as at December 31, 2023 and 2022, respectively (Note 11).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P50,778 and P97,751 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P84,562 and P92,001 as at December 31, 2023 and 2022, respectively (Note 12).

Deferred containers, net of accumulated depreciation, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to nil and P1,764 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of deferred containers amounted to nil and P373,245 as at December 31, 2023 and 2022, respectively (Note 14).

Intangible assets, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P27,792 and P28,420 as at December 31, 2023 and 2022, respectively. Accumulated amortization of intangible assets amounted to P25,729 and P14,842 as at December 31, 2023 and 2022, respectively (Note 14).

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P56,398 and P108,742 as at December 31, 2023 and 2022, respectively (Notes 27, 28, and 31).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P126,863 as at December 31, 2023 and 2022 (Note 13).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

The net deferred tax assets amounted to P562,775 and P524,963 as at December 31, 2023 and 2022, respectively (Note 18).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments in joint ventures, property, plant and equipment, intangible assets with finite useful lives, deferred containers, and right-of-use assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on investments in joint ventures and property, plant and equipment amounted to P551,399 as at December 31, 2023 and 2022 (Notes 9 and 11).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, deferred containers and intangible assets with finite useful lives amounted to P5,170,712 and P4,858,738 as at December 31, 2023 and 2022, respectively (Notes 9, 11, 12 and 14).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P2,267,495 and P1,812,853 as at December 31, 2023 and 2022, respectively (Note 29).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	2023	2022
Cash in banks and on hand		P787,855	P1,945,277
Short-term investments		9,093,163	3,512,000
	<i>31, 32</i>	P9,881,018	P5,457,277

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to P434,790, P125,206 and P38,471 in 2023, 2022 and 2021, respectively.

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2023	2022
Trade:			
Third parties		P1,343,360	P973,441
Related parties	27	15,335	6,912
Non-trade:			
Third parties		153,927	219,319
Related parties	27	747,781	727,400
		2,260,403	1,927,072
Less allowance for impairment losses		682,567	691,293
	31, 32	P1,577,836	P1,235,779

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term. Allowance for impairment losses pertaining to trade receivables amounted to P9,768 and P18,254 as at December 31, 2023 and 2022, respectively.

Non-trade receivables from third parties consist of the following: (i) receivable from employees amounting to P22,770 and P22,361 as at December 31, 2023 and 2022, respectively; (ii) tax certificate receivables amounting to P14,969 and 62,327 as at December 31, 2023 and 2022, respectively; and (iii) miscellaneous receivables amounting to P116,188 and P134,631 as at December 31, 2023 and 2022, respectively. These are generally collectible on demand. Allowance for impairment losses for non-trade receivables from third parties amounted to P380 and P620 as at December 31, 2023 and 2022, respectively.

Allowance for impairment losses pertaining to non-trade receivables from related parties amounted to P672,419 as at December 31, 2023 and 2022, respectively.

The movements in allowance for impairment losses for trade and other receivables are as follows:

	Note	2023	2022
Balance at beginning of year		P691,293	P681,070
Provision	22	4,297	10,325
Reversal of impairment loss	22	(4,589)	-
Recovery for the year	26	-	(102)
Amounts written off		(8,434)	-
Balance at end of year	4	P682,567	P691,293

The reversal and recovery of impairment loss amounting to P4,589 and P102 in 2023 and 2022, respectively, is included as part of "Net provision (reversal) for impairment losses" under "General and administrative expenses" account and "Others" under "Other income (charges) - net" account, respectively, in the consolidated statements of income (Notes 22 and 26).

7. Inventories

Inventories consist of:

	2023	2022
At cost:		
Finished goods and goods in process	P4,785,850	P4,034,046
At net realizable value:		
Materials and supplies	3,297,351	2,969,432
	P8,083,201	P7,003,478

The cost of materials and supplies amounted to P3,439,016 and P3,087,785 as at December 31, 2023 and 2022, respectively.

The amount of inventories charged to cost of sales amounted to P15,454,336, P13,967,463 and P12,638,837 in 2023, 2022 and 2021, respectively (Note 20).

The movements in allowance for write-down of inventories to net realizable value at the beginning and end of 2023 and 2022 follow:

	<i>Note</i>	2023	2022
Balance at beginning of year		P118,353	P141,792
Provision	20, 22	38,503	-
Write-off		(6,786)	(13,114)
Reversal	20	(8,405)	(10,325)
Balance at end of year	4	P141,665	P118,353

Provision for write-down of inventories to net realizable value amounted to P38,503 and nil in 2023 and 2022, respectively.

The Company adjusted the allowance for write-down of inventories to net realizable value based on the recent computed net realizable value. This resulted to reversal of allowance for write-down of inventories amounting to P8,405 and P10,325 in 2023 and 2022, respectively, and has been recognized as part of "Net provision (reversal) for write-down of inventories to net realizable value" under "Cost of sales" account in the consolidated statements of income (Note 20).

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	<i>Note</i>	2023	2022
Prepaid taxes		P747,096	P819,251
Derivative assets	31, 32	14,572	2,638
Others	27	55,676	47,092
		P817,344	P868,981

Prepaid taxes represent prepayments of excise taxes on alcohol and income taxes.

Others include prepaid insurance, prepaid rental and advances to employees. Prepaid insurance includes amounts owed by a related party amounting to P45,002 and P40,390 as at December 31, 2023 and 2022, respectively (Note 27).

The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 32.

9. Investments in Joint Ventures

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which the Group owns 44.9% effective ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

TSML	2023	2022	2021
Current assets (including cash and cash equivalents - 2023: P218,817; 2022: P344,797 and 2021: P140,734)	P331,755	P603,948	P772,124
Noncurrent assets	683,238	732,657	828,246
Current liabilities (including financial liabilities - 2023: P1,281,459; 2022: P1,277,193; and 2021: P1,206,014)	(1,320,303)	(1,379,120)	(1,281,317)
Net assets (liabilities)	(305,310)	(42,515)	319,053
Percentage of ownership	44.9%	44.9%	44.9%
Amount of investment in joint venture	-	-	143,255
Carrying amount of investment in joint venture - net	P -	P -	P -

TSML	2023	2022	2021
Sales	P3,279	P397,212	P874,925
Cost of sales (including depreciation - 2023: P46,347; 2022: P136,602 and 2021: P128,281)	(61,016)	(563,196)	(976,316)
Operating expenses (including depreciation - 2023: P3,237; 2022: P3,353 and 2021: P3,452)	(170,876)	(160,133)	(79,510)
Other charges (including interest expense - 2023: P31,616; 2022: P30,727 and 2021: P30,450)	(31,263)	(35,414)	(30,925)
Net loss	(259,876)	(361,531)	(211,826)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net loss	(116,684)	(162,327)	(95,110)
Share in other comprehensive loss	-	-	(4,451)
Total comprehensive loss	(P116,684)	(P162,327)	(P99,561)

In 2019, the Group assessed that its investment in TSML is impaired. The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 2% and is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 9% and also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. Accumulated impairment losses amounted to P243,799 as at December 31, 2023 and 2022.

The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The Group discontinued recognizing its share in the net losses of TSML since the cumulative losses already exceeded the cost of investment. If TSML reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Total unrecognized share in net losses amounted to P412,289 and P295,605 as at December 31, 2023 and 2022, respectively.

b. TGT

The Group also has an existing 44.9% effective ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

The details of the Group's investments in joint ventures which are accounted for using the equity method are as follows:

TGT	2023	2022	2021
Current assets (including cash and cash equivalents - 2023: P7,168; 2022: P7,135 and 2021: P9,575)	P18,203	P18,216	P23,233
Noncurrent assets	214	431	683
Current liabilities	(989,278)	(986,056)	(938,379)
Net liabilities	(970,861)	(967,409)	(914,463)
Percentage of ownership	44.9%	44.9%	44.9%
Carrying amount of investment in joint venture	P -	P -	P -

TGT	2023	2022	2021
Sales	P126	P12,166	P39,584
Cost of sales	(115)	(9,895)	(32,574)
Operating expenses (including depreciation - 2023: P201; 2022: P202 and 2021: P190)	(243)	(1,413)	(22,850)
Other income	14	118	642
Net income (loss)	(218)	976	(15,198)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net income (loss)	(98)	438	(6,824)
Share in other comprehensive loss	-	-	(60,003)
Total comprehensive income (loss)	(P98)	P438	(P66,827)

The Group discontinued recognizing its share in the net losses of TGT since the cumulative losses already exceeded the cost of investment. If TGT reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Total unrecognized share in net losses amounted to P295,290 and P295,192 respectively.

10. Investments in Debt Instruments at Amortized Cost

On December 12, 2022, the Company entered into investment agreement with Bank of Commerce. The Company invested in debt instruments amounting to a total of P1,500,000 which bear an annual average interest rate of 6.90% and maturities up to seven years (Notes 4, 27, 31 and 32).

Interest income earned from investments in debt instruments at amortized cost amounted to P117,564 and P5,331 in 2023 and 2022, respectively.

11. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2022	P1,133,104	P2,310,440	P426,597	P8,605,711	P620,669	P63,680	P336,165	P13,496,366
Additions	108,551	515,384	17,927	153,510	32,592	12,168	219,539	1,059,671
Disposals/retirement	(912)	(3,610)	(18,485)	(160,850)	(6,113)	(2,776)	-	(192,746)
Reclassifications	422	(220,677)	12,385	442,894	6,556	12,506	(250,305)	3,781
December 31, 2022	1,241,165	2,601,537	438,424	9,041,265	653,704	85,578	305,399	14,367,072
Additions	1,580	86,947	29,348	214,666	220,727	21,898	390,860	966,026
Disposals/retirement	-	-	(3,464)	(3,794)	(900)	(13,443)	-	(21,601)
Reclassifications	15,923	(4,822)	12,395	177,290	37,343	42,466	(269,841)	10,754
December 31, 2023	1,258,668	2,683,662	476,703	9,429,427	910,874	136,499	426,418	15,322,251
Accumulated Depreciation								
January 1, 2022	282,171	1,341,266	280,051	6,559,349	470,932	18,749	-	8,952,518
Depreciation	10,837	84,187	50,719	351,369	61,937	5,539	-	564,588
Disposals/retirement	(912)	(3,610)	(18,484)	(158,953)	(6,115)	(363)	-	(188,437)
Reclassifications	-	(3,580)	-	(3,818)	(782)	8,180	-	-
December 31, 2022	292,096	1,418,263	312,286	6,747,947	525,972	32,105	-	9,328,669
Depreciation	11,032	89,667	45,900	378,208	73,698	16,936	-	615,441
Disposals/retirement	-	-	(3,464)	(3,794)	(900)	(13,443)	-	(21,601)
Reclassifications	637	(23,724)	-	32,965	(2,394)	(7,484)	-	-
December 31, 2023	303,765	1,484,206	354,722	7,155,326	596,376	28,114	-	9,922,509
Accumulated Impairment Losses								
December 31, 2022 and 2023	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
December 31, 2022	P949,069	P1,183,274	P126,138	P1,985,718	P127,732	P53,473	P305,399	P4,730,803
December 31, 2023	P954,903	P1,199,456	P121,981	P1,966,501	P314,498	P108,385	P426,418	P5,092,142

The recoverable amount of unutilized machinery and equipment was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the property being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. Adjustment is then made for accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with the new similar units. The accumulated impairment losses of unutilized machinery and equipment amounted to P307,600 as at December 31, 2023 and 2022.

The fair value of the distillation equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The Group has fully depreciated assets with cost amounting to P3,721,892 and P3,439,643 as at December 31, 2023 and 2022, respectively, which are still used in operations.

The Group sold various equipment for P784, P3,270 and 6,383 in 2023, 2022 and 2021, respectively. Accordingly, the Group recognized gains amounting to P784, P1,373 and P2,122 included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income in 2023, 2022, and 2021, respectively.

The carrying amount of certain property and equipment retired from use amounted to nil, P2,413 and P67 as at December 31, 2023, 2022, and 2021, respectively, and accordingly recognized a loss for the same amount, included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income.

Total depreciation recognized in the consolidated statements of income amounted to P615,441, P564,588 and P577,584 in 2023, 2022 and 2021, respectively (Notes 20, 21, 22 and 23). These amounts include annual amortization of capitalized interest amounting to P6,933, P6,825 and P6,779 in 2023, 2022 and 2021, respectively.

The Group has interest amounting to P10,754, P3,781 and P4,393 which was capitalized to machinery and equipment in 2023, 2022 and 2021, respectively (Note 25). The capitalization rates used to determine the amount of interest eligible for capitalization were 3.87%, 4.47% and 7.03% in 2023, 2022 and 2021, respectively. The capitalization rates are computed as the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period.

12. Right-of-Use Assets

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

	Note	Land and Land Improvements	Buildings and Improvements	Total
Cost				
January 1, 2022		P15,610	P264,748	P280,358
Additions	28	-	63,017	63,017
Retirement		-	(153,623)	(153,623)
December 31, 2022		15,610	174,142	189,752
Additions	28	11,315	31,430	42,745
Retirement		-	(97,157)	(97,157)
December 31, 2023		26,925	108,415	135,340
Accumulated Depreciation				
January 1, 2022		3,546	100,729	104,275
Depreciation	23	1,182	77,066	78,248
Retirement		-	(90,522)	(90,522)
December 31, 2022		4,728	87,273	92,001
Depreciation	23	2,753	35,218	37,971
Retirement		-	(45,410)	(45,410)
December 31, 2023		7,481	77,081	84,562
Carrying Amount				
December 31, 2022		P10,882	P86,869	P97,751
December 31, 2023		P19,444	P31,334	P50,778

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of 2 to 15 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group. The Group retired some of the leased assets in which it recognized gain on termination of lease amounted to P8,014 and P10,159 in 2023 and 2022, respectively which is included in "Others" in "Other income (charges) - net" account in the consolidated statements of income (Notes 26, 27 and 28).

13. Goodwill

GSMI acquired 100% of the outstanding capital stock of EPSBPI in 2012. EPSBPI, which is considered a cash-generating unit, is a company primarily engaged in the manufacturing and bottling of alcoholic and non-alcoholic beverages. The acquisition resulted in the recognition of goodwill amounting to P226,863.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 3% and 2% in 2023 and 2022, respectively. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 8.6% and 11% in 2023 and 2022, respectively. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment loss amounting to P100,000 in 2015. Due to improvements in the operations of EPSBPI starting 2016 and the growth in volume requirements of GSKI, no additional impairment loss was recognized.

The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.
- *Discount Rates.* The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	2023	2022
Intangible assets - net		P27,792	P28,420
Security deposit	27, 31, 32	493	493
Deferred containers - net		-	1,764
Others	27	47,563	35,541
		P75,848	P66,218

The movements in intangible assets - net pertaining to computer software are as follows:

	<i>Note</i>	2023	2022
Cost			
Balance at beginning of year		P43,262	P110,942
Additions		10,259	-
Retirement		-	(67,680)
Balance at end of year		53,521	43,262
Accumulated Amortization			
Balance at beginning of year		14,842	73,746
Amortization	23	10,887	8,776
Retirement		-	(67,680)
Balance at end of year		25,729	14,842
Carrying Amount		P27,792	P28,420

Amortization expense, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P10,887, P8,776, and P6,084 in 2023, 2022 and 2021, respectively (Notes 22 and 23).

The movements in deferred containers - net are as follows:

	<i>Note</i>	2023	2022
Cost			
Balance at beginning of the year		P375,009	P375,009
Retirement		(375,009)	-
Balance at end of year		-	375,009
Accumulated Depreciation			
Balance at beginning of year		373,245	347,618
Depreciation	23	1,764	25,627
Retirement		(375,009)	-
Balance at end of year		-	373,245
Carrying Amount		P -	P1,764

Depreciation of deferred containers, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P1,764, P25,627 and P32,743 in 2023, 2022 and 2021, respectively (Notes 22 and 23).

“Others” include advances to suppliers amounting to P47,286 and P35,279 as at December 31, 2023 and 2022, respectively, and lease receivables from related party amounting to P275 and P262 as at December 31, 2023 and 2022, respectively (Note 27).

In 2021, the Group disposed non-financial noncurrent assets and recognized a gain amounting to P3,528, included as part of “Gain (loss) on disposal/retirement of noncurrent assets - net” account in the consolidated statements of income.

15. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2023	2022
Trade:			
Third parties		P4,272,722	P3,728,638
Related parties	27	1,330,005	1,649,641
Non-trade:			
Third parties		89,720	90,775
Related parties	27	1,186	1,180
Derivative liabilities	31, 32	476	70,065
	31, 32	P5,694,109	P5,540,299

Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables to third parties consist of accrued vacation and sick leave, payroll, interest and dividends.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 32.

16. Loans Payable

On November 29, 2023, the Company obtained unsecured short-term peso-denominated borrowing from local bank for working capital requirements amounting to P1,000,000. The loan will mature on January 30, 2024 and bear an interest rate of 6.40%. On January 30, 2024, the loan was fully paid by the Company.

The interest expense on loans payable amounting to P5,511 in 2023 was capitalized to machinery and equipment (Note 11).

The Group’s exposure to interest rate and liquidity risks are discussed in Note 31.

17. Long-term Debt

Long-term debt consists of:

	<i>Note</i>	2023	2022
Fixed interest rate of 4.21% with maturities up to 2023		P -	P165,430
Less current maturities		-	165,430
	<i>31, 32</i>	P -	P -

The amount represents drawdown by the Company on December 28, 2020 from its three-year credit facility with a local bank amounting to P500,000. The loan is carried at amortized cost and payable semi-annually commencing in June 2021. The proceeds were used for general corporate requirements. On December 28, 2023, the loan was fully paid by the Company.

Unamortized debt issue costs amounted to nil and P1,236 as at December 31, 2023 and 2022, respectively.

The Company is in compliance with the covenants of the debt agreement as at December 31, 2022 (Note 31).

Changes in liabilities arising from financing activities and amortization of debt issue cost are as follows:

	<i>Note</i>	2023	2022
Balance at beginning of year		P165,430	P330,847
Changes from Financing Cash Flows			
Capitalized borrowing cost	<i>11</i>	5,243	3,781
Interest expense	<i>25</i>	-	8,626
Interest paid		(5,243)	(12,407)
Payments of borrowings		(166,666)	(166,667)
Total Changes from Financing Cash Flows		(166,666)	(166,667)
Amortization of debt issue cost		1,236	1,250
Balance at end of year		P -	P165,430

The movements in debt issue costs are as follows:

	<i>Note</i>	2023	2022
Balance at beginning of year		P1,236	P2,486
Amortization	<i>25</i>	(1,236)	(1,250)
Balance at end of year		P -	P1,236

Interest expense on existing and settled long-term debt amounted to nil, P8,626 and P15,219 in 2023, 2022 and 2021, respectively which is included as part of "Interest expense and other financing charges" account in the consolidated statements of income (Note 25).

Contractual terms of the Group's interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 31.

18. Income Taxes

The components of income tax expense are shown below:

	2023	2022	2021
Current	P2,282,059	P1,519,957	P1,349,811
Deferred	36,961	(8,928)	31,921
	P2,319,020	P1,511,029	P1,381,732

The movements of deferred tax assets and liabilities are accounted for as follows:

2023	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Provision for impairment losses	P185,016	(P2,182)	P -	P182,834
Past service costs	73,363	8,024	-	81,387
Leases	36,264	295	-	36,559
Allowance for write-down of inventories	29,873	5,633	-	35,506
Net defined benefit retirement surplus	21,398	(13,070)	-	8,328
Various accruals	20,061	1,244	-	21,305
Derivative liabilities - net	16,857	(20,381)	-	(3,524)
Unrealized foreign exchange loss (gain) - net	7,028	(15,509)	-	(8,481)
NOLCO	121	31	-	152
MCIT	65	(23)	-	42
Unamortized capitalized borrowing costs	(3,660)	(1,023)	-	(4,683)
Equity reserve for retirement plan	138,577	-	74,773	213,350
	P524,963	(P36,961)	P74,773	P562,775

2022	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Provision for impairment losses	P182,475	P2,541	P -	P185,016
Past service costs	67,868	5,495	-	73,363
Leases	34,881	1,383	-	36,264
Allowance for write-down of inventories	35,732	(5,859)	-	29,873
Net defined benefit retirement surplus	33,968	(12,570)	-	21,398
Various accruals	19,064	997	-	20,061
Derivative liabilities - net	8,237	8,620	-	16,857
Unrealized foreign exchange loss (gain) - net	(665)	7,693	-	7,028
NOLCO	246	(125)	-	121
MCIT	73	(8)	-	65
Unamortized capitalized borrowing costs	(4,421)	761	-	(3,660)
Equity reserve for retirement plan	122,116	-	16,461	138,577
	P499,574	P8,928	P16,461	P524,963

The movements of the net deferred tax assets are accounted for as follows:

	2023	2022
Amount charged to profit or loss	(P36,961)	P8,928
Amount charged to other comprehensive income	74,773	16,461
	P37,812	P25,389

As at December 31, 2023, the NOLCO of the Group that can be claimed as deduction from future taxable income are as follows:

Year Incurred	NOLCO	Expired	Utilized	Balance	Expiry Year
2022	P604	P -	P -	P604	2025
2023	156	-	-	156	2026
	P760	P -	P -	P760	

As at December 31, 2023, the MCIT of the Group that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred	MCIT	Expired	Utilized	Balance	Expiry Year
2020	P36	(P36)	P -	P -	2023
2021	24	-	-	24	2024
2022	5	-	-	5	2025
2023	13	-	-	13	2026
	P78	(P36)	P -	P42	

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

	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Change in tax rate	-	-	(2.56%)
Interest income subject to final tax	(0.27%)	(0.10%)	(0.04%)
Others	(0.01%)	0.04%	2.45%
Effective income tax rate	24.72%	24.94%	24.85%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5%-10% point cut in the corporate income tax rate starting July 2020. As a result, the Group has taken up in the books the effect of the application of reduced corporate income tax rate from 30% to 25%.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up in 2021 are as follows:

	Increase (Decrease)
ASSET	
Deferred tax asset	(P97,323)
	(P97,323)
LIABILITY AND EQUITY	
Income and other taxes payable	(P103,838)
Equity reserves	(28,904)
Retained earnings	35,419
	(P97,323)
INCOME TAX EXPENSE	
Current	(P103,838)
Deferred	68,419
	(35,419)
NET INCOME	P35,419

19. Equity

a. Capital Stock

Common Shares

The Company has 460,000,000 authorized common shares with par value of P1.00 per share.

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company has a total of 618 and 622 stockholders as at December 31, 2023 and 2022, respectively.

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

	2023	2022
Issued shares	345,625,332	345,625,332
Less treasury shares	59,297,491	59,297,491
Outstanding shares	286,327,841	286,327,841

Preferred Shares

The Company has 100,000,000 authorized preferred shares with par value of P1.00 per share.

The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which may be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares may receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. The said preferred shares were not listed in the Philippine Stock Exchange.

On December 1, 2020, as approved by the BOD of GSMI, GSMI redeemed all 32,786,885 preferred shares held by SMC at a redemption price of P30.50 per share, plus all accumulated unpaid cash dividends, on January 4, 2021.

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

	2023	2022
Issued shares	53,437,585	53,437,585
Less treasury shares	53,437,585	53,437,585
Outstanding shares	-	-

b. Treasury Shares

Treasury shares consist of:

	2023	2022	2021
Common	59,297,491	59,297,491	59,297,491
Preferred	53,437,585	53,437,585	53,437,585
	112,735,076	112,735,076	112,735,076

Total number of preferred shares held in treasury increased by 32,786,885, representing the redeemed preferred shares held by SMC in 2021.

There were no movements in the number of shares held in treasury in 2023 and 2022.

c. Unappropriated Retained Earnings

The unappropriated retained earnings of the Company amounting to P3,669,973 in 2023 and 2022, representing the cost of common and preferred shares held in treasury is restricted for appropriation.

The Company's adjusted unrestricted retained earnings per SEC Revised Securities Regulation Code Rule 68 exceeds its paid-in capital as at December 31, 2023.

d. Appropriated Retained Earnings

On November 10, 2021, the BOD approved the appropriation of P3,512,000 retained earnings of the Company. Of the said amount, P3,000,000 will be used for expansion of capacity to support increase in demand and P512,000 will be used for rehabilitation of the Company's existing facilities until 2027.

As at December 31, 2020, the remaining appropriation of retained earnings from previous years amounted to P2,500,000. The purpose of this appropriation is for capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements until 2021. Such appropriation was reversed in 2021 since the project has been completed.

The Company has not made any other appropriation or restriction of its excess retained earnings as at December 31, 2023 and 2022.

e. *Dividend Declaration*

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

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	March 8, 2023	March 24, 2023	April 12, 2023	P0.75
	May 9, 2023	May 24, 2023	June 7, 2023	0.75
	August 2, 2023	August 16, 2023	September 1, 2023	0.75
	November 8, 2023	November 22, 2023	December 7, 2023	0.75
Common-special	March 8, 2023	March 24, 2023	April 12, 2023	1.75
	May 9, 2023	May 24, 2023	June 7, 2023	1.75
	August 2, 2023	August 16, 2023	September 1, 2023	1.75
	November 8, 2023	November 22, 2023	December 7, 2023	1.75

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	March 9, 2022	March 25, 2022	April 8, 2022	P0.375
	April 27, 2022	May 18, 2022	June 3, 2022	0.375
	August 3, 2022	August 19, 2022	September 2, 2022	0.375
	November 9, 2022	November 24, 2022	December 9, 2022	0.375
Common-special	March 9, 2022	March 25, 2022	April 8, 2022	1.00
	April 27, 2022	May 18, 2022	June 3, 2022	1.00
	August 3, 2022	August 19, 2022	September 2, 2022	1.00
	November 9, 2022	November 24, 2022	December 9, 2022	1.00

20. Cost of Sales

Cost of sales consist of:

	<i>Note</i>	2023	2022	2021
Taxes and licenses		P22,990,727	P19,919,823	P17,195,707
Inventories	7	15,454,336	13,967,463	12,638,837
Utilities and supplies		855,522	754,636	567,203
Personnel	24, 29	397,104	357,342	392,313
Depreciation and amortization	11, 12, 14, 23	371,854	292,698	290,128
Repairs and maintenance		269,847	175,737	265,058
Outside services		253,062	218,730	209,751
Tolling fees		178,735	150,574	154,135
Net provision (reversal) for write-down of inventories to net realizable value	7	29,586	(10,325)	-
Insurance		3,989	3,353	9,079
Rent	28	2,096	5,006	653
Freight, trucking and handling		686	5,899	19,457
Others		27,272	21,849	18,544
		P40,834,816	P35,862,785	P31,760,865

21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	<i>Note</i>	2023	2022	2021
Advertising and promotions		P1,559,420	P1,479,808	P1,381,775
Delivery and marketing		1,149,900	967,880	797,918
Personnel	24, 29	418,885	407,377	500,918
Rent	28	116,639	117,119	98,605
Outside services		95,051	76,152	61,716
Repairs and maintenance		93,813	68,127	41,195
Depreciation and amortization	11, 12, 23	79,800	92,056	73,909
Utilities and supplies		69,884	73,551	48,856
Travel and transportation		44,060	30,520	21,282
Corporate special program		36,881	26,150	22,255
Research		27,812	40,428	31,682
Insurance		11,970	9,339	12,473
Others		11,851	8,966	8,025
		P3,715,966	P3,397,473	P3,100,609

22. General and Administrative Expenses

General and administrative expenses consist of:

	<i>Note</i>	2023	2022	2021
Personnel	24, 29	P1,002,892	P956,362	P1,070,330
Outside services	27	346,672	325,830	312,026
Depreciation and amortization	11, 12, 14, 23	214,409	292,485	315,569
Taxes and licenses		191,585	171,080	211,702
Corporate special program		134,964	94,557	119,505
Repairs and maintenance		130,174	73,671	83,856
Insurance		93,651	84,245	87,536
Utilities and supplies		60,046	50,952	44,608
Rent	28	33,208	14,078	34,677
Travel and transportation		30,499	15,025	10,461
Research		13,242	1,475	5,040
Net provision (reversal) for impairment losses	6	(292)	10,325	83,126
Others		1,929	3,839	1,309
		P2,252,979	P2,093,924	P2,379,745

23. Depreciation and Amortization

Depreciation and amortization consist of:

	<i>Note</i>	2023	2022	2021
Property, plant and equipment	11	P615,441	P564,588	P577,584
Right-of-use assets	12	37,971	78,248	63,195
Intangible assets	14	10,887	8,776	6,084
Deferred containers	14	1,764	25,627	32,743
		P666,063	P677,239	P679,606

Depreciation and amortization are distributed as follows:

	<i>Note</i>	2023	2022	2021
Cost of sales	20	P371,854	P292,698	P290,128
Selling and marketing expenses	21	79,800	92,056	73,909
General and administrative expenses	22	214,409	292,485	315,569
		P666,063	P677,239	P679,606

24. Personnel Expenses

Personnel expenses consist of:

	<i>Note</i>	2023	2022	2021
Salaries and wages		P1,126,363	P1,052,744	P987,510
Retirement costs	29	94,998	98,437	469,921
Other employee benefits		597,520	569,900	506,130
		P1,818,881	P1,721,081	P1,963,561

Personnel expenses are distributed as follows:

	<i>Note</i>	2023	2022	2021
Cost of sales	20	P397,104	P357,342	P392,313
Selling and marketing expenses	21	418,885	407,377	500,918
General and administrative expenses	22	1,002,892	956,362	1,070,330
		P1,818,881	P1,721,081	P1,963,561

25. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	<i>Note</i>	2023	2022	2021
Interest on defined benefit obligation - net	29	P40,833	P27,872	P15,158
Interest on loans payable	16	5,511	-	-
Interest on long-term debt	17	5,243	12,407	19,522
Interest on lease liabilities	28	5,218	9,259	11,231
Capitalized borrowing costs	11	(10,754)	(3,781)	(4,393)
Other financing charges	17	14,990	7,022	6,692
		P61,041	P52,779	P48,210

Amortization of debt issue costs included in "Other financing charges" amounted to P1,236 in 2023 and P1,250 in 2022 and 2021 (Note 17).

26. Other Income (Charges) - Net

Other income (charges) consist of:

	<i>Note</i>	2023	2022	2021
Income from transfer of rights		P1,530,295	P -	P -
Tolling fees - net		327,089	200,491	265,526
Sale of scrap materials		47,357	48,360	42,958
Rent income	28	172	172	172
Net foreign exchange gain (loss)	31	31,568	(28,131)	2,659
Net derivative gain (loss)	32	2,000	(241,801)	(96,759)
Others	6, 12	99,501	15,878	57,366
		P2,037,982	(P5,031)	P271,922

The Group recognized income from transfer of intellectual property rights on Don Papa to a third party amounting to P1,530,295 in 2023.

Others consists of gain on lease modifications, insurance claims and collection of miscellaneous receivables previously provided with allowance and refunds from electricity service provider.

27. Related Party Disclosures

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

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

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

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	2023	P -	P -	P5	P -	On demand;	Unsecured;
	2022	-	-	5	-	non-interest	no impairment
	2021	-	-	5	-	bearing	
Intermediate Parent Company	2023	12,201	485,309	8,690	28,457	On demand;	Unsecured;
	2022	48,370	250,306	5,298	14,278	non-interest	no impairment
	2021	22,851	254,215	13,801	33,148	Bearing	
Parent Company	2023	150	-	9	-	On demand;	Unsecured;
	2022	150	-	7	-	non-interest	no impairment
	2021	170	-	7	-	Bearing	
Under Common Control	2023	301,252	8,790,094	140,876	1,348,616	On demand;	Unsecured;
	2022	326,585	6,600,721	111,069	1,695,910	non-interest	with impairment
	2021	315,450	6,501,815	65,745	1,010,546	bearing	
Joint Venture	2023	39,740	-	-	1,934	On demand;	Unsecured;
	2022	-	201,821	-	1,951	Interest	with impairment
	2021	-	335,495	-	1,640	bearing	
Associate of the Intermediate Parent Company	2023	117,960	-	1,500,040	-	5 to 7 years	Unsecured;
	2022	363	-	1,500,006	-	Interest bearing	no impairment
	2021	608	-	83	-	On demand;	Unsecured;
Others	2023	521	-	1,184	-	On demand;	Unsecured;
	2022	1,714	-	269	-	non-interest	no impairment
	2021	1,624	-	1,522	-	bearing	
Total	2023	P471,824	P9,275,403	P1,650,804	P1,379,007		
Total	2022	P377,182	P7,052,848	P1,616,654	P1,712,139		
Total	2021	P340,703	P7,091,525	P81,163	P1,045,334		

- a. The Group, in the normal course of business, has significant transactions with related parties pertaining to purchases of containers and other packaging materials and sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices. There have been no guarantees provided or received for any amounts owed by and owed to related parties.

- b. The Group has entered into various lease agreements with related parties as a lessor and lessee (Notes 12 and 28). Right-of-use assets and lease liabilities to related parties amounted to P42,238 and P47,816, respectively as at December 31, 2023 and P51,954 and P61,318, respectively as at December 31, 2022. Rent expense to related parties for short-term leases and leases of low-value assets recognized in the consolidated statements of income amounted to P41,254, P41,892 and P35,455 in 2023, 2022 and 2021, respectively. Amounts owed to related parties pertaining to these leases amounted to P49,002 and P62,498 as at December 31, 2023 and 2022, respectively, which includes deferred rent income amounted to P1,186 and P1,180 as at December 31, 2023 and 2022, respectively. Amounts owed by related parties include lease receivables presented under "Other noncurrent assets - net" account in the statements of financial position which amounted to P275 and P262 as at December 31, 2023 and 2022, respectively (Note 14).
- c. Management fees paid to SMC amounting to P203,939, P202,654 and P192,154 in 2023, 2022 and 2021, respectively, are included in "Outside services" account under "General and administrative expenses" (Note 22).
- d. TSML executed various promissory notes in favor of the Company. The details of which are as follows:
- Principal sum of THB250,000 together with interest of 5.50% per annum, which interest shall accrue on March 13, 2014.
 - Principal sum of THB50,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
 - Principal sum of THB25,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
 - Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
 - Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

The principal sum is due and payable in full on demand of the Company and the stipulated interest shall be payable every three months.

The receivables from TSML are included as part of "Non-trade receivables from related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Note 6). Allowance for impairment losses pertaining to these non-trade receivables amounted to P540,216 as at December 31, 2023 and 2022.

The Company received interest amounting to P39,740 and nil in 2023 and 2022, respectively.

- e. Allowance for impairment losses pertaining to non-trade receivables of other related parties amounted to P132,203 as at December 31, 2023 and 2022 (Note 6).
- f. In 2022, the Group made investments in debt instruments at amortized cost to Bank interest rate of 6.90% and maturities up to seven years. Interest income earned from investments in debt instruments at amortized cost amounted to P117,564 and P5,331 in 2023 and 2022, respectively (Notes 10, 31 and 32).

- g. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	2023	2022	2021
Short-term employee benefits		P69,763	P63,707	P53,668
Retirement costs	29	16,045	14,650	47,823
		P85,808	P78,357	P101,491

28. Leasing Agreements

Group as Lessee

The Group has the following lease agreements:

- a. The Company leases various warehouse facilities and office spaces under operating leases. These leases typically run for a period of 2 to 15 years. The Company has the option to renew the lease after the expiration of the lease term.
- b. EPSBPI has various lease agreements with related parties for the lease of parcels of land located in Ligao City, Albay and Cauayan, Isabela for a period ranging from 3 to 10 years and renewable upon mutual agreement of both parties. Rental fees are payable monthly and subject to 5% escalation every year. On December 18, 2019, EPSBPI has expressed its interest to acquire the leased land in Cauayan, Isabela in which a 20% down payment was paid in January 2020. The remaining balance shall be paid by EPSBPI in 12 equal monthly amortizations which was fully paid as of January 31, 2021. On January 2021, EPSBPI has acquired the previously leased land in Ligao City, Albay in which 20% down payment was paid and the remaining balance shall be paid in ten (10) equal monthly amortizations which was fully paid as of December 31, 2021. The Group derecognized the carrying amount of right-of-use assets following the acquisition of these parcels of land from a related party in which it recognized gain on termination of lease amounted to P6,313 in 2021 which is included in "Others" in "Other income (charges) - net" account in the consolidated statements of income (Note 26).

The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2023		
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within one year	P29,039	P3,243	P25,796
After one year but not more than five years	26,799	5,087	21,712
More than five years	10,264	1,374	8,890
	P66,102	P9,704	P56,398

	December 31, 2022		
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within one year	P38,430	P5,463	P32,967
After one year but not more than five years	58,020	11,693	46,327
More than five years	34,636	5,188	29,448
	P131,086	P22,344	P108,742

The Group recognized interest expense related to these leases amounting to P5,218, P9,259 and P11,231 in 2023, 2022 and 2021, respectively (Note 25).

Changes in lease liabilities arising from financing activities are as follows:

	2023	2022
Balance at beginning of year	P108,742	P191,107
Changes from Financing Activities		
Interest expense	5,218	9,259
Payments of lease liabilities	(41,820)	(80,670)
Total Changes from Financing Activities	(36,602)	(71,411)
Other Changes	(15,742)	(10,954)
Balance at end of year	P56,398	P108,742

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

The rent expenses relating to short-term leases and leases of low-value assets amounted to P151,943, P136,203 and P133,935 in 2023, 2022 and 2021, respectively (Notes 20, 21 and 22).

Rent expense is recognized in the following line items in the consolidated statements of income:

	<i>Note</i>	2023	2022	2021
Cost of sales	20	P2,096	P5,006	P653
Selling and marketing expenses	21	116,639	117,119	98,605
General and administrative expenses	22	33,208	14,078	34,677
		P151,943	P136,203	P133,935

The Group had total cash outflows for above leases amounted to P193,763 and P216,873 in 2023 and 2022, respectively.

Group as Lessor

DBI has a lease agreement with a related party for the lease of land in Taloc, Bago City, Negros Occidental for a period of fifteen years from September 4, 2017 to September 3, 2032.

The future minimum lease receipts under non-cancellable operating leases are as follows:

	2023	2022
Within one year	P168	P160
After one year but not more than five years	760	723
After five years	757	961
	P1,685	P1,844

Rent income recognized in the consolidated statements of income amounted to P172 in 2023, 2022 and 2021 (Note 26).

29. Retirement Plans

The Company, DBI and EPSBPI have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Group pay out benefits based on final pay. In 2021, the Group made amendments to its Retirement Plan in terms of the percentage of final pay based on the adjusted credited years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2023. Valuations are obtained on a periodic basis.

The Retirement Plans of the Company, DBI and EPSBPI are registered with the Bureau of Internal Revenue (BIR) as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Two of the members of the Board of Trustees of the Group's Retirement Plan who exercises voting rights over the shares and approve material transactions are an employee/officer of the Group. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

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

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liability	
	2023	2022	2023	2022	2023	2022
Balance at beginning of year	P1,177,102	P1,142,406	(P1,812,853)	(P1,764,326)	(P635,751)	(P621,920)
Recognized in Profit or Loss						
Current service costs	-	-	(94,998)	(98,437)	(94,998)	(98,437)
Interest expense	-	-	(130,489)	(86,996)	(130,489)	(86,996)
Interest income	89,656	59,124	-	-	89,656	59,124
	89,656	59,124	(225,487)	(185,433)	(135,831)	(126,309)

Forward

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liability	
	2023	2022	2023	2022	2023	2022
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	P -	P -	(P143,947)	(P94,031)	(P143,947)	(P94,031)
Changes in financial assumptions	-	-	(95,321)	170,020	(95,321)	170,020
Changes in demographic assumptions	-	-	(42,708)	(4,107)	(42,708)	(4,107)
Return on plan assets excluding interest income	(17,118)	(137,727)	-	-	(17,118)	(137,727)
	(17,118)	(137,727)	(281,976)	71,882	(299,094)	(65,845)
Others						
Contributions	189,785	178,323	-	-	189,785	178,323
Transfer to/ from other plans	-	(1,988)	-	1,988	-	-
Benefits paid	(52,821)	(63,036)	52,821	63,036	-	-
	136,964	113,299	52,821	65,024	189,785	178,323
Balance at end of year	P1,386,604	P1,177,102	(P2,267,495)	(P1,812,853)	(P880,891)	(P635,751)

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

Retirement costs recognized in the consolidated statements of income by GSMI amounted to P120,838, P111,545 and P420,189 in 2023, 2022 and 2021, respectively, while those charged by DBI amounted to P12,025, P11,555 and P57,315 in 2023, 2022 and 2021, respectively, and for EPSBPI amounted to P2,968, P3,209 and P7,575 in 2023, 2022 and 2021, respectively (Note 24).

The retirement costs are recognized in the following line items:

	Note	2023	2022	2021
Cost of sales	20	20,275	P21,575	82,183
Selling and marketing expenses	21	20,156	21,041	94,617
General and administrative expenses	22	54,567	55,821	293,121
Interest expense and other financing charges	25	40,833	27,872	15,158
	24	P135,831	P126,309	P485,079

Retirement liabilities recognized by GSMI amounted to P807,908 and P576,389 as at December 31, 2023 and 2022, respectively, while those recognized by DBI amounted to P60,980 and P49,203 as at December 31, 2023 and 2022, respectively, and by EPSBPI amounted to P12,003 and P10,159 as at December 31, 2023 and 2022, respectively.

The carrying amounts of the Group's retirement plan approximate fair values as at December 31, 2023 and 2022.

The Group's plan assets consist of the following:

	In Percentages	
	2023	2022
Investments in marketable securities	81.99	77.24
Investments in pooled funds:		
Fixed income portfolio	7.96	13.34
Others	10.05	9.42
	100.00	100.00

Investments in Marketable Securities

The Group's Retirement Plans recognized gain (loss) on the investment in marketable securities of SMC and its subsidiaries amounting to P25,439 and (P122,562) in 2023 and 2022, respectively.

Dividend income from the investment in marketable securities amounted to P21,918 and P17,065 in 2023 and 2022, respectively.

Interest income from the investment in marketable securities amounted to P26,699 and P18,169 in 2023 and 2022, respectively.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

No investments in pooled funds in stock trading portfolio were investments in shares of stock of SMC and its subsidiaries in 2023 and 2022.

Approximately 12.30% and 12.44% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2023 and 2022, respectively.

Others

Others include the Retirement Plans' cash and cash equivalents and receivables which earn interests.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plans before they become due. For this reason, the amount and timing of contributions to the Retirement Plans are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Plans are insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Plans.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P181,968 to the Retirement Plans in 2024.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) to the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2023	2022
Discount rate	6.54 - 6.58	7.18 - 7.20
Salary increase rate	5.00	5.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation is 10.93 and 9.97 years as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2023		2022	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P147,554)	P169,553	(P116,301)	P132,699
Salary increase rate	170,527	(150,951)	134,304	(119,647)

In 2023 and 2022, the Group's transaction relating to the Retirement Plans pertain to the contributions for the period. The Group has no outstanding payables with the plan assets as at December 31, 2023 and 2022.

30. Basic and Diluted Earnings Per Share

Basic and Diluted Earnings Per Share is computed as follows:

	2023	2022	2021
Net income	P7,045,867	P4,547,222	P4,178,939
Less: Dividends on preferred shares	-	-	546
Net income available to common shares (a)	P7,045,867	P4,547,222	P4,178,393
Weighted average number of common shares outstanding (in thousands) - basic and diluted (b)	286,328	286,328	286,328
Basic and Diluted Earnings Per Share (a/b)	P24.61	P15.88	P14.59

31. Financial Risk and Capital Management, Objectives and Policies

Objectives and Policies

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

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

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

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

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD oversees that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the BOD in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

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

The BOD constituted the Audit and Risk Oversight Committee (the "Committee") to, among others, enhance its oversight capability over the Group's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group's enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

Interest Rate Risk

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

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

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

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

Interest Rate Risk Table

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

December 31, 2023	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years
Financial Asset					
Investment in debt instruments at amortized cost	P -	P -	P -	P -	P1,500,000
Interest rate	-	-	-	-	6.90%
Financial Liability					
Loans payable	1,000,000	-	-	-	-
Interest rate	6.40%	-	-	-	-
<hr/>					
December 31, 2022	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years
Financial Asset					
Investment in debt instruments at amortized cost	P -	P -	P -	P -	P1,500,000
Interest rate	-	-	-	-	6.90%
Financial Liability					
Loans payable	166,666	-	-	-	-
Interest rate	4.21%	-	-	-	-

Foreign Currency Risk

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

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

	December 31, 2023		December 31, 2022	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	\$1,677	P92,870	\$23,370	P1,302,982
Trade and other receivables	1,165	64,493	687	38,311
Liabilities				
Accounts payable and accrued expenses	(2,113)	(116,977)	(458)	(25,557)
<hr/>				
Foreign currency-denominated monetary assets and liabilities	\$729	P40,386	\$23,599	P1,315,736

The Group reported net gain (losses) on foreign exchange amounting to P31,568, (P28,131) and P2,659 in 2023, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets (Note 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

US Dollar to Philippine Peso	
December 31, 2023	55.370
December 31, 2022	55.755
December 31, 2021	50.999

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

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2023				
Cash and cash equivalents	(P1,677)	(P1,258)	P1,677	P1,258
Trade and other receivables	(1,165)	(873)	1,165	873
Accounts payable and accrued expenses	2,113	1,584	(2,113)	(1,584)
	(P729)	(P547)	P729	P547
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2022				
Cash and cash equivalents	(P23,370)	(P17,527)	P23,370	P17,527
Trade and other receivables	(687)	(515)	687	515
Accounts payable and accrued expenses	458	343	(458)	(343)
	(P23,599)	(P17,699)	P23,599	P17,699

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

Liquidity Risk

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

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

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

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

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P9,881,018	P9,881,018	P9,881,018	P -	P -	P -
Trade and other receivables - net*	1,518,341	1,518,341	1,518,341	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	14,572	14,572	14,572	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,904,706	10,961	87,687	263,060	1,542,998
Security deposit (included under "Trade and other receivables" and "Other noncurrent assets - net" accounts)	503	503	10	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,688,925	5,688,925	5,688,925	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	476	476	476	-	-	-
Loans payable	1,000,000	1,005,156	1,005,156	-	-	-
Long-term debt (including current maturities)	-	-	-	-	-	-
Lease liabilities (including current portion)	56,398	66,102	28,724	14,097	13,017	10,264

* Excluding tax certificate receivables and security deposit amounted to P59,485 and P10, respectively as at December 31, 2023 and 2022 (Note 6).

**Deferred rent income amounted to P1,186 as at December 31, 2023 (Notes 15 and 27).

***Payable to a government agency amounted to P3,522 as at December 31, 2023 (Note 15).

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P5,457,277	P5,457,277	P5,457,277	P -	P -	P -
Trade and other receivables - net*	1,173,442	1,173,442	1,173,442	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	2,638	2,638	2,638	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,992,393	87,687	87,687	263,060	1,553,959
Security deposit (included under "Trade and other receivables" and "Other noncurrent assets - net" accounts)	503	503	10	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,467,186	5,467,186	5,467,186	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	70,065	70,065	70,065	-	-	-
Long-term debt (including current maturities)	165,430	171,930	171,930	-	-	-
Lease liabilities (including current portion)	108,742	131,085	38,430	29,859	28,160	34,636

*Excluding tax certificate receivables and security deposit amounted to P62,327 and P10, respectively as at December 31, 2022 (Note 6).

**Deferred rent income amounted to P1,180 as at December 31, 2022 (Notes 15 and 27).

***Payable to a government agency amounted to P1,868 as at December 31, 2022 (Note 15).

Credit Risk

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

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

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base.

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

Investment in Debt Instruments

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

Credit Quality

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

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

- High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.
- Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and deposits.

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

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

	Note	2023	2022
Cash and cash equivalents*	5	P9,878,439	P5,455,812
Trade and other receivables - net**	6	1,518,341	1,173,442
Investment in debt instruments at amortized cost	10	1,500,000	1,500,000
Derivative assets	8	14,572	2,638
Security deposit	14	503	503
		P12,911,855	P8,132,395

*Excluding cash on hand amounted to P2,579 and P1,465 as at December 31, 2023 and 2022, respectively.

** Excluding tax certificate receivables amounted to P59,485 and P62,327 as at December 31, 2023 and 2022, respectively and security deposit amounted to P10 as at December 31, 2023 and 2022 (Note 6).

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

December 31, 2023					
Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)*	P9,878,439	P -	P -	P -	P9,878,439
Trade and other receivables**	-	1,518,341	682,567	-	2,200,908
Derivative assets	-	-	-	14,572	14,572
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	503	-	-	503

* Cash on hand amounted to P2,579 as at December 31, 2023 (Note 5).

**Excluding tax certificate receivables and security deposit amounted to P59,485 and P10, respectively as at December 31, 2023 (Note 6).

December 31, 2022					
Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)*	P5,455,812	P -	P -	P -	P5,455,812
Trade and other receivables**	-	1,173,442	691,293	-	1,864,735
Derivative assets	-	-	-	2,638	2,638
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	503	-	-	503

* Cash on hand amounted to P1,465 as at December 31 2022 (Note 5).

**Excluding tax certificate receivables and security deposit amounted to P62,327 and P10, respectively as at December 31, 2022 (Note 6).

The aging of receivables is as follows:

December 31, 2023	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P1,210,794	P115,186	P63,515	P1,389,495
Past due:				
1 - 30 days	79,973	606	7,786	88,365
31 - 60 days	2,931	-	16,763	19,694
61 - 90 days	936	294	1,769	2,999
Over 90 days	4,224	22,862	673,269	700,355
	P1,298,858	P138,948	P763,102	P2,200,908

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P880,900	P58,536	P60,088	P999,524
Past due:				
1 - 30 days	79,113	109	14,585	93,807
31 - 60 days	2,506	190	226	2,922
61 - 90 days	2,417	188	157	2,762
Over 90 days	8,505	97,959	659,256	765,720
	P973,441	P156,982	P734,312	P1,864,735

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

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparty during the year.

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

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

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

Capital Management

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

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

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

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

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

The Company is required to comply with the capital requirements under the interest-bearing loan drawn from a local bank on December 28, 2020 (Note 17). The Company has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as all obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. The Company complied with the above requirements in 2022 with a debt-to-equity ratio of 0.011 as at December 31, 2022 and EBITDA to interest coverage ratio of 539.14 as at December 31, 2022.

The Company is also required to comply with non-financial covenants under the said interest-bearing loan in which the Company complied with in 2022.

32. Financial Assets and Financial Liabilities

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

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P9,881,018	P9,881,018	P5,457,277	P5,457,277
Trade and other receivables - net*	1,518,341	1,518,341	1,173,442	1,173,442
Derivative assets (included under "Prepaid expenses and other current assets" account)	14,572	14,572	2,638	2,638
Investment in debt instruments at amortized cost	1,500,000	1,500,000	1,500,000	1,500,000
Security deposit (included under "Trade and other receivables - net" and "Other noncurrent assets - net" accounts)	503	503	503	503
Financial Liabilities				
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,688,925	5,688,925	5,467,186	5,467,186
Loans payable	1,000,000	1,000,000	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	476	476	70,065	70,065
Long-term debt (including current maturities)†	-	-	165,430	165,518

*Excluding tax certificate receivables amounted to P59,485 and P62,327 as at December 31, 2023 and 2022, respectively and security deposit amounted to P10 as at December 31, 2023 and 2022 (Note 6).

**Deferred rent income amounted to P1,186 and P1,180 as at December 31, 2023 and 2022, respectively (Notes 15 and 27).

***Payable to a government agency amounted to P3,522 and P1,868 as at December 31, 2023 and 2022, respectively (Note 15).

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

Cash and Cash Equivalents, Trade and Other Receivables, Investment in Debt Instruments at Amortized Cost and Security Deposit. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of investment in debt instruments at amortized cost and security deposit, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

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

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rate used for Philippine peso-denominated loans ranges from 4.22% to 5.21 as at December 31, 2022. The carrying amounts of fixed rate approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments are discussed below.

Derivative Instruments Not Designated as Hedges

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

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$27,939 and US\$29,651 as of December 31, 2023 and 2022, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to P14,096 and (P67,427) as at December 31, 2023 and 2022, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to P2,000, (P241,801) and (P96,759) in 2023, 2022 and 2021, respectively (Note 26).

Fair Value Changes on Derivatives

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

	Note	2023	2022
Balance at beginning of year		(P67,427)	(P32,949)
Net change in fair value of non-accounting hedges	26	2,000	(241,801)
		(65,427)	(274,750)
Less fair value of settled instruments		(79,523)	(207,323)
Balance at end of year		P14,096	(P67,427)

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

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

	December 31, 2023			December 31, 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P14,572	P14,572	P -	P2,638	P2,638
Financial Liabilities						
Derivative liabilities	-	(476)	(476)	-	(70,065)	(70,065)

The Group has no financial instruments valued based on Level 1 and Level 3 as at December 31, 2023 and 2022. In 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

33. Events After the Reporting Date

Declaration of Cash Dividends

On March 6, 2024, the BOD approved the declaration of regular and special cash dividends to all common shareholders of record as of March 21, 2024 amounting to P0.750 and P1.750 per common share, respectively. Cash dividends for common shares, both regular and special are payable on April 11, 2024.

34. Other Matters

a. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized as at December 31, 2023 and 2022.

The following are the material pending legal proceedings to which the Company is a party to:

- Case Pending with the SEC

Josefina Multi-Ventures Corporation vs. San Miguel Corporation, San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
SEC Case No. 05-18-468

Josefina Multi-Ventures Corporation (the "Petitioner" or "JMVC"), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05-18-468 (the "Petition"), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC's common shares in GSMI in exchange of SMFB's common shares.

The Petition sought (i) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefore, the issuance of new SMFB common shares from the increase in SMFB's capital stock; and, (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc, which is still pending resolution. In a Decision dated September 14, 2020, the SEC En Banc denied the Appeal Memorandum filed by Josefina for lack of merit.

As there was no appeal filed by Josefina to the Court of Appeals, the Decision of the SEC En Banc is already considered as final.

- Tax Cases Pending with the Court of Tax Appeals (CTA)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
SC G.R. No. 271363
CTA En Banc Case No. 2544 and 2555 (Consolidated)
CTA Case Nos. 8953 and 8954 (Consolidated)

These cases pertain to GSMI's Claims for Refund with the BIR, in the amount of P581,708 in Case No. 8953, and P133,551 in Case No. 8954, or in the total amount of P715,259, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P319,755 out of its original claim of P715,259.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA En Banc the Decision dated July 28, 2020, Amended Decision dated February 1, 2021, and Resolution dated 28 October 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA En Banc elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division. and the same was docketed as CTA E.B. No. 2544.

On March 28, 2022, the CTA En Banc ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review. On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review in CTA EB No. 2544. On May 30, 2022, the Court En Banc promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On June 13, 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court En Banc promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On January 18, 2023, the CTA En Banc granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544 and admitted GSMI's Comment as part of the records of the case.

In a Decision dated January 18, 2024 received by GSMI on January 23, 2024, the CTA En Banc denied both the Petitions for Review of GSMI and the CIR, and affirmed the Amended Decision of the CTA Third Division dated October 28, 2021 awarding GSMI a partial refund of P319,755 only.

GSMI had fifteen (15) days from January 23, 2024, or until February 7, 2024, within which to file a Petition for Review on Certiorari with the Supreme Court. On January 30, 2024, GSMI filed a Motion for Extension of Time to File Petition for Review on Certiorari, praying for an extension of thirty (30) days from February 7, 2024, or until March 8, 2024 within which to file a Petition for Review on Certiorari.

On March 4, 2024, GSMI filed with the Supreme Court a Petition for Review on Certiorari dated March 1, 2024, and the same was docketed as SC G.R. No. 271363.

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA Case No. 11052
CTA Third Division

This case is a judicial claim for refund of alleged deficiency taxes paid under protest by GSMI in connection with its removals of alcohol products for the period covering January 23, 2020 to February 9, 2020, in the aggregate amount of P66,370.

On July 22, 2020, GSMI received a Notice of Discrepancy dated July 6, 2020 issued by the BIR (the "Original NOD"), which enjoined GSMI to pay alleged deficiency excise taxes in the amount of P39,579, inclusive of interests, for the period covering January 27, 2020 to February 9, 2020.

On August 6, 2020, GSMI submitted to the BIR its Letter-Reply to the Original NOD, where it emphasized that it is not liable to pay the alleged deficiency excise tax liability, and thus, requested its cancellation and withdrawal.

On October 13, 2020, GSMI received from the BIR a Letter dated September 18, 2020 with an attached Amended Notice of Discrepancy, which modified the amount of the alleged deficiency excise tax liability to P71,710, inclusive of interests, for the period covering January 23, 2020 to February 9, 2020.

On October 28, 2020, GSMI submitted to the BIR its Letter-Reply to the Amended NOD, where it reiterated its position that it is not liable for the alleged deficiency excise taxes.

On November 11, 2020, GSMI received from the BIR a Letter dated November 6, 2020 which reiterated the finding of alleged deficiency excise tax under the Amended NOD.

On December 29, 2020, GSMI paid under protest the amount of P66,370, representing the deficiency excise tax portion under the Amended NOD, through the BIR Electronic Filing and Payment System (eFPS).

On January 8, 2021, GSMI submitted to the BIR a Letter-Reply to the BIR's Letter dated November 6, 2020. GSMI reiterated its position that it is not liable for the alleged deficiency excise tax liability under the Amended NOD and informed the BIR that it paid under protest the amount of P66,370 through eFPS on December 29, 2020. In the same Letter-Reply, GSMI explained that with respect to the assessed penalties from the alleged late payment of the deficiency excise tax, it would avail the remedies available under Revenue Regulations No. 13-2001, as amended.

On July 16, 2021, GSMI received a copy of Letter of Authority (LOA) No. LOA-121-2021-00000109 dated July 1, 2021 issued by the BIR, authorizing its revenue officers to examine GSMI's books of accounts and other accounting records for all internal revenue taxes except for value-added tax for taxable year 2020.

On August 3, 2021, GSMI filed with the CIR an administrative claim for refund of the erroneously or illegally collected deficiency excise tax for the period covering January 23, 2020 to February 9, 2020, in the amount of P66,370, which GSMI paid under protest on December 29, 2020.

On March 7, 2022, the BIR issued a letter notifying GSMI on the transmittal of the entire docket to CIR's Legal Service Division for its resolution and issuance of a clarificatory ruling on the administrative claim for refund.

Prior to the expiry of the two-year statutory period to file judicial action for the recovery of erroneously or illegally collected internal revenue taxes, GSMI filed a Petition for Review with the CTA on December 28, 2022 pursuant to Section 204(C) and 229, Tax Code, and Section 3(a), Rule 8, Revised Rules of the Court of Tax Appeals (RRCTA) in order to preserve its right to claim by judicial action its claims for refund of its erroneously or illegally collected deficiency excise taxes, in connection with its removals of alcohol products for the period covering January 23, 2020 to February 9, 2020.

The case was docketed as CTA Case No.11052, and was raffled to the CTA's First Division. In a Resolution dated May 29, 2023, the CTA First Division ordered the transfer of the case to the CTA Third Division.

Upon service of Summons to the CIR and the filing of the CIR's Answer dated March 24, 2023, pre-trial conference was held on 26 July 2023. Pursuant to the CTA's Order, the parties filed their Joint Stipulation of Facts and Issues on August 29, 2023. Pre-trial was terminated upon the issuance of the CTA's Pre-Trial Order on September 5, 2023.

GSMI presented its lone witness during the hearing on October 4, 2023. At the same hearing, the CTA ordered GSMI to file its Formal Offer of Evidence (FOE) within 10 days therefrom, or not later than October 13, 2023.

GSMI filed its FOE on October 13, 2023. Respondent CIR filed his Comment with Manifestation on GSMI's FOE on November 17, 2023. Respondent CIR's counsel manifested that they will no longer present testimonial evidence since there was no report of the investigation on GSMI's refund claim forwarded to their office.

On January 25, 2024, GSMI received the CTA's Resolution dated January 23, 2024, which admitted its Exhibits "P-1" to "P-17" and "P-19" to "P-21", inclusive of sub-markings. Moreover, the CTA's Resolution noted the manifestation of Respondent CIR that he will no longer present evidence, constraining the CTA to direct the parties to submit their respective memorandum within thirty (30) days from receipt of the Resolution.

GSMI filed its Memorandum on February 23, 2024. The case is now submitted for resolution.

- Tax Cases Pending with the Supreme Court (SC)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
SC G.R. No. 25839
CTA En Banc Case No. 2308
CTA Case No. 9059

This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26,243, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA En Banc by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA En Banc denied the Petition for Review filed by GSMI. The Decision dated 6 February 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA En Banc to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 257839.

- Intellectual Property Cases Pending with the Supreme Court (SC)

Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office

G.R. No. 196372

SC En Banc

This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOP HL). The IPOP HL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOP HL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC En Banc. The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC En Banc.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of "League of Cities vs. Commission of Elections" (G.R. Nos. 176951, 177499 and 178056) to invite the SC En Banc to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC En Banc Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of Tanduay Distillers, Inc. (TDI) and GSMI before the IPO."

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOP HL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. No. 196372, GSMI's Petition for Review was granted. The Director of the Bureau of Trademarks was directed to reinstate GSMI's trademark application for "GINEBRA", cause its publication and give it due course.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. Nos. 210224 and 219632
SC - En Banc

These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against TDI filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with GSMI vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOP HL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC - En Banc

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOP HL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOP HL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOP HL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "Tanduy Distillers, Inc. vs. Ginebra San Miguel Inc.", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOP HL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For, G.R. No. 216104, TDI's Petition for Review for the rejection of TDI's trademark application for "GINEBRA KAPITAN" was denied.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated 9 August 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

b. *Commitments*

The outstanding purchase commitments of the Group amounted to P9,736,102 (US\$175,837), P6,794,293 (US\$121,860) and P4,698,981 (US\$92,138) as at December 31, 2023, 2022 and 2021, respectively.

c. *Effect of COVID-19*

The year 2022 was a year of economic recovery which saw business operations once again opening up, while the challenges of COVID-19 still remained throughout the year. Commercial activities have started to pick up as COVID-19 quarantine restrictions were relatively lighter compared to 2020.

The Group has not been significantly affected by the COVID-19 outbreak based on the results of the Group's financial performance for the years ended December 31, 2023, 2022 and 2021.

d. *Uncertainty Due to Russia-Ukraine Conflict*

The ongoing conflict between Russia and Ukraine has no direct effect to the Group. The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 6, 2024.

The Group's total gas and oil is higher by 16% and 41% in 2023 and 2022, respectively.

e. *Foreign Exchange Rates*

The foreign exchange rates used in translating the Thai Baht accounts of foreign joint ventures to Philippine peso were closing rates of P1.622 and P1.617 in 2023 and 2022, respectively, for consolidated statements of financial position accounts; and average rates of P1.601, P1.600 and P1.499 in 2023, 2022 and 2021, respectively, for income and expense accounts.



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Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floors, San Miguel Properties Center
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Ginebra San Miguel Inc. (the "Company"), as at and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated April 8, 2024.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu

MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

Tax Identification No. 225-068-761

BIR Accreditation No. 08-000745-041-2023

Issued October 9, 2023, valid until October 9, 2026

PTR No. MKT 10075208

Issued January 2, 2024 at Makati City

April 8, 2024

Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

GINEBRA SAN MIGUEL INC.

3rd and 6th Floors, San Miguel Properties Centre
St. Francis Street, Ortigas Center, Mandaluyong City

Unappropriated Retained Earnings, beginning of the reporting period	P7,273,005
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	2,863,278
Unappropriated Retained Earnings, as adjusted	4,409,727
Add: Net Income for the current year	6,974,497
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	P1,932
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	55,376
Sub-total	57,308
Adjusted Net Income	11,326,916
Add: Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	18,992
Total Retained Earnings, end of the reporting period available for dividend	P11,345,908



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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, on which we have rendered our report dated April 8, 2024.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.


MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

Tax Identification No. 225-068-761

BIR Accreditation No. 08-000745-041-2023

Issued October 9, 2023, valid until October 9, 2026

PTR No. MKT 10075208

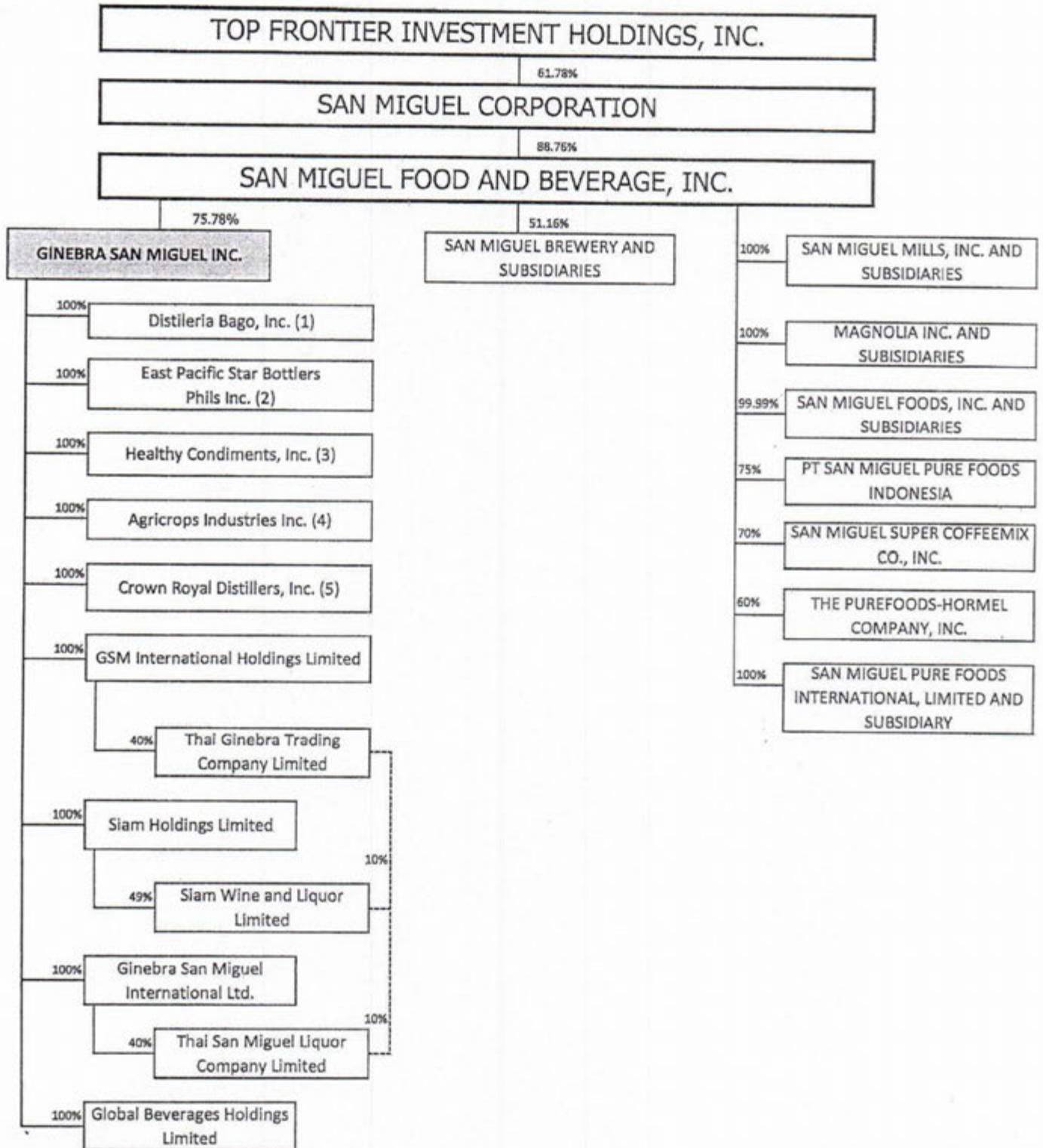
Issued January 2, 2024 at Makati City

April 8, 2024

Makati City, Metro Manila

Schedule 2

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES GROUP STRUCTURE



- (1) Incorporated on March 12, 1992 with primary purpose includes manufacturing, production, tolling, processing, marketing and distillation of alcohol.
- (2) On January 27, 2012, GSMI acquired 100% of the outstanding capital stock of EPSBPI.
- (3) Incorporated on January 31, 2008 with a primary purpose of manufacturing, selling and distributing vinegar, other sauce products, condiments and related ingredients.
- (4) Incorporated on September 14, 2000 and started its commercial operations on February 3, 2017.
- (5) Incorporated on March 16, 2001 and has not yet started commercial operations.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES**

FORM 17-A, Item 7

December 31, 2023

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Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements

Report of Independent Auditors

Consolidated Statements of Financial Position

for the years ended December 31, 2023 and 2022

Consolidated Statements of Income

for the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Comprehensive Income

for the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Changes in Equity

for the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Cash Flows

for the years ended December 31, 2023, 2022 and 2021

Notes to the Consolidated Financial Statements

Supplementary Schedules

Report of Independent Auditors on Supplementary Schedules

A. Financial Assets	ANNEX 68-J-1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	Not applicable
C. Amounts Receivable/Payable from Related Parties which are Eliminated during the Consolidation of Financial Assets	ANNEX 68-J-3
D. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)	Not applicable
E. Guarantees of Securities of Other Issuers	Not applicable
F. Capital Stock	ANNEX 68-J-7

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule A.

Financial Assets
December 31, 2023
(In Thousands)

Name of Issuing Entity / Description of Each Issue	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2023	Income Received and Accrued
Cash and cash equivalents	P 9,881,018	P 9,881,018	P (434,790)
Trade and other receivables - net	1,518,341	1,518,341	-
Derivative assets	14,572	14,572	-
Investment in debt instruments at amortized cost	1,500,000	1,500,000	(117,564)
Security deposit	503	503	-
	<u>P 12,914,434</u>	<u>P 12,914,434</u>	<u>P (552,354)</u>

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Assets
December 31, 2023
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE		ADDITIONS		AMOUNTS COLLECTED		AMOUNTS WRITTEN OFF		TOTAL		CURRENT		NONCURRENT		ENDING BALANCE	
	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Distileria Bago, Inc.		473		147,408		(147,349)		-	532	532						532
East Pacific Star Bottlers Phils Inc.		631,877		4,497		(4,117)		-	632,257	609			631,648			632,257
Agricrops Industries, Inc.		19,678		832		(1,399)		-	19,111	747			18,364			19,111
Healthy Condiments, Inc.		3,436		-		-		-	3,436	-			3,436			3,436
Global Beverages Holdings Ltd.		65,784		-		-		-	65,784	-			65,784			65,784
Siam Holdings Ltd.		91,512		-		-		-	91,512	-			91,512			91,512
		<u>812,760</u>		<u>152,737</u>		<u>(152,865)</u>		<u>-</u>	<u>812,632</u>	<u>1,888</u>			<u>810,744</u>			<u>812,632</u>

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule C. Amounts Payable to Related Parties which are Eliminated
during the Consolidation of Financial Liabilities
December 31, 2023
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Distileria Bago, Inc.	P (145,703)	P (1,279,291)	1,253,709	-	P (171,285)	P (167,852)	P (3,433)	P (171,285)
East Pacific Star Bottlers Phils Inc.	(97,180)	(480,386)	535,150	-	(42,416)	(42,416)	-	(42,416)
Crown Royal Distillers Inc.	(93,750)	-	-	-	(93,750)	-	(93,750)	(93,750)
	P (336,633)	P (1,759,677)	P 1,788,859	P -	P (307,451)	P (210,268)	P (97,183)	P (307,451)

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule F. Capital Stock
As of December 31, 2023

Title of Issue	Number of shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares	100,000,000	-	-	-	-	-
Common shares	460,000,000	286,327,841	-	216,972,000	194,500	69,161,341
	560,000,000	286,327,841	-	216,972,000	194,500	69,161,341




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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, on which we have rendered our report dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.


MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
Tax Identification No. 225-068-761
BIR Accreditation No. 08-000745-041-2023
Issued October 9, 2023, valid until October 9, 2026
PTR No. MKT 10075208
Issued January 2, 2024 at Makati City

April 8, 2024
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Ginebra San Miguel Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2023 and 2022 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2023 and 2022 for operating efficiency ratios.

	December 31	
	2023	2022
Liquidity:		
Current Ratio	2.41	2.26
Acid Test Ratio	1.36	1.04
Solvency:		
Debt to Equity Ratio	0.51	0.50
Asset to Equity Ratio	1.51	1.50
Solvency Ratio	2.96	3.01
Profitability:		
Return on Stockholders' Equity	36%	31%
Return on Assets	21%	21%
Net Profit Margin	11%	10%
Interest Rate Coverage Ratio	119.78	113.84
Operating Efficiency:		
Volume Growth	4%	7%
Revenue Growth	13%	11%
Operating Margin	13%	13%

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

KPI	Formula
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Acid Test ratio	$\frac{\text{Current Assets} - \text{Inventories} - \text{Prepaid taxes and other current assets}}{\text{Current Liabilities}}$
Debt-to-equity ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Stockholders' Equity}}$
Asset-to-equity ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Stockholders' Equity}}$
Solvency ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Total Liabilities (Current + Noncurrent)}}$
Return on stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Stockholders' Equity}}$
Return on assets	$\frac{\text{Net Income}}{\text{Total Assets (Current + Noncurrent)}}$
Net profit margin	$\frac{\text{Net Income}}{\text{Net Sales}}$
Interest rate coverage ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Business' Volume}}{\text{Prior Period Volume}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLES
AS OF DECEMBER 31, 2023

Audited

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
a). Trade Receivables P	1,314,194	1,217,804	82,045	7,290	1,654	5,402
Less: Allowance for Doubtful Accounts	(9,768)	(7,425)	(958)	-	-	(1,385)
NET TRADE RECEIVABLES	1,304,426	1,210,379	81,087	7,290	1,654	4,017
b). Non-Trade Receivables	886,714	171,701	6,318	12,405	1,336	694,954
Less: Allowance for Doubtful Accounts	(672,799)	-	-	-	-	(672,799)
NET NON-TRADE RECEIVABLES	213,915	171,701	6,318	12,405	1,336	22,155
NET RECEIVABLES P	1,518,341	1,382,080	87,405	19,695	2,990	26,171

COVER SHEET

1 4 2 3 1 2

S. E. C. Registration Number

G I N E B R A S A N M I G U E L

I N C .

(Company's Full Name)

3rd a n d 6th F l o o r s , S a n

M i g u e l P r o p e r t i e s

C e n t r e , S t . F r a n c i s

S t r e e t , O r t i g a s

C e n t e r , M a n d a l u y o n g

C i t y

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

Cynthia M. Baroy

Contact Person

(632) 8841-5100

Company Telephone

Number

1 2

Month

3 1

Day

SEC FORM 17-Q (1st Qtr 2024)

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended Articles

Total No. of Stockholders
Foreign

Total Amount of Borrowings

Domestic

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

Re: MSRD_Ginebra San Miguel Inc. (SEC Registration No. 142312)_SEC Form 17-Q
(First Quarter 2024)_03May2024

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>

Fri 5/3/2024 11:46 AM

To:Corsec Gsmi 1 <corsec.gsmi1@ginebra.sanmiguel.com.ph>

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO
COMPANIES -----

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at

<https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link –

<https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

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

1. For the quarterly period ended **March 31, 2024**
2. Commission identification number **142312**
3. BIR Tax Identification No. **000-083-856-000**
4. Exact name of issuer as specified in its charter: **GINEBRA SAN MIGUEL INC.
PHILIPPINES**
5. Province, country or other jurisdiction of incorporation or organization:
6. Industry Classification Code: (SEC use only)
7. Address of issuer's principal office: **3RD and 6TH FLOORS, SAN MIGUEL PROPERTIES CENTRE,
ST. FRANCIS STREET, ORTIGAS CENTER
MANDALUYONG CITY** **1550**
Postal Code
8. Issuer's telephone number, including area code: **(632) 8841-5100**
9. Former name, former address and former fiscal year, if changed since last report: **N.A.**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- 11.

**Outstanding Capital Stock and Amount of Debt
Outstanding as of March 31, 2024**

COMMON SHARES	286,327,841
PREFERRED SHARES	-
	286,327,841
 TOTAL LIABILITIES	 Php 10,524,150

12. Are any or all of the securities listed on a Stock Exchange?
Yes [/] No []
If yes, state name of such Stock Exchange and the class/es of securities listed therein.

THE PHILIPPINE STOCK EXCHANGE, INC. - Common

12. Indicate by check mark whether the registrant:
 - a.) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)
Yes [/] No []
 - b.) has been subject to such filing requirements for the past 90 days
Yes [/] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Ginebra San Miguel Inc. and its subsidiaries as of and for the period ended March 31, 2024 (with comparative figures as of December 31, 2023 and for the period ended March 31, 2023) and Selected Notes to the Consolidated Financial Statements are attached hereto as **Annex “A”**.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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

PART II – OTHER INFORMATION

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

NONE

SIGNATURES

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

Issuer **GINEBRA SAN MIGUEL INC.**

Signature and Title


Cynthia M. Baroy
VP and Chief Finance Officer

Date **May 2, 2024**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND DECEMBER 31, 2023
(In Thousands)

	Note	2024 Unaudited	2023 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	6, 7	P13,379,333	P9,881,018
Trade and other receivables - net	3, 6, 7	1,498,340	1,577,836
Inventories		6,697,585	8,083,201
Prepaid expenses and other current assets	3, 6, 7	1,099,909	817,344
Total Current Assets		22,675,167	20,359,399
Noncurrent Assets			
Investment in debt instruments at amortized cost	3	1,500,000	1,500,000
Property, plant and equipment - net	2	5,164,051	5,092,142
Right-of-use assets - net	3	42,903	50,778
Goodwill - net		126,863	126,863
Deferred tax assets - net		542,742	562,775
Other noncurrent assets - net	3, 6, 7	63,790	75,848
Total Noncurrent Assets		7,440,349	7,408,406
		P30,115,516	P27,767,805
LIABILITIES AND EQUITY			
Current Liabilities			
Loans Payable		P -	P1,000,000
Accounts payable and accrued expenses	3, 6, 7	7,278,365	5,694,109
Income and other taxes payable		2,315,390	1,736,095
Lease liabilities - current portion	3, 6, 7	21,667	25,796
Total Current Liabilities		9,615,422	8,456,000
Noncurrent Liabilities			
Retirement liabilities		881,185	880,891
Lease liabilities - net of current portion	3, 6, 7	27,543	30,602
Total Noncurrent Liabilities		908,728	911,493
Total Liabilities		10,524,150	9,367,493
Equity			
Capital stock		399,063	399,063
Additional paid-in capital		2,539,454	2,539,454
Equity Reserves		(640,050)	(640,050)
Retained earnings:			
Appropriated		3,512,000	3,512,000
Unappropriated	5	17,450,872	16,259,818
Treasury stock		(3,669,973)	(3,669,973)
Total Equity		19,591,366	18,400,312
		P30,115,516	P27,767,805

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

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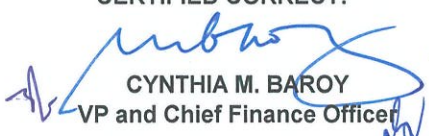

CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Thousands, Except Per Share Data)

	<i>Note</i>	2024 Unaudited	2023 Unaudited
SALES	3	P15,116,977	P12,944,962
COST OF SALES		11,393,889	9,905,589
GROSS PROFIT		3,723,088	3,039,373
SELLING AND MARKETING EXPENSES		(803,500)	(792,532)
GENERAL AND ADMINISTRATIVE EXPENSES		(641,664)	(616,032)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(20,138)	(17,933)
GAIN ON DISPOSAL / RETIREMENT OF NONCURRENT ASSETS - Net		95	470
INTEREST INCOME		189,206	93,579
OTHER INCOME (CHARGES) - Net		90,081	1,662,728
INCOME BEFORE INCOME TAX		2,537,168	3,369,653
INCOME TAX EXPENSE		630,294	837,904
NET INCOME / TOTAL COMPREHENSIVE INCOME		P1,906,874	P2,531,749
Basic and diluted earnings per share	4	P6.66	P8.84
Cash dividends declared per common share	5	P2.500	P2.500

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

CERTIFIED CORRECT:


CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Thousands)

	Note	Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Retained Earnings		Treasury Stocks		Total
		Common	Preferred			Appropriated	Unappropriated	Common	Preferred	
As of January 1, 2024 (Audited)		P345,625	P53,438	P2,539,454	(P640,050)	P3,512,000	P16,259,818	(P1,947,198)	(P1,722,775)	P18,400,312
Net income / total comprehensive income		-	-	-	-	-	1,906,874	-	-	1,906,874
Cash dividends and distribution on common shares	5	-	-	-	-	-	(715,820)	-	-	(715,820)
As of March 31, 2024 (Unaudited)		P345,625	P53,438	P2,539,454	(P640,050)	P3,512,000	P17,450,872	(P1,947,198)	(P1,722,775)	P19,591,366
As of January 1, 2023 (Audited)		P345,625	P53,438	P2,539,454	(P415,729)	P3,512,000	P12,077,230	(P1,947,198)	(P1,722,775)	P14,442,045
Net income / total comprehensive income		-	-	-	-	-	2,531,749	-	-	2,531,749
Cash dividends and distribution on common shares		-	-	-	-	-	(715,819)	-	-	(715,819)
As of March 31, 2023 (Unaudited)		P345,625	P53,438	P2,539,454	(P415,729)	P3,512,000	P13,893,160	(P1,947,198)	(P1,722,775)	P16,257,975

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

CERTIFIED CORRECT:



CYNTHIA M. BAROY
VP and Chief Finance Officer


GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Thousands)

	2024	2023
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P2,537,168	P3,369,653
Adjustments for:		
Depreciation and amortization	176,656	163,221
Retirement expense	29,814	27,945
Interest expense and other financing charges	20,138	17,933
Provision for impairment loss	-	37,991
Net derivative loss (gain)	7,485	(48,733)
Gain on disposal / retirement of noncurrent assets - net	(95)	(470)
Net unrealized foreign exchange loss (gain)	(5,726)	47,795
Interest income	(189,206)	(93,579)
Operating income before working capital changes	2,576,234	3,521,756
Decrease (increase) in:		
Trade and other receivables	85,380	73,857
Inventories	1,363,673	(62,421)
Prepaid taxes and other current assets	(441,164)	(49,791)
Increase in:		
Accounts payable and accrued expenses	908,620	182,104
Other taxes payable	141,798	641,833
Cash generated from operations	4,634,541	4,307,338
Interest and other financing charges paid	(24,663)	(16,145)
Contribution to retirement plan	(29,521)	-
Income taxes paid	(33,961)	(16,298)
Net cash flows provided by operating activities	4,546,396	4,274,895
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	183,329	69,252
Proceeds from disposal of property, plant and equipment	95	470
Additions to property, plant and equipment	(238,332)	(60,660)
Decrease in other noncurrent assets	9,699	4,714
Net cash flows used in investing activities	(45,209)	13,776
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Loans payable	(1,000,000)	-
Lease liabilities	(8,462)	(12,030)
Cash dividends	(131)	(58)
Net cash flows used in financing activities	(1,008,593)	(12,088)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5,721	(48,642)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,498,315	4,227,941
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,881,018	5,457,277
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P13,379,333	P9,685,218

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

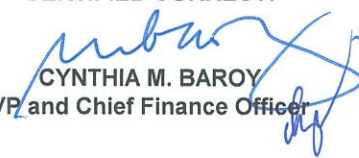
CERTIFIED CORRECT:


CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2024 (UNAUDITED)
(In Thousands)

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
Trade Receivables	P1,232,171	P1,161,010	P48,167	P3,448	P8,864	P10,682
Non-trade Receivables	890,027	163,514	14,359	7,581	315	704,258
Total	2,122,198	1,324,524	62,526	11,029	9,179	714,940
Less: Allowance for doubtful accounts	(682,567)	-	-	-	(7,425)	(675,142)
NET RECEIVABLES	P1,439,631	P1,324,524	P62,526	P11,029	P1,754	P39,798

CERTIFIED CORRECT:


CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. Summary of Material Accounting Policy Information

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on April 30, 2024.

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

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

Adoption of Amendments to Standards

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

Adoption of Amendments to Standards in 2024

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
 - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

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

New and Amendments to Standards Not Yet Adopted

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

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

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

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

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

2. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2024 and December 31, 2023

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2023 (Audited)	P1,241,165	P2,601,537	P438,424	P9,041,265	P653,704	P85,578	P305,399	P14,367,072
Additions	1,580	86,947	29,348	214,666	220,727	21,898	390,860	966,026
Disposals / Retirement	-	-	(3,464)	(3,794)	(900)	(13,443)	-	(21,601)
Reclassifications	15,923	(4,822)	12,395	177,290	37,343	42,466	(269,841)	10,754
December 31, 2023 (Audited)	1,258,668	2,683,662	476,703	9,429,427	910,874	136,499	426,418	15,322,251
Additions	-	4,750	6,488	30,384	2,321	-	194,389	238,332
Disposals / Retirement	-	-	(3,785)	(17,270)	(48)	-	-	(21,103)
Reclassifications	-	-	10,293	5,586	1,778	3,447	(21,104)	-
March 31, 2024 (Unaudited)	1,258,668	2,688,412	489,699	9,448,127	914,925	139,946	599,703	15,539,480
Accumulated Depreciation and Amortization								
January 1, 2023 (Audited)	292,096	1,418,263	312,286	6,747,947	525,972	32,105	-	9,328,669
Depreciation and amortization	11,032	89,667	45,900	378,208	73,698	16,936	-	615,441
Disposals / Retirement	-	-	(3,464)	(3,794)	(900)	(13,443)	-	(21,601)
Reclassifications	637	(23,724)	-	32,965	(2,394)	(7,484)	-	-
December 31, 2023 (Audited)	303,765	1,484,206	354,722	7,155,326	596,376	28,114	-	9,922,509
Depreciation and amortization	2,869	23,945	12,261	99,299	24,640	3,409	-	166,423
Disposals / Retirement	-	-	(3,785)	(17,270)	(48)	-	-	(21,103)
Reclassifications	-	-	-	-	-	-	-	-
March 31, 2024 (Unaudited)	306,634	1,508,151	363,198	7,237,355	620,968	31,523	-	10,067,829
Accumulated Impairment Losses								
December 31, 2023 and March 31, 2024	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
December 31, 2023 (Audited)	P954,903	P1,199,456	P121,981	P1,966,501	P314,498	P108,385	P426,418	P5,092,142
March 31, 2024 (Unaudited)	P952,034	P1,180,261	P126,501	P1,903,172	P293,957	P108,423	P599,703	P5,164,051

March 31, 2023

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2023 (Audited)	P1,241,165	P2,601,537	P438,424	P9,041,265	P653,704	P85,578	P305,399	P14,367,072
Additions	-	7,367	3,274	16,088	3,615	-	78,854	109,198
Disposals / Retirement	-	-	(1,369)	-	(365)	-	-	(1,734)
Reclassifications	-	13,095	9,599	52,508	31,075	-	(106,277)	-
March 31, 2023 (Unaudited)	1,241,165	2,621,999	449,928	9,109,861	688,029	85,578	277,976	14,474,536
Accumulated Depreciation and Amortization								
January 1, 2023 (Audited)	292,096	1,418,263	312,286	6,747,947	525,972	32,105	-	9,328,669
Depreciation and amortization	2,690	21,883	11,388	94,889	16,017	1,413	-	148,280
Disposals / Retirement	-	-	(1,369)	-	(365)	-	-	(1,734)
Reclassifications	-	-	-	-	-	-	-	-
March 31, 2023 (Unaudited)	294,786	1,440,146	322,305	6,842,836	541,624	33,518	-	9,475,215
Accumulated Impairment Losses								
March 31, 2023	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
March 31, 2023 (Unaudited)	P946,379	P1,181,853	P127,623	P1,959,425	P146,405	P52,060	P277,976	P4,691,721

Depreciation and amortization charged to operations amounted to P166,423 and P142,280 for the periods ended March 31, 2024 and 2023, respectively.

3. Related Party Disclosure

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

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

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

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions																																																																																																								
Ultimate Parent Company*	2024	P -	P -	P -	P -	On demand; non-interest bearing	Unsecured; no impairment																																																																																																								
	2023	-	-	5	-			Intermediate Parent Company**	2024	660	49,564	7,380	48,165	On demand; non-interest bearing	Unsecured; no impairment	2023	12,201	485,309	8,690	28,457	Parent Company***	2024	25	-	-	542,430	On demand; non-interest bearing	Unsecured; no impairment	2023	150	-	9	-	Under Common Control	2024	56,156	2,281,614	103,069	1,066,714	On demand; non-interest bearing	Unsecured; no impairment	2023	301,252	8,790,094	140,876	1,348,616	Joint Venture	2024	13,091	-	3	1,934	On demand; interest bearing	Unsecured; with impairment	2023	39,740	-	-	1,934	Retirement Plan	2024	-	-	-	146,283	On demand; non-interest bearing	Unsecured; no impairment	2023	-	-	-	-	Associate of the Intermediate Parent Company	2024	28,058	-	1,600,000	-	5 to 7 years interest bearing On demand; interest bearing	Unsecured; no impairment	2023	117,960	-	1,500,040	-	Others	2024	62	-	213	-	On demand; non-interest bearing	Unsecured; no impairment	2023	521	-	1,184	-	Total	2024	P98,052	P2,331,178	P1,610,665	P1,805,526			Total	2023	P471,824	P9,275,403	P1,650,804
Intermediate Parent Company**	2024	660	49,564	7,380	48,165	On demand; non-interest bearing	Unsecured; no impairment																																																																																																								
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*Top Frontier Investment Holdings, Inc. (TF) is the Ultimate Parent Company of the Group.

**San Miguel Corporation (SMC) is the Intermediate Parent Company of the Group.

***San Miguel Food and Beverage, Inc. (SMFB) is the Parent Company of the Group.

- a. Amounts owed by related parties consist of current and noncurrent receivables.
- b. The amounts owed by joint venture pertains to receivables from Thai San Miguel Liquor Company Limited (TSML) and are included as part of "Non-trade receivables from related parties" under "Trade and other receivables - net" account in the consolidated statement of financial position. Allowance for impairment losses pertaining to these receivables amounted to P540,216 as at December 31, 2023.
- c. Amounts owed by related party include investments in debt instruments at amortized cost to Bank of Commerce amounting to a total of P1,500,000 which bear an annual average interest rate of 6.90% and maturities up to seven years.
- d. Amounts owed to related parties consist of trade payables, lease liabilities and management fees.

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

4. Basic and Diluted Earnings Per Share (EPS)

Basic and Diluted EPS is computed as follows:

	March 31	
	2024	2023
Net income available to common shares (a)	P1,906,874	P2,531,749
Weighted average number of common shares outstanding (in thousands) - basic and diluted (b)	286,328	286,328
Basic and Diluted Earnings Per Share (a/b)	P6.66	P8.84

5. Cash Dividends

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

2024

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common - regular	March 6, 2024	March 21, 2024	April 11, 2024	P0.750
Common - special	March 6, 2024	March 21, 2024	April 11, 2024	1.750

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common - regular	March 8, 2023	March 24, 2023	April 12, 2023	P0.750
Common - special	March 8, 2023	March 24, 2023	April 12, 2023	1.750

6. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Market Risk (Interest Rate Risk and Foreign Risk)
- Liquidity Risk
- Credit Risk

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, investment in debt instruments at amortized cost and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables and deposits, accounts payable and accrued expenses and lease liabilities arise directly from and are used to facilitate its daily operations.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD oversees that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the BOD in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

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

The BOD constituted the Audit and Risk Oversight Committee (the "Committee") to, among others, enhance its oversight capability over the Group's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group's enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

Interest Rate Risk

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

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

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

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

Interest Rate Risk Table

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

March 31, 2024	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years
Financial Asset					
Investment in debt instruments at amortized cost	P -	P -	P -	P -	P1,500,000
Interest rate	-	-	-	-	6.90%
December 31, 2023	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years
Financial Asset					
Investment in debt instruments at amortized cost	P -	P -	P -	P -	P1,500,000
Interest rate	-	-	-	-	6.90%
Financial Liability					
Loans payable	1,000,000	-	-	-	-
Interest rate	6.40%	-	-	-	-

Foreign Currency Risk

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

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

	March 31, 2024		December 31, 2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	\$1,790	P100,646	\$1,677	P92,870
Trade and other receivables	1,505	84,616	1,165	64,493
Liabilities				
Accounts payable and accrued expenses	(2,080)	(116,977)	(2,113)	(116,977)
Foreign currency- denominated monetary assets and liabilities	\$1,215	P68,285	\$729	P40,386

The Group reported net gain (loss) on foreign exchange amounting to P5,655 and (P47,795) for the periods ended March 31, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets. These mainly resulted from the movements of the Philippine peso against the United States (US) dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2024	56.240
December 31, 2023	55.370
March 31, 2023	54.360
December 31, 2022	55.755

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

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
March 31, 2024				
Cash and cash equivalents	(P1,790)	(P1,343)	P1,790	P1,343
Trade and other receivables	(1,505)	(1,129)	1,505	1,129
Accounts payable and accrued expenses	2,080	1,560	(2,080)	(1,560)
	(P1,215)	(P912)	P1,215	P912

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2023				
Cash and cash equivalents	(P1,677)	(P1,258)	P1,677	P1,258
Trade and other receivables	(1,165)	(873)	1,165	873
Accounts payable and accrued expenses	2,113	1,584	(2,113)	(1,584)
	(P729)	(P547)	P729	P547

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

Liquidity Risk

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

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

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

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

March 31, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P13,379,333	P13,379,333	P13,379,333	P -	P -	P -
Trade and other receivables - net*	1,439,631	1,439,631	1,439,631	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	4,552	4,552	4,552	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,879,131	65,765	87,687	87,687	1,637,992
Security deposit (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	7,270,082	7,270,082	7,270,082	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	3,617	3,617	3,617	-	-	-
Lease liabilities (including current portion)	49,210	57,928	20,550	14,097	13,017	10,264

*Excluding tax certificate receivables amounted to P58,709 as at March 31, 2024.

**Deferred rent income amounted to P1,144 as at March 31, 2024.

***Payable to a government agency amounted to P3,522 as at March 31, 2024.

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P9,881,018	P9,881,018	P9,881,018	P -	P -	P -
Trade and other receivables - net*	1,518,351	1,518,351	1,518,351	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	14,572	14,572	14,572	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,904,706	10,961	87,687	283,060	1,542,998
Security deposit (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,688,925	5,688,925	5,688,925	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	476	476	476	-	-	-
Loans payable	1,000,000	1,005,156	1,005,156	-	-	-
Lease liabilities (including current portion)	56,398	66,102	28,724	14,097	13,017	10,264

*Excluding tax certificate receivables amounted to P59,485 as at December 31, 2023.

**Deferred rent income amounted to P1,186 as at December 31, 2023.

***Payable to a government agency amounted to P3,522 as at December 31, 2023.

Credit Risk

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

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

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base.

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

Investment in Debt Instruments

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

Credit Quality

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

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

- High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and investment in debt instruments at amortized cost and derivative assets.
- Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

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

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

	March 31, 2024	December 31, 2023
Cash and cash equivalents*	P13,377,449	P9,878,439
Trade and other receivables - net**	1,439,631	1,518,351
Investment in debt instruments at amortized cost	1,500,000	1,500,000
Derivative assets	4,552	14,572
Security deposit	493	493
	P16,322,125	P12,911,855

*Excluding cash on hand amounted to P1,884 as at March 31, 2024.

**Excluding tax certificate receivables amounted to P58,709 as at March 31, 2024.

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

	March 31, 2024				
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired		
Cash and cash equivalents (excluding cash on hand)*	P13,377,449	P -	P -	P -	P13,377,449
Trade and other receivables**	-	1,439,631	682,567	-	2,122,198
Derivative assets	-	-	-	4,552	4,552
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	493	-	-	493

*Cash on hand amounted to P1,884 as at March 31, 2024.

**Excluding tax certificate receivables amounted to P58,709 as at March 31, 2024.

	December 31, 2023				
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired		
Cash and cash equivalents (excluding cash on hand)*	P9,878,439	P -	P -	P -	P9,878,439
Trade and other receivables**	-	1,518,351	682,567	-	2,200,918
Derivative assets	-	-	-	14,572	14,572
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	493	-	-	493

*Cash on hand amounted to P2,579 as at December 31, 2023.

**Excluding tax certificate receivables amounted to P59,485 as at December 31, 2023.

The aging of receivables is as follows:

March 31, 2024	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P1,160,253	P136,096	P28,174	P1,324,523
Past due:				
1 - 30 days	47,307	190	15,029	62,526
31 - 60 days	3,211	1,060	6,758	11,029
61 - 90 days	3,011	376	5,793	9,180
Over 90 days	3,778	23,264	687,898	714,940
	P1,217,560	P160,986	P743,652	P2,122,198

December 31, 2023	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P1,210,794	P115,186	P63,515	P1,389,495
Past due:				
1 - 30 days	79,973	606	7,786	88,365
31 - 60 days	2,931	-	16,763	19,694
61 - 90 days	936	294	1,769	2,999
Over 90 days	4,224	22,872	673,269	700,365
	P1,298,858	P138,958	P763,102	P2,200,918

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

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings.

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

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

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

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

Capital Management

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

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

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

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

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

7. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

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

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

The Group has no financial assets at FVOCI as at March 31, 2024 and December 31, 2023.

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

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

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

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

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

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

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

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income.

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

Financial Liabilities

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

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P13,379,333	P13,379,333	P9,881,018	P9,881,018
Trade and other receivables - net*	1,439,631	1,439,631	1,518,351	1,518,351
Derivative assets (included under "Prepaid expenses and other current assets" account)	4,552	4,552	14,572	14,572
Investment in debt instruments at amortized cost	1,500,000	1,500,000	1,500,000	1,500,000
Security deposit (included under "Other noncurrent assets - net" account)	493	493	493	493
Financial Liabilities				
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	7,270,082	7,270,082	5,688,925	5,688,925
Loans payable	-	-	1,000,000	1,000,000
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	3,617	3,617	476	476

*Excluding tax certificate receivables amounted to P58,709 and P59,485 as at March 31, 2024 and December 31, 2023, respectively.

**Deferred rent income amounted to P1,144 and P1,186 as at March 31, 2024 and December 31, 2023, respectively.

***Payable to government agency amounted to P3,522 as at March 31, 2024 and December 31, 2023.

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

Cash and Cash Equivalents, Trade and Other Receivables, Investment in Debt Instruments at Amortized Cost and Security Deposit. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of investment in debt instruments at amortized cost and security deposit, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

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

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments are discussed below.

Derivative Instruments not Designated as Hedges

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

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$26,646 and US\$27,939 as at March 31, 2024 and December 31, 2023, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to P935 and P14,096 as at March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P7,485) and P48,733 for the period ended March 31, 2024 and 2023.

Fair Value Measurements

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

The Group's derivative assets and derivative liabilities amounting to P4,552 and (P3,617), respectively as at March 31, 2024, and P14,572 and (P476), respectively as at December 31, 2023, are valued based on Level 2. The Group has no financial instruments valued based on Level 1 and Level 3. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

8. Other Matters

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- b. There were no material changes in estimates of amounts reported in prior financial years.
- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- f. The effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at March 31, 2024.
- h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as at March 31, 2024. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to next quarter until its completion. The fund to be used for these projects will come from available cash from operations.

9. Event After the Reporting Date

Declaration of Cash Dividends

On April 30, 2024, the BOD approved the declaration of regular and special cash dividends to all common shareholders of record as of May 17, 2024 both amounting to P1.50 per common share. Cash dividends for common shares, both regular and special are payable on June 7, 2024.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

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

I. FINANCIAL PERFORMANCE

Three months ended March 31, 2024 compared to three months ended March 31, 2023

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	Percentage	2024	2023
<i>(In Thousands)</i>						
Sales	P15,116,977	P12,944,962	P2,172,015	17%	100%	100%
Cost of Sales	11,393,889	9,905,589	1,488,300	15%	75%	77%
Gross Profit	3,723,088	3,039,373	683,715	22%	25%	23%
Selling and Marketing Expenses	(803,500)	(792,532)	(10,968)	1%	(5%)	(6%)
General and Administrative Expenses	(641,664)	(616,032)	(25,632)	4%	(4%)	(5%)
Interest Expense and Other Financing Charges	(20,138)	(17,933)	(2,205)	12%	(1%)	(0%)
Gain on Disposal / Retirement of Noncurrent Assets	95	470	(375)	(80%)	0%	0%
Interest Income	189,206	93,579	95,627	102%	1%	1%
Other Income - Net	90,081	1,662,728	(1,572,647)	(95%)	1%	13%
Income Before Income Tax	2,537,168	3,369,653	(832,485)	(25%)	17%	26%
Income Tax Expense	630,294	837,904	(207,610)	(25%)	4%	6%
Net Income	P1,906,874	P2,531,749	(P624,875)	(25%)	13%	20%

Consolidated revenues were P15,117 million for the quarter ended March 31, 2024, 17% higher than 2023's P12,945 million mainly contributed by the volume improvement of major brands and price increase.

Gross profit for the three months ended March 31, 2024 amounting to P3,723 million exceeded the same period last year by 22% or P684 million driven by the selling price increase, generally stable costs of major materials, and improvement of the distillery's biogas generation.

Interest expense and other financing charges increased by 12% to P20 million in the first quarter of 2024 from P18 million a year ago mainly from the short-term loan availed by the Group in the last quarter of 2023.

Gain on disposal or retirement of noncurrent assets posted an 80% decline from P470 thousand for the first quarter of 2023 to P95 thousand in the same period of the current year due to lower proceeds from sale of retired transportation equipment.

Interest income registered 102% growth to P189 million for the first quarter of 2024 from P94 million in the same period last year primarily due to the interest received from money market placements and related party advances.

Other income amounted to P90 million for the first quarter of 2024 from P1,663 million for first quarter of 2023 mainly driven by the one-time miscellaneous income recognized last year.

The group's net income after tax for the first quarter of 2024 amounted to P1,907 million, lower by P625 million from P2,532 million for the first quarter of 2023.

Three months ended March 31, 2023 compared to three months ended March 31, 2022

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	Percentage	2024	2023
	<i>(In Thousands)</i>					
Sales	P12,944,962	P12,620,000	P324,962	3%	100%	100%
Cost of Sales	9,905,589	9,397,549	508,040	5%	77%	74%
Gross Profit	3,039,373	3,222,451	(183,078)	(6%)	23%	26%
Selling and Marketing Expenses	(792,532)	(833,528)	40,996	(5%)	(6%)	(7%)
General and Administrative Expenses	(616,032)	(592,951)	(23,081)	4%	(5%)	(5%)
Interest Expense and Other Financing Charges	(17,933)	(7,360)	(10,573)	144%	(0%)	(0%)
Gain on Disposal / Retirement of Noncurrent Assets	470	629	(159)	(25%)	0%	0%
Interest Income	93,579	12,038	81,541	677%	1%	0%
Other Income - Net	1,662,728	63,361	1,599,367	2524%	13%	1%
Income Before Income Tax	3,369,653	1,864,640	1,505,013	81%	26%	15%
Income Tax Expense	837,904	465,155	372,749	80%	6%	4%
Net Income	P2,531,749	P1,399,485	P1,132,264	81%	20%	11%

The Group ended the 1st quarter of 2023 with P12,945 million revenues, up by 3% as compared to same period of 2022. Despite this, gross profit slipped by 6% to P3,039 million from P3,222 million last year driven by the increase in raw materials cost and excise tax rates, partly offset by the price increase implementation.

Interest expense increased to P18 million from P7 million of 1st quarter last year due to the interest expenses of the company's defined benefit plan obligation. On the other hand, interest income grew almost sevenfold to P94 million from P12 million driven by earnings from investment in debt instruments and higher placements with longer maturity and better interest.

Other income posted a significant growth to P1,663 million from P63 million last year primarily from the earnings recognized for the transfer of rights of Don Papa products.

The Group realized an 81% uptick in consolidated net income, reported at P2,532 million from P1,399 million a year ago.

II. FINANCIAL POSITION

Financial Position as of March 31, 2024 vs December 31, 2023

	March	December	Horizontal Analysis		Vertical Analysis	
	2024	2023	Amount	Percentage	2024	2023
ASSETS						
Current Assets						
Cash and cash equivalents	P13,379,333	P9,881,018	P3,498,315	35%	44%	35%
Trade and other receivables - net	1,498,340	1,577,836	(79,496)	(5%)	5%	6%
Inventories	6,697,585	8,083,201	(1,385,616)	(17%)	22%	29%
Prepaid expenses and other current assets	1,099,909	817,344	282,565	35%	4%	3%
	22,675,167	20,359,399	2,315,768	11%	75%	73%
Noncurrent Assets						
Investments in joint ventures	1,500,000	1,500,000	-	0%	5%	6%
Property, plant and equipment - net	5,164,051	5,092,142	71,909	1%	17%	18%
Right-of-use assets - net	42,903	50,778	(7,875)	(16%)	0%	0%
Goodwill - net	126,863	126,863	-	0%	1%	1%
Deferred tax assets - net	542,742	562,775	(20,033)	(4%)	2%	2%
Other noncurrent assets - net	63,790	75,848	(12,058)	(16%)	0%	0%
	7,440,349	7,408,406	31,943	0%	25%	27%
	P30,115,516	P27,767,805	P2,347,711	8%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	P -	P1,000,000	(P1,000,000)	(100%)	0%	4%
Accounts payable and accrued expenses	7,278,365	5,694,109	1,584,256	28%	24%	21%
Income and other taxes payable	2,315,390	1,736,095	579,295	33%	8%	6%
Lease liabilities - current portion	21,667	25,796	(4,129)	(16%)	0%	0%
	9,615,422	8,456,000	1,159,422	14%	32%	31%
Noncurrent Liabilities						
Retirement liabilities	881,185	880,891	294	0%	3%	3%
Lease liabilities - net of current portion	27,543	30,602	(3,059)	(10%)	0%	0%
	908,728	911,493	(2,765)	(0%)	3%	3%
	10,524,150	9,367,493	1,156,657	12%	35%	34%
Equity						
Capital stock	399,063	399,063	-	0%	1%	1%
Additional paid-in capital	2,539,454	2,539,454	-	0%	8%	9%
Equity reserves	(640,050)	(640,050)	-	0%	(2%)	(2%)
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	12%	13%
Unappropriated	17,450,872	16,259,818	1,191,054	7%	58%	58%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	(12%)	(13%)
	19,591,366	18,400,312	1,191,054	6%	65%	66%
	P30,115,516	P27,767,805	P2,347,711	8%	100%	100%

The Group's financial position remains healthy with robust cash levels. Cash and cash equivalents swelled 35% to P13,379 million at the end of the interim period mainly from higher cash sales and higher collection from modern trade accounts.

Trade and other receivables decreased 5% to P1,498 million due to collection of account receivables net of the interest receivable recognized from short-term money market placements.

Inventories at the end of first quarter of 2024 was 17% lower at P6,698 million due to lower finished goods inventory partially offset by the increase in materials and supplies inventory level.

Prepaid expense and other current assets were up by 35% to P1,100 million mainly from the set-up of the Group's retirement contribution plan, increase in prepaid and input taxes, offset by the amortization of insurance premium prepayments, and decrease in derivative assets.

Right-of-use assets decreased 16% to P43 million generally due to depreciation.

Other noncurrent assets amounted to P64 million, a 16% decrease from last year, mainly contributed by amortization and application of supplier's advances.

The Group has fully settled its outstanding short-term loans.

Accounts payable and accrued expenses jumped 28% to P7,278 million driven by the higher taxes payable and set up of dividends.

Income and other taxes payable registered an increase of 33% to P2,315 million as result of higher income taxes and VAT.

The current and noncurrent finance lease liabilities declined by 16% and 10%, respectively, resulting in amounts of P22 million and P27 million primarily due to amortization and reclassification from noncurrent to current.

Financial Position as of March 31, 2023 vs December 31, 2022

	March 2023	December 2022	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	Percentage	2023	2022
ASSETS						
Current Assets						
Cash and cash equivalents	P9,685,218	P5,457,277	P4,227,941	77%	38%	25%
Trade and other receivables - net	1,187,096	1,235,779	(48,683)	(4%)	5%	6%
Inventories	7,021,723	7,003,478	18,245	0%	27%	32%
Prepaid expenses and other current assets	813,268	868,981	(55,713)	(6%)	3%	4%
	18,707,305	14,565,515	4,141,790	28%	73%	67%
Noncurrent Assets						
Investments in joint ventures	1,500,000	1,500,000	-	0%	6%	7%
Property, plant and equipment - net	4,691,721	4,730,803	(39,082)	(1%)	18%	22%
Right-of-use assets - net	86,748	97,751	(11,003)	(11%)	0%	1%
Goodwill - net	126,863	126,863	-	0%	1%	1%
Deferred tax assets - net	509,125	524,963	(15,838)	(3%)	2%	2%
Other noncurrent assets - net	57,449	66,218	(8,769)	(13%)	0%	0%
	6,971,906	7,046,598	(74,692)	(1%)	27%	33%
	P25,679,211	P21,612,113	P4,067,098	19%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	P6,420,792	P5,540,299	P880,493	16%	25%	26%
Income and other taxes payable	2,072,896	719,846	1,353,050	188%	8%	3%
Current maturities of long-term debt - net of debt issue costs	165,739	165,430	309	0%	1%	1%
Lease liabilities - current portion	30,143	32,967	(2,824)	(9%)	0%	0%
	8,689,570	6,458,542	2,231,028	35%	34%	30%
Noncurrent Liabilities						
Retirement liabilities	663,696	635,751	27,945	4%	3%	3%
Lease liabilities - net of current portion	67,970	75,775	(7,805)	(10%)	0%	0%
	731,666	711,526	20,140	3%	3%	3%
	9,421,236	7,170,068	2,251,168	31%	37%	33%
Equity						
Capital stock	399,063	399,063	-	0%	2%	2%
Additional paid-in capital	2,539,454	2,539,454	-	0%	10%	12%
Equity reserves	(415,729)	(415,729)	-	0%	(2%)	(2%)
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	13%	16%
Unappropriated	13,893,160	12,077,230	1,815,930	15%	54%	56%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	(14%)	(17%)
	16,257,975	14,442,045	1,815,930	13%	63%	67%
	P25,679,211	P21,612,113	P4,067,098	19%	100%	100%

Cash and cash equivalents were up by 77% or P4,228 million at the end of 1st quarter 2023 brought about by the implementation of quarterly remittance of VAT and cash received from the transfer of rights of Don Papa products.

Other intangible assets increased by P6 million mainly from the capitalization of computer software while rights-of-use and other noncurrent assets decreased by P11 million and P15 million, respectively, mainly due to depreciation and amortization.

Accounts payable and accrued expenses increased by 16% to P6,421 million from P5,540 of prior year driven by higher excise tax payable and the declaration of 1st quarter dividends.

As a result of the higher taxable income coupled with the effect of the quarterly VAT remittances, income and other taxes payable climbed to P2,073 million from P720 million last year.

Equity

The decrease in equity for the period ended March 31, 2024 and 2023 is due to:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Income during the period	P1,907	P2,532
Cash dividends	(716)	(716)
	P1,191	P1,816

III. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Net cash flows provided by operating activities	P4,546	P4,275
Net cash flows used in investing activities	(45)	14
Net cash flows used in financing activities	(1,009)	(12)

Net cash flows provided by operating activities consist of income before income tax for the period and the effect of changes in current assets and certain current liabilities, including net movement in inventory level.

Net cash flows used in investing activities include the following:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Additions to property, plant and equipment	(P238)	(P61)
Decrease in other noncurrent assets	10	6
Interest Received	183	69

Major components of net cash flows used in financing activities are as follows:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Payments of:		
Short-term borrowings	(P1,000)	P -
Lease liabilities	(9)	(P12)

The effect of exchange rate changes on cash and cash equivalents amounted to P5.7 million and (P48.6) million for the periods ended March 31, 2024 and 2023, respectively.

IV. KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Group. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II, "Financial Performance" of the Management Discussion and Analysis, for the discussion of certain computed Key Performance Indicators.

KPI	March 31, 2024	December 31, 2023
Liquidity: Current Ratio	2.36	2.41
Solvency: Debt to Equity Ratio	0.54	0.51
Asset to Equity Ratio	1.54	1.51
Profitability: Return on Average Equity	43%	36%
Interest Rate Coverage Ratio	117.31	119.78

KPI	Period Ended March 31	
	2024	2023
Operating Efficiency: Volume Growth	8%	(5%)
Revenue Growth	17%	3%
Operating Margin	15%	13%

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

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

*Annualized for quarterly reporting.



GINEBRA SAN MIGUEL INC.

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of Ginebra San Miguel Inc. (“the Parent Company”) and its subsidiaries (collectively referred to as the “Group”) for the three-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. All necessary adjustments to present fairly the Group’s consolidated financial position as of December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

<u>Items</u>	<u>Measurement Basis</u>
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency

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

Material Accounting Policies

The material information of the principal accounting policies set out below have been applied consistently to all periods presented in the financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of amendments to standards as part of PFRS.

Annex “C”

Adoption of Amendments to Standards

The Group has adopted the following amendments to standards effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.
- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements.

The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy information that users need to understand other information in the financial statements

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

II. FINANCIAL PERFORMANCE

2023 vs 2022

	December		Horizontal Analysis		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
<i>(In Thousands)</i>						
Sales	P53,638,569	P47,340,746	P6,297,823	13%	100%	100%
Cost of Sales	40,834,816	35,862,785	4,972,031	14%	76%	76%
Gross Profit	12,803,753	11,477,961	1,325,792	12%	24%	24%
Selling and Marketing Expenses	(3,715,966)	(3,397,473)	(318,493)	9%	-7%	-7%
General and Administrative Expenses	(2,252,979)	(2,093,924)	(159,055)	8%	-4%	-4%
Interest Expense and Other Financing Charges	(61,041)	(52,779)	(8,262)	16%	0%	0%
Gain (Loss) on Disposal / Retirement of Noncurrent Assets - Net	784	(1,040)	1,824	-175%	0%	0%
Interest Income	552,354	130,537	421,817	323%	1%	0%
Other Income (Charges) - Net	2,037,982	(5,031)	2,043,013	***	4%	0%
Income Before Income Taxes	9,364,887	6,058,251	3,306,636	55%	17%	13%
Income Tax Expense	2,319,020	1,511,029	807,991	53%	4%	3%
Net Income	P7,045,867	P4,547,222	P2,498,645	55%	13%	10%

The Group ended the year 2023 with revenues growing 13% to P53,639 million from P47,341 million last year driven by the price increase and higher volume. This, coupled with lower cost of packaging materials, offset by higher cost of alcohol and bottles resulted to 12% or P12,804 million gross profit.

Selling and marketing expenses jumped 9% from P3,397 million in 2022 to P3,716 million in 2023 primarily due to higher delivery costs, advertising and promotion, and repairs and maintenance

General and administrative expenses increased by 8% to P2,253 million on account of higher personnel cost, outside services, and local taxes.

Interest expense and other financing charges is higher by 16% or P8 million mainly from the company's defined benefit plans.

The Group's gain (net) on disposal or retirement of noncurrent assets in 2023 amounts to P784 thousand as compared to the loss of P1 million in 2022 due to gain from sale of retired transportation vehicles.

Interest income in 2023 was higher at P552 million as compared with last year's P131 million primarily attributable to higher placements with longer maturity period and better interest rates, and earnings from advances and investments.

Other income in 2023 amounted to P2,038 million, in contrast to last year's other charges of P5 million (net) largely driven by the one-time income for the transfer of product rights on Don Papa and foreign exchange gains.

Income tax expenses increased 53% to P2,319 million in 2023 from P1,511 million in 2022 due primarily to the group's higher taxable income at the current year-end.

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2022 vs 2021

	December		Horizontal Analysis		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
<i>(In Thousands)</i>						
Sales	P47,340,746	P42,534,124	P4,806,622	11%	100%	100%
Cost of Sales	35,862,785	31,760,865	4,101,920	13%	76%	75%
Gross Profit	11,477,961	10,773,259	704,702	7%	24%	25%
Selling and Marketing Expenses	(3,397,473)	(3,100,609)	(296,864)	10%	-7%	-7%
General and Administrative Expenses	(2,093,924)	(2,379,745)	285,821	-12%	-4%	-6%
Interest Expense and Other Financing Charges	(52,779)	(48,210)	(4,569)	9%	0%	0%
Interest Income	130,537	38,471	92,066	239%	0%	0%
Gain (Loss) on Disposal / Retirement of Noncurrent Assets - Net	(1,040)	5,583	(6,623)	-119%	0%	0%
Other Income (Charges) - Net	(5,031)	271,922	(276,953)	-102%	0%	1%
Income Before Income Taxes	6,058,251	5,560,671	497,580	9%	13%	13%
Income Tax Expense	1,511,029	1,381,732	129,297	9%	3%	3%
Net Income	P4,547,222	P4,178,939	P368,283	9%	10%	10%

In 2022, GSMI sustained its growth recording a 7% increase in volumes from the previous year. The increase in sales coupled with the increase in prices enabled an 11% growth in consolidated revenues, bringing it to P47,341 million from P42,534 million last year.

Cost of sales increased by 13% to P35,863 million as a result of higher sales and increase in cost of alcohol, bottles, other packaging materials, and fuel. Despite this, the group's gross profit rose by 7% to P11,478 million from last year's P10,773 million.

Interest earnings rose by 239% or by P92 million due to higher money market placement with better interest rates. On the other hand, interest expense and other financing charges was up by P5 million or 9% brought about by the higher interest rates on the actuarial valuations.

Other charges in 2022 amounted to P5 million net, in contrast to last year's other income of P272 million, due to the depreciation of Philippine peso against the U.S. dollar offset by tolling income earned during the year.

The group's net income is higher by 9% to P4,547 million from P4,179 million last year.

III. FINANCIAL POSITION

2023 vs 2022

			Horizontal Analysis		Vertical Analysis	
	December 2023	December 2022	Increase (Decrease) Amount	%	2023	2022
<i>(In Thousands)</i>						
ASSETS						
Current Assets						
Cash and cash equivalents	P 9,881,018	P 5,457,277	P 4,423,741	81%	36%	25%
Trade and other receivables - net	1,577,836	1,235,779	342,057	28%	6%	6%
Inventories	8,083,201	7,003,478	1,079,723	15%	29%	32%
Prepaid expenses and other current assets	817,344	868,981	(51,637)	-6%	3%	4%
	20,359,399	14,565,515	5,793,884	40%	73%	67%
Noncurrent Assets						
Investments in debt instruments at amortized cost	1,500,000	1,500,000	-	0%	5%	7%
Property, plant and equipment - net	5,092,142	4,730,803	361,339	8%	18%	22%
Right-of-use assets - net	50,778	97,751	(46,973)	-48%	0%	0%
Goodwill	126,863	126,863	-	0%	0%	1%
Deferred tax assets - net	562,775	524,963	37,812	7%	2%	2%
Other noncurrent assets - net	75,848	66,218	9,630	15%	0%	0%
	7,408,406	7,046,598	361,808	5%	27%	33%
	P27,767,805	P21,612,113	P 6,155,692	28%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	P 1,000,000	P -	P 1,000,000	***	4%	0%
Accounts payable and accrued expenses	5,694,109	5,540,299	153,810	3%	21%	26%
Income and other taxes payable	1,736,095	719,846	1,016,249	141%	6%	3%
Lease liabilities - current portion	25,796	32,967	(7,171)	-22%	0%	0%
Current maturities of long-term debt - net of debt issue costs	-	165,430	(165,430)	-100%	0%	1%
	8,456,000	6,458,542	1,997,458	31%	30%	30%
Noncurrent Liabilities						
Retirement liabilities	880,891	635,751	245,140	39%	3%	3%
Lease liabilities - net of current portion	30,602	75,775	(45,173)	-60%	0%	0%
	911,493	711,526	199,967	28%	3%	3%
	9,367,493	7,170,068	2,197,425	31%	34%	33%
Equity						
Capital stock	399,063	399,063	-	0%	1%	2%
Additional paid-in capital	2,539,454	2,539,454	-	0%	9%	12%
Equity reserves	(640,050)	(415,729)	(224,321)	54%	-2%	-2%
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	13%	16%
Unappropriated	16,259,818	12,077,230	4,182,588	35%	59%	56%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	-13%	-17%
	18,400,312	14,442,045	3,958,267	27%	66%	67%
	P27,767,805	P21,612,113	P 6,155,692	28%	100%	100%

The Group's financial position remained healthy with strong cash levels. Cash and cash equivalents amounting to P9,881 million in 2023 is 81% higher as compared with last year's P5,457 million brought about by the higher income and short-term loan proceeds.

Trade and other receivables increased by 28% to P1,578 million in 2023 from P1,236 million in 2022 due to increase in modern-trade sales.

Inventories amounted to P8,083 million in 2023, a growth of 15% from P7,003 million in 2022 due to higher purchases of raw materials and higher inventory levels for build-up.

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Prepaid expenses and other current assets decreased 6% to P817 million due to lower input and prepaid taxes partly offset by higher derivative assets, prepaid insurance, and personnel advances.

Plant, property and equipment amounted to P5,092 million (net), an 8% increase from P4,731 million a year ago attributable to the recognition of additional capitalizable projects.

Right-of-use assets in 2023 at P50 million (net) is a decrease of 48% from P98 million last year resulting from retirement and depreciation.

Deferred tax assets went up 7% to P562 million mainly due to recognition of additional reserves for retirement plan.

Other noncurrent assets jumped 15% to P75 million owing to the increase in suppliers' advances.

In 2023, the group entered into a short-term loan amounting to P1,000 million.

Income and other taxes payable soared 141% to P1,736 million in 2023 from P720 million in 2022 due to higher taxable income and implementation of quarterly VAT remittance.

The total lease liabilities, current and noncurrent, decreased by 48% to P56,398 million mainly from ROU asset retirement and amortization.

The long-term debt of the group has matured in 2023.

Retirement liabilities were up by 39% to P881 million in 2023 from P636 in 2022 attributable to the recognition of additional pension cost for the current year.

Equity reserves increased by 54% to P640 million brought about by the additional recognition for retirement benefit plan.

The group's higher income resulted in the 35% increase or P4,183 million in unappropriated retained earnings for the current year.

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2022 vs 2021

			Horizontal Analysis		Vertical Analysis	
	December 2022	December 2021	Increase Amount	(Decrease) %	2022	2021
<i>(In Thousands)</i>						
ASSETS						
Current Assets						
Cash and cash equivalents	P 5,457,277	P 2,379,166	P 3,078,111	129%	25%	13%
Trade and other receivables - net	1,235,779	1,036,748	199,031	19%	6%	6%
Inventories	7,003,478	8,730,041	(1,726,563)	-20%	32%	47%
Prepaid expenses and other current assets	868,981	1,123,525	(254,544)	-23%	4%	6%
	14,565,515	13,269,480	1,296,035	10%	67%	72%
Noncurrent Assets						
Investments in debt instruments at amortized cost	1,500,000	-	1,500,000	0%	7%	0%
Property, plant and equipment - net	4,730,803	4,236,248	494,555	12%	22%	23%
Right-of-use assets - net	97,751	176,083	(78,332)	-44%	0%	1%
Goodwill	126,863	126,863	-	0%	1%	1%
Deferred tax assets - net	524,963	499,574	25,389	5%	2%	3%
Other noncurrent assets - net	66,218	88,763	(22,545)	-25%	0%	0%
	7,046,598	5,127,531	1,919,067	37%	33%	28%
	P21,612,113	P18,397,011	P 3,215,102	17%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	P 5,540,299	P 5,143,987	P 396,312	8%	26%	28%
Income and other taxes payable	719,846	590,139	129,707	22%	3%	3%
Current maturities of long-term debt - net of debt issue costs	165,430	165,417	13	0%	1%	1%
Lease liabilities - current portion	32,967	56,860	(23,893)	-42%	0%	0%
	6,458,542	5,956,403	502,139	8%	30%	32%
Noncurrent Liabilities						
Retirement liabilities	635,751	621,920	13,831	2%	3%	3%
Lease liabilities - net of current portion	75,775	134,247	(58,472)	-44%	0%	1%
Long-term debt - net of debt of issue costs	-	165,430	(165,430)	-100%	0%	1%
	711,526	921,597	(210,071)	-23%	3%	5%
	7,170,068	6,878,000	292,068	4%	33%	37%
Equity						
Capital stock	399,063	399,063	-	0%	2%	2%
Additional paid-in capital	2,539,454	2,539,454	-	0%	12%	14%
Equity reserves	(415,729)	(366,345)	(49,384)	13%	-2%	-2%
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	16%	19%
Unappropriated	12,077,230	9,104,812	2,972,418	33%	56%	49%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	-17%	-20%
	14,442,045	11,519,011	2,923,034	25%	67%	63%
	P21,612,113	P18,397,011	P 3,215,102	17%	100%	100%

Improved operating income and cash inflow led an improvement in cash and cash equivalents by 129% to P5,457 million from P2,379 million last year.

Trade and other receivables increased by 19% or by P199 million to P1,236 million due to higher credit sales.

Inventories decreased to P7,003 million from P8,730 million last year due to lower finished goods inventory level. Likewise, prepaid expenses dropped by 23% to P869 million mainly due to lower prepaid taxes partly offset by an increase in prepaid insurance.

In 2022, the group subscribed to a long-term investment with a total amount of P1,500 million.

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Property, plant and equipment increased by 12% to P4,731 million mainly from additional capitalizable projects while the right-of-use and other non-current assets decreased by P78 million and P23 million, respectively due to depreciation and amortization.

Higher purchase of materials partly offset by settlement of payables prompted the 8% increase or P396 million in accounts payable and accrued expenses.

With the group's higher taxable income, income and other taxes payable posted a 22% increase to P720 million from P590 million last year.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	December 31	
	2023	2022
	<i>(in Millions)</i>	
Net cash flows provided by operating activities	P6,852	P7,257
Net cash flows used in investing activities	(450)	(2,381)
Net cash flows used in financing activities	(1,984)	(1,772)

Net cash flows provided by operating activities consist of income before income tax for the period and the effect of changes in current assets and certain current liabilities, and others.

Net cash flows used in investing activities include the following:

	December 31	
	2023	2022
	<i>(in Millions)</i>	
Interest received	P537	P118
Proceeds from sale of investments and property and equipment	0.784	3
Additions in advances to suppliers	(12)	(12)
Additions to property, plant and equipment	(966)	(990)
Additions to investment in debt instruments at amortized cost	-	(1,500)
Decrease (increase) in other noncurrent assets	(10)	(0.020)

Major components of net cash flows used in financing activities are as follows:

	December 31	
	2023	2022
	<i>(in Millions)</i>	
Proceeds from short-term borrowings	P999	P -
Payments of lease liabilities	(42)	(81)
Payments of short-term and long-term borrowings	(167)	(167)
Cash dividends paid	(2,774)	(1,525)

The effect of exchange rate changes on cash and cash equivalents amounted to P31.3 million and (P25.7) million for the periods ended December 31, 2023 and 2022, respectively.

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IV. KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Group. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II, “Financial Performance” of the Management Discussion and Analysis (MD&A), for the discussion of certain computed Key Performance Indicators.

KPI	As of December 31, 2023	As of December 31, 2022
Liquidity: Current Ratio	2.41	2.26
Solvency: Debt to Equity Ratio Asset to Equity Ratio	0.51 1.51	0.50 1.50
Profitability: Return on Average Equity Interest Rate Coverage Ratio	36% 119.78	35% 113.84

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Operating Efficiency: Volume Growth Revenue Growth Operating Margin	4% 13% 13%	7% 11% 13%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

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Volume Growth	$\left(\frac{\text{Sum of All Businesses' Volume}}{\text{Prior Period Volume}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

V. OTHER MATTERS

a. *Commitments*

The outstanding purchase commitments of the Group amounted to US\$176 million (P9,736 million), as at December 31, 2023.

b. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized as at December 31, 2023 and 2022.

c. *Foreign Exchange Rates*

The foreign exchange rates used in translating the Thai Baht accounts of foreign joint ventures to Philippine peso were closing rates of P1.622 and P1.617 in 2023 and 2022, respectively, for consolidated statements of financial position accounts; and average rates of P1.601, P1.600 and P1.499 in 2023, 2022 and 2021, respectively, for income and expense accounts.

Annex "C-1"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

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

I. FINANCIAL PERFORMANCE

Three months ended March 31, 2024 compared to three months ended March 31, 2023

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	Percentage	2024	2023
<i>(In Thousands)</i>						
Sales	P15,116,977	P12,944,962	P2,172,015	17%	100%	100%
Cost of Sales	11,393,889	9,905,589	1,488,300	15%	75%	77%
Gross Profit	3,723,088	3,039,373	683,715	22%	25%	23%
Selling and Marketing Expenses	(803,500)	(792,532)	(10,968)	1%	(5%)	(6%)
General and Administrative Expenses	(641,664)	(616,032)	(25,632)	4%	(4%)	(5%)
Interest Expense and Other Financing Charges	(20,138)	(17,933)	(2,205)	12%	(1%)	(0%)
Gain on Disposal / Retirement of Noncurrent Assets	95	470	(375)	(80%)	0%	0%
Interest Income	189,206	93,579	95,627	102%	1%	1%
Other Income - Net	90,081	1,662,728	(1,572,647)	(95%)	1%	13%
Income Before Income Tax	2,537,168	3,369,653	(832,485)	(25%)	17%	26%
Income Tax Expense	630,294	837,904	(207,610)	(25%)	4%	6%
Net Income	P1,906,874	P2,531,749	(P624,875)	(25%)	13%	20%

Consolidated revenues were P15,117 million for the quarter ended March 31, 2024, 17% higher than 2023's P12,945 million mainly contributed by the volume improvement of major brands and price increase.

Gross profit for the three months ended March 31, 2024 amounting to P3,723 million exceeded the same period last year by 22% or P684 million driven by the selling price increase, generally stable costs of major materials, and improvement of the distillery's biogas generation.

Interest expense and other financing charges increased by 12% to P20 million in the first quarter of 2024 from P18 million a year ago mainly from the short-term loan availed by the Group in the last quarter of 2023.

Gain on disposal or retirement of noncurrent assets posted an 80% decline from P470 thousand for the first quarter of 2023 to P95 thousand in the same period of the current year due to lower proceeds from sale of retired transportation equipment.

Interest income registered 102% growth to P189 million for the first quarter of 2024 from P94 million in the same period last year primarily due to the interest received from money market placements and related party advances.

Other income amounted to P90 million for the first quarter of 2024 from P1,663 million for first quarter of 2023 mainly driven by the one-time miscellaneous income recognized last year.

The group's net income after tax for the first quarter of 2024 amounted to P1,907 million, lower by P625 million from P2,532 million for the first quarter of 2023.

Three months ended March 31, 2023 compared to three months ended March 31, 2022

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	Percentage	2024	2023
<i>(In Thousands)</i>						
Sales	P12,944,962	P12,620,000	P324,962	3%	100%	100%
Cost of Sales	9,905,589	9,397,549	508,040	5%	77%	74%
Gross Profit	3,039,373	3,222,451	(183,078)	(6%)	23%	26%
Selling and Marketing Expenses	(792,532)	(833,528)	40,996	(5%)	(6%)	(7%)
General and Administrative Expenses	(616,032)	(592,951)	(23,081)	4%	(5%)	(5%)
Interest Expense and Other Financing Charges	(17,933)	(7,360)	(10,573)	144%	(0%)	(0%)
Gain on Disposal / Retirement of Noncurrent Assets	470	629	(159)	(25%)	0%	0%
Interest Income	93,579	12,038	81,541	677%	1%	0%
Other Income - Net	1,662,728	63,361	1,599,367	2524%	13%	1%
Income Before Income Tax	3,369,653	1,864,640	1,505,013	81%	26%	15%
Income Tax Expense	837,904	465,155	372,749	80%	6%	4%
Net Income	P2,531,749	P1,399,485	P1,132,264	81%	20%	11%

The Group ended the 1st quarter of 2023 with P12,945 million revenues, up by 3% as compared to same period of 2022. Despite this, gross profit slipped by 6% to P3,039 million from P3,222 million last year driven by the increase in raw materials cost and excise tax rates, partly offset by the price increase implementation.

Interest expense increased to P18 million from P7 million of 1st quarter last year due to the interest expenses of the company's defined benefit plan obligation. On the other hand, interest income grew almost sevenfold to P94 million from P12 million driven by earnings from investment in debt instruments and higher placements with longer maturity and better interest.

Other income posted a significant growth to P1,663 million from P63 million last year primarily from the earnings recognized for the transfer of rights of Don Papa products.

The Group realized an 81% uptick in consolidated net income, reported at P2,532 million from P1,399 million a year ago.

II. FINANCIAL POSITION

Financial Position as of March 31, 2024 vs December 31, 2023

	March	December	Horizontal Analysis		Vertical Analysis	
	2024	2023	Amount	Percentage	2024	2023
ASSETS						
Current Assets						
Cash and cash equivalents	P13,379,333	P9,881,018	P3,498,315	35%	44%	35%
Trade and other receivables - net	1,498,340	1,577,836	(79,496)	(5%)	5%	6%
Inventories	6,697,585	8,083,201	(1,385,616)	(17%)	22%	29%
Prepaid expenses and other current assets	1,099,909	817,344	282,565	35%	4%	3%
	22,675,167	20,359,399	2,315,768	11%	75%	73%
Noncurrent Assets						
Investments in joint ventures	1,500,000	1,500,000	-	0%	5%	6%
Property, plant and equipment - net	5,164,051	5,092,142	71,909	1%	17%	18%
Right-of-use assets - net	42,903	50,778	(7,875)	(16%)	0%	0%
Goodwill - net	126,863	126,863	-	0%	1%	1%
Deferred tax assets - net	542,742	562,775	(20,033)	(4%)	2%	2%
Other noncurrent assets - net	63,790	75,848	(12,058)	(16%)	0%	0%
	7,440,349	7,408,406	31,943	0%	25%	27%
	P30,115,516	P27,767,805	P2,347,711	8%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	P -	P1,000,000	(P1,000,000)	(100%)	0%	4%
Accounts payable and accrued expenses	7,278,365	5,694,109	1,584,256	28%	24%	21%
Income and other taxes payable	2,315,390	1,736,095	579,295	33%	8%	6%
Lease liabilities - current portion	21,667	25,796	(4,129)	(16%)	0%	0%
	9,615,422	8,456,000	1,159,422	14%	32%	31%
Noncurrent Liabilities						
Retirement liabilities	881,185	880,891	294	0%	3%	3%
Lease liabilities - net of current portion	27,543	30,602	(3,059)	(10%)	0%	0%
	908,728	911,493	(2,765)	(0%)	3%	3%
	10,524,150	9,367,493	1,156,657	12%	35%	34%
Equity						
Capital stock	399,063	399,063	-	0%	1%	1%
Additional paid-in capital	2,539,454	2,539,454	-	0%	8%	9%
Equity reserves	(640,050)	(640,050)	-	0%	(2%)	(2%)
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	12%	13%
Unappropriated	17,450,872	16,259,818	1,191,054	7%	58%	58%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	(12%)	(13%)
	19,591,366	18,400,312	1,191,054	6%	65%	66%
	P30,115,516	P27,767,805	P2,347,711	8%	100%	100%

The Group's financial position remains healthy with robust cash levels. Cash and cash equivalents swelled 35% to P13,379 million at the end of the interim period mainly from higher cash sales and higher collection from modern trade accounts.

Trade and other receivables decreased 5% to P1,498 million due to collection of account receivables net of the interest receivable recognized from short-term money market placements.

Inventories at the end of first quarter of 2024 was 17% lower at P6,698 million due to lower finished goods inventory partially offset by the increase in materials and supplies inventory level.

Prepaid expense and other current assets were up by 35% to P1,100 million mainly from the set-up of the Group's retirement contribution plan, increase in prepaid and input taxes, offset by the amortization of insurance premium prepayments, and decrease in derivative assets.

Right-of-use assets decreased 16% to P43 million generally due to depreciation.

Other noncurrent assets amounted to P64 million, a 16% decrease from last year, mainly contributed by amortization and application of supplier's advances.

The Group has fully settled its outstanding short-term loans.

Accounts payable and accrued expenses jumped 28% to P7,278 million driven by the higher taxes payable and set up of dividends.

Income and other taxes payable registered an increase of 33% to P2,315 million as result of higher income taxes and VAT.

The current and noncurrent finance lease liabilities declined by 16% and 10%, respectively, resulting in amounts of P22 million and P27 million primarily due to amortization and reclassification from noncurrent to current.

Financial Position as of March 31, 2023 vs December 31, 2022

	March 2023	December 2022	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	Percentage	2023	2022
ASSETS						
Current Assets						
Cash and cash equivalents	P9,685,218	P5,457,277	P4,227,941	77%	38%	25%
Trade and other receivables - net	1,187,096	1,235,779	(48,683)	(4%)	5%	6%
Inventories	7,021,723	7,003,478	18,245	0%	27%	32%
Prepaid expenses and other current assets	813,268	868,981	(55,713)	(6%)	3%	4%
	18,707,305	14,565,515	4,141,790	28%	73%	67%
Noncurrent Assets						
Investments in joint ventures	1,500,000	1,500,000	-	0%	6%	7%
Property, plant and equipment - net	4,691,721	4,730,803	(39,082)	(1%)	18%	22%
Right-of-use assets - net	86,748	97,751	(11,003)	(11%)	0%	1%
Goodwill - net	126,863	126,863	-	0%	1%	1%
Deferred tax assets - net	509,125	524,963	(15,838)	(3%)	2%	2%
Other noncurrent assets - net	57,449	66,218	(8,769)	(13%)	0%	0%
	6,971,906	7,046,598	(74,692)	(1%)	27%	33%
	P25,679,211	P21,612,113	P4,067,098	19%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	P6,420,792	P5,540,299	P880,493	16%	25%	26%
Income and other taxes payable	2,072,896	719,846	1,353,050	188%	8%	3%
Current maturities of long-term debt - net of debt issue costs	165,739	165,430	309	0%	1%	1%
Lease liabilities - current portion	30,143	32,967	(2,824)	(9%)	0%	0%
	8,689,570	6,458,542	2,231,028	35%	34%	30%
Noncurrent Liabilities						
Retirement liabilities	663,696	635,751	27,945	4%	3%	3%
Lease liabilities - net of current portion	67,970	75,775	(7,805)	(10%)	0%	0%
	731,666	711,526	20,140	3%	3%	3%
	9,421,236	7,170,068	2,251,168	31%	37%	33%
Equity						
Capital stock	399,063	399,063	-	0%	2%	2%
Additional paid-in capital	2,539,454	2,539,454	-	0%	10%	12%
Equity reserves	(415,729)	(415,729)	-	0%	(2%)	(2%)
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	13%	16%
Unappropriated	13,893,160	12,077,230	1,815,930	15%	54%	56%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	(14%)	(17%)
	16,257,975	14,442,045	1,815,930	13%	63%	67%
	P25,679,211	P21,612,113	P4,067,098	19%	100%	100%

Cash and cash equivalents were up by 77% or P4,228 million at the end of 1st quarter 2023 brought about by the implementation of quarterly remittance of VAT and cash received from the transfer of rights of Don Papa products.

Other intangible assets increased by P6 million mainly from the capitalization of computer software while rights-of-use and other noncurrent assets decreased by P11 million and P15 million, respectively, mainly due to depreciation and amortization.

Accounts payable and accrued expenses increased by 16% to P6,421 million from P5,540 of prior year driven by higher excise tax payable and the declaration of 1st quarter dividends.

As a result of the higher taxable income coupled with the effect of the quarterly VAT remittances, income and other taxes payable climbed to P2,073 million from P720 million last year.

Equity

The decrease in equity for the period ended March 31, 2024 and 2023 is due to:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Income during the period	P1,907	P2,532
Cash dividends	(716)	(716)
	P1,191	P1,816

III. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Net cash flows provided by operating activities	P4,546	P4,275
Net cash flows used in investing activities	(45)	14
Net cash flows used in financing activities	(1,009)	(12)

Net cash flows provided by operating activities consist of income before income tax for the period and the effect of changes in current assets and certain current liabilities, including net movement in inventory level.

Net cash flows used in investing activities include the following:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Additions to property, plant and equipment	(P238)	(P61)
Decrease in other noncurrent assets	10	6
Interest Received	183	69

Major components of net cash flows used in financing activities are as follows:

	March 31	
	2024	2023
	<i>(In Millions)</i>	
Payments of:		
Short-term borrowings	(P1,000)	P -
Lease liabilities	(9)	(P12)

The effect of exchange rate changes on cash and cash equivalents amounted to P5.7 million and (P48.6) million for the periods ended March 31, 2024 and 2023, respectively.

IV. KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Group. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II, "Financial Performance" of the Management Discussion and Analysis, for the discussion of certain computed Key Performance Indicators.

KPI	March 31, 2024	December 31, 2023
Liquidity: Current Ratio	2.36	2.41
Solvency: Debt to Equity Ratio	0.54	0.51
Asset to Equity Ratio	1.54	1.51
Profitability: Return on Average Equity	43%	36%
Interest Rate Coverage Ratio	117.31	119.78

KPI	Period Ended March 31	
	2024	2023
Operating Efficiency: Volume Growth	8%	(5%)
Revenue Growth	17%	3%
Operating Margin	15%	13%

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

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

*Annualized for quarterly reporting.

**MINUTES OF THE
REGULAR STOCKHOLDERS' MEETING
OF GINEBRA SAN MIGUEL INC.
May 25, 2023 | Thursday | 2:00 P.M.**

The Regular Stockholders' Meeting of the Company ("Meeting") was conducted via remote communication and livestreamed at the Company's website: <http://www.ginebrasanmiguel.com>. Stockholders of record at the close of business hours on April 21, 2023 were entitled to vote at this Meeting and validated ballots and proxies were considered for purposes of determining the quorum and voting results. These are in accordance with the Notice of the Meeting and the Information Statement of the Company that were distributed to the stockholders and posted in the Company's website and in the PSE Edge.

Directors Present:

Ramon S. Ang – Chairman of the Meeting
Francisco S. Alejo III
Aurora T. Calderon
Leo S. Alvez
Gabriel S. Claudio
Francis H. Jardeleza
Ana Leah V. Rodriguez
Aurora S. Lagman – Independent Director
Martin S. Villarama, Jr. – Independent Director

In attendance:

Ferdinand K. Constantino, SMC Senior Vice President
and Chief Finance Officer
Virgilio S. Jacinto, GSMI Corporate Secretary
and Compliance Officer
Emmanuel B. Macalalag, GSMI General Manager
Cynthia M. Baroy, GSMI Chief Finance Officer
Francis Joseph A. Cruz, GSMI General Counsel
and Assistant Corporate Secretary
Christine Angelica D. Felix, GSMI Associate Legal Counsel
and Assistant Corporate Secretary
Reyna-Beth D. De Guzman, Investor Relations Officer
Arleene C. Yu, Partner, R.G. Manabat & Co.

Management Committee Members:

Noel T. Callanta
Teodorico T. Lasin
Jaime P. Factor
Allan P. Mercado
Eileen C. Miranda
Ronald Rudolf C. Molina
Heinrici D. Legaspi
Saturnino G. Pajarillo, Jr.
Cris Philip S. Marquez
Ariel I. Victoria

I. NATIONAL ANTHEM AND INVOCATION

The Corporate Secretary, Atty. Virgilio S. Jacinto, requested everyone to rise for the singing of the National Anthem and to remain standing for the

Invocation led by Ms. Cynthia M. Baroy, Chief Finance Officer of the Company. Ms. Baroy delivered the invocation.

II. CALL TO ORDER/CERTIFICATION OF NOTICE AND QUORUM

The President, Mr. Ramon S. Ang, acting as Chairman of the Meeting, presided and called the Meeting to order. Atty. Jacinto recorded the minutes of the proceedings.

Atty. Jacinto confirmed that notices were duly sent to the stockholders of record of the Company and that there was a quorum for the meeting.

He notified the assembly that there were present in the Meeting, in person or by proxy, which was validated with the assistance of the Company's stock transfer agent, SMC Stock Transfer Service Corporation, about 80.18% of the outstanding capital stock of the Company. Atty. Jacinto confirmed, for the record, proxies for 80.11% of the outstanding capital stock of the Company were issued in favor of and held by the Chairman, Ramon S. Ang, authorizing him to vote for the election of directors and the approval of all corporate acts that required the conformity of the stockholders as provided in the Agenda of the Meeting. Finally, he stated that voting shall be made in accordance with the procedure set forth in the Information Statement that has been made available in the Company's website and in the PSE Edge.

Atty. Jacinto acknowledged the attendance of the following directors, namely:

1. Francisco S. Alejo III
2. Aurora T. Calderon
3. Leo S. Alvez
4. Gabriel S. Claudio
5. Francis H. Jardeleza
6. Ana Leah V. Rodriguez
7. Aurora S. Lagman – Independent Director
8. Martin S. Villarama, Jr. – Independent Director

He also acknowledged the attendance of the Company's officers led by its General Manager, Mr. Emmanuel B. Macalalag. The presence of the representative of R.G. Manabat & Co., the Company's external auditor for 2022, was also acknowledged.

Atty. Jacinto advised the stockholders that an open forum will follow the presentation of the Annual Report for 2022. He also informed the assembly that questions sent to the Company's dedicated email address for the Meeting will be entertained.

Finally, Atty. Jacinto presented the full Agenda of the Meeting and informed the stockholders that the rationale for each agenda item could be found in the Information Statement.

III. APPROVAL OF THE MINUTES OF THE REGULAR STOCKHOLDERS' MEETING HELD ON May 26, 2022

The Chairman presented the first item in the Agenda which was the approval of the Minutes of the Regular Stockholders' Meeting held on May 26, 2022. He informed the stockholders that a copy of the draft Minutes is attached to the Information Statement and posted in the Company's website.

On motion duly made and seconded and there being no objection, the following resolution was approved by the stockholders present and/or represented:

Resolution No. 2023-05-25-01

“RESOLVED, that the Minutes of the Regular Stockholders’ Meeting of Ginebra San Miguel Inc. held on May 26, 2022, be approved.”

IV. PRESENTATION OF THE 2022 ANNUAL REPORT

The Chairman proceeded to the next item in the Agenda. He requested the General Manager of the Company, Mr. Emmanuel B. Macalalag, to present the Annual Report for 2022.

Mr. Macalalag presented to the stockholders the Company’s Annual Report for 2022. A copy of his report is attached as Annex “A”.

During the open forum, the questions below were raised and answered by Mr. Macalalag.

*From Edwin Tobias of Muntinlupa City
Despite the surge in the prices of basic commodities last year, what contributed to all-time high volumes in 2022?*

Mr. Macalalag responded that what held the Company up were the opening of markets and better mobility as it kept its brands relevant to consumers and continuously expanded its distribution reach. Mr. Macalalag also added that the award-winning ad “Hanggang Huling Patak ng Bagong Tapang” as well as “Choose What’s True” campaign, supported by on-ground executions, pushed the Company’s sales volumes to grow 7% and hit a new record of 44.6 million cases.

*From Alma Mombay of Calamba, Laguna
Nagpapasalamat po ako dahil mataas ang dibidendo na natanggap namin nung 2022. Magpapatuloy pa din po ba ito?*

Mr. Macalalag replied that the Board approved a special dividend of Php 1.75 per common share and a higher regular dividend of Php 0.75 per common share. Thus, a total of Php 2.50 per common share will be received by the stockholders on June 7, 2023. For the coming quarters of 2023, Mr. Macalalag said that the stockholders may expect the continuity of dividend declarations and payments, but of course, this will depend on the Company’s needs to further strengthen and grow its business.

As there were no other questions, a stockholder moved to close the open forum, and to approve and ratify the Annual Report for 2022, as presented.

On motion duly made and seconded, and there being no objection, the following resolution was approved by the stockholders present and/or represented:

Resolution No. 2023-05-25-02

“RESOLVED, that the open forum of stockholders be closed and that the Annual Report for 2022, as presented, be approved.”

V. RATIFICATION OF ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND THE CORPORATE OFFICERS

The Chairman proceeded to the next item in the Agenda, which was the ratification of all acts and proceedings of the Board of Directors and Corporate Officers since the Regular Stockholders' Meeting held on May 26, 2023 until the

date of this Meeting. He informed the assembly that the list of the acts and proceedings for ratification was shown on the screen for reference.

A copy of the list of the acts and proceedings is attached as Annex "B".

On motion duly made and seconded, and there being no objection, the following resolution was approved by the stockholders present and/or represented:

Resolution No. 2023-05-25-03

"RESOLVED, that all acts, resolutions, and proceedings of the Board of Directors and Corporate Officers of the Company since the Regular Stockholders' Meeting held on May 26, 2022 until the date of this meeting, as reflected in the minutes of the meetings of the Board of Directors, as well as financial statements and records of the Company be approved, confirmed and ratified."

VI. ELECTION OF DIRECTORS

The Chairman requested Atty. Jacinto to read the names of the nominees for election to the Board of Directors of the Company for 2023.

Atty. Jacinto informed the assembly that the qualifications of the nominees were evaluated and favorably recommended to the Board by the Corporate Governance Committee during its meeting held on March 8, 2023. He added that the names of the nominees were included in the Information Statement and presented on the screen. The nominees are as follows, namely:

1. Mr. Ramon S. Ang
2. Mr. Francisco S. Alejo III
3. Ms. Aurora T. Calderon
4. Mr. Leo S. Alvez
5. Mr. Gabriel S. Claudio
6. Mr. Francis H. Jardeleza
7. Ms. Ana Leah V. Rodriguez
8. Ms. Aurora S. Lagman – Independent Director
9. Mr. Martin S. Villarama, Jr. – Independent Director

Atty. Jacinto also informed the stockholders that the Information Statement provides that the nominees for election as independent directors of the company are Aurora S. Lagman and Martin S. Villarama, Jr. This is in accordance with the mandatory requirement of the Securities and Exchange Commission for the election of independent directors.

A stockholder moved that balloting be dispensed with and that all the nominees be considered unanimously elected as Directors of the Company. The motion having been duly made and seconded, and there being no objection, the following resolution was approved by the stockholders present and/or presented:

Resolution No. 2023-05-25-04

"RESOLVED, that balloting be dispensed with and the nominees presented earlier be considered unanimously elected as Directors of the Company"

The Chairman, on behalf of Management, welcomed the newly-elected Directors of the Company and said that their expertise would be of great help to the Company and its success.

VII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman proceeded to the next item in the agenda, which was the appointment of External Auditor, and requested the Corporate Secretary, to present the recommendation of the Audit and Risk Oversight Committee (the “Committee”) on the matter.

Atty. Jacinto informed the stockholders that after deliberation and evaluation by the Committee, during its meeting on March 8, 2023, the Committee favorably recommended the reappointment of the auditing firm of R.G Manabat & Co. as the External Auditor of the Company for the fiscal year 2023.

The Chairman requested Director Martin S. Villarama, Jr. to confirm the appointment of the External Auditor, and Director Villarama confirmed the recommendation.

On motion duly made and seconded, and there being no objection, the following resolution was approved by the stockholders present and/or represented:

Resolution No. 2023-05-25-05

“RESOLVED, that the auditing firm of R.G. Manabat & Co. be designated as External Auditor of the Company for the fiscal year 2023.”

VIII. ADJOURNMENT

The Chairman asked if there were any other matters or business that the stockholders intend to present to the assembly. No other matters were presented during the meeting.

On motion duly made and seconded and there being no objection, the following resolution was approved by the stockholders present and/or represented:

Resolution No. 2023-05-25-06

“RESOLVED, that the 2023 Regular Stockholders’ Meeting of the Company be adjourned.”

A copy of the voting results is attached as Annex “C”.

ATTESTED BY:

RAMON S. ANG
President and
Chairman of the Meeting

VIRGILIO S. JACINTO
Corporate Secretary

Annex “A”

2022 ANNUAL REPORT TO THE STOCKHOLDERS

Fellow stockholders, ladies, and gentlemen, good afternoon.

Ginebra San Miguel Inc. turned in another record performance in 2022, setting an all-time high sales volume for the 2nd consecutive year at 44.6 million cases, and retaining our market leadership position in the local hard liquor industry.

By any measure, this is a remarkable feat considering all the challenges of the post-pandemic recovery, rising food costs and falling wages, the war in Ukraine, and the impact on the supply chain. While we sustained our volume growth, our margins suffered. Higher fuel prices and the peso depreciation significantly raised our input costs, particularly in the second half of the year.

To overcome the worsening cost of living and fall in disposable incomes affecting our core market, we leaned on the strength of our brands to drive volume growth. Advertising and on-ground activations were intensified to help maintain our brands' connection to consumers. At the same time, we also doubled up our efforts to expand distribution coverage.

Instrumental to our success was brand Ginebra San Miguel's thematic campaign “Hanggang Huling Patak ng Bagong Tapang.” Its themes of courage and determination resonated well with consumers and persuaded consumption to help the brand grow 4% from the year before. The campaign was recognized by the Catholic Mass Media Awards and named Best TV Ad for 2022, and Best Digital Ad for the third straight year.

In the VisMin regions, our well-received consumer promo, “Kusog Kulafu Buenas Grasya” and new thematic campaign, “Lakas Ka Namo” helped Vino Kulafu deliver a strong recovery, with a robust 9% volume growth over the previous year.

GSM Blue emerged as a major source of growth for the company, generating a 64% surge in volumes year-on-year. Meanwhile, Primera Light brandy continued to build a strong consumer following, as volumes rose 37% from the previous year. The success of both brands can be attributed to greater brand awareness and the many localized activations we implemented all year round.

With these critical programs helping sustain volume growth and selling prices raised starting in February, consolidated sales reached Php 47.3 billion, 11% more than the previous year. Gross Profit was at Php 11.5 billion, 7% above the prior year.

Selling and admin expenses of Php 5.5 billion were kept the same. As a result, income from operations was higher by 13% at Php 6 billion.

Our net income settled at Php 4.5 billion, a healthy 9% increase and our highest ever to date – though mark-to-market losses already tempered this due to the peso's depreciation against the US dollar.

The post-pandemic recovery notwithstanding, many of the challenges we faced in 2022 are still very much present. As mentioned earlier, we continue to bear the impacts of the war in Ukraine and the rapid increase in energy costs. High inflation from last year continues to pressure margins, as does the excise tax hike that took effect in January this year.

To protect and improve margins, we raised prices earlier this year, resulting in a slight volume dip. Adjusting the timing of our price increase earlier meant that the selling period this year, using old prices, was 15 days fewer compared to the same quarter last year.

As a result, sales volume in the first two months of 2023 was 11% lower than last year's. Nevertheless, launching our “Ngiting Instanalo” consumer promo helped March volumes rebound quickly, narrowing down the deficit to 5% at the end of the first quarter, closing at 11.5 million cases.

With higher prices, sales in the first quarter amounted to Php 12.9 billion, 3% better than in the same period last year, still, income from operations of Php 1.6 billion was 9% lower than the prior year.

Net Income, however, was substantially higher at Php 2.5 billion, an 81% increase from 2022 because of a Php 1.1 billion one-time income from the transfer of GSMI's rights on Don Papa to a wholly-owned subsidiary of Diageo.

On behalf of management, we extend our gratitude to our Board of Directors whose guidance we depend on and to our employees, partners, and customers for helping us overcome many obstacles together. We reserve our greatest thanks to you, our stockholders, for your continued trust and unwavering support.

Maraming salamat po at isang magandang hapon po sa inyong lahat.

Annex “B”

Acts and Proceedings of the Board of Directors and Corporate Officers for Ratification by the Stockholders:

1. Election of officers, chairpersons and members of the Board Committees and Lead Independent Director of the Company
2. Designation and approval of depository banks, authorized signatories and limits for corporate transactions of the Company with the depository banks
3. Promotion of Mr. Emmanuel B. Macalalag, General Manager, from Vice President to Senior Vice President
4. Approval of the Amendments to the General Board Resolution of the Company
5. Approval of the material related party transactions of the Company for 2023
6. Approval of the audited separate and consolidated financial statements of the Company for 2022
7. Approval of the 2023 Budget
8. Declaration of regular and special dividends to holders of common shares of the Company
9. Approval of the SEC Form 17-Q (Quarterly Reports) of the Company for 2022
10. Approval of the recommendation of the Audit and Risk Oversight Committee to appoint R. G. Manabat & Co. as External Auditor of the Company for fiscal Year 2023
11. Approval of the recommendation of the Corporate Governance Committee to present the nominees for Directors of the Company for election by the stockholders during the Regular Stockholders’ Meeting to be held on May 25, 2023
12. Approval of the authority to the Compliance Officer to accomplish and submit the Company’s 2022 SEC Form Integrated Annual Corporate Governance Report (I-ACGR)
13. Approval of the Schedule and Agenda of the 2023 Regular Stockholders’ Meeting; and
14. Approval of SEC Form 17-Q (Quarterly Report) of the Company for the 1st Quarter of 2023

Annex "C"

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Ginebra San Miguel Inc.
PROXY VOTING MODULE
Stockholders' Meeting Vote Canvassing Results

PAGE 1

NOM. NO.	NOMINEE	VOTES
1	RAMON S. ANG	229,129,968
2	FRANCISCO S. ALEJO III	228,604,230
3	LEO S. ALVEZ	228,428,440
4	AURORA T. CALDERON	228,428,440
5	GABRIEL S. CLAUDIO	228,604,230
6	FRANCIS H. JARDELEZA	228,604,230
7	ANA LEAH V. RODRIGUEZ	228,428,440
8	AURORA S. LAGMAN	229,174,098
9	MARTIN S. VILLARAMA	229,205,438
Total votes registered		2,064,431,052
Total votes counted for election of board nominees		2,058,607,514
Total uncast votes for election of board nominees		5,823,538

RES. NO.	RESOLUTION	SHARES VOTED	% TO TOTAL O.S.
2	Approval of the Minutes of the Regular Stockholders' Meeting held on May 26, 2022	229,381,228	80.111%
	For	229,381,228	80.111%
	Against	0	0.000%
	Abstain	0	0.000%
3	Presentation of the Annual Report of the Company for the year ended December 31, 2022	229,381,228	80.111%
	For	229,381,228	80.111%
	Against	0	0.000%
	Abstain	0	0.000%
4	Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers	229,381,228	80.111%
	For	229,345,998	80.099%
	Against	0	0.000%
	Abstain	35,230	0.012%
5	Appointment of R.G. Manabat & Co. as External Auditor of the Company for 2023	229,381,228	80.111%
	For	229,381,228	80.111%
	Against	0	0.000%
	Abstain	0	0.000%

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Ginebra San Miguel Inc.
PROXY VOTING MODULE
Stockholders' Meeting Vote Canvassing Results

PAGE 2

SUMMARY REPORT		% TO TOTAL O.S.
OUTSTANDING COMMON SHARES	286,327,841	
OUTSTANDING PREFERRED SHARES	0	
TOTAL OUTSTANDING SHARES AS OF RECORD DATE	286,327,841	
TOTAL SHARES IN ATTENDANCE :		
Attending proxy assignees	229,381,228	
Attending stockholders	195,510	
	229,576,738	80.180%
LESS :		
Invalidated / knocked-off / Uncast shares - Proxy Assignees	0	
Knock-off by attending stockholder	0	
Invalidated shares - Stockholders	0	
Uncast shares of stockholders	195,510	
TOTAL SHARES/VOTES COUNTED	229,381,228	80.111%

NOTE:

Total no. of stockholders in attendance 17
Total no. of stockholder with ballots 0

*** END OF REPORT ***