

# Iba ang tapang ng Pilipino

## Kabayani Kita

2024 Annual Report



**GINEBRA**  
**SAN MIGUEL**  
SINCE 1834





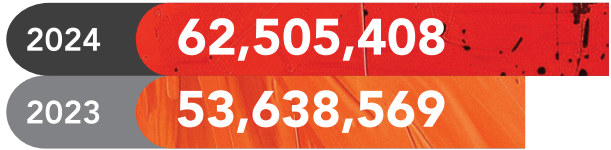
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# Financial Highlights

in thousand pesos, except per share data

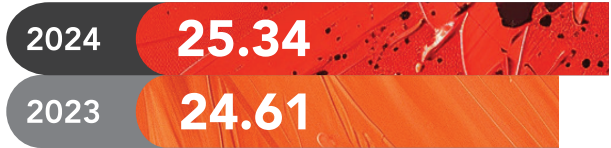
## Net Revenue



## Net Income



## Basic Earnings Per Share\*



## Stockholders' Equity



## Stockholders' Equity Per Share\*



\*Based on the number of shares outstanding at the end of each year





## Message to Stockholders

Fellow Stockholders,

In 2024, our company, Ginebra San Miguel Inc., maintained its momentum and marked its 11th consecutive year of growth, surpassing the 50-million-case milestone for the first time and capturing a larger share of the local liquor industry.

With record-high volumes and favorable selling prices, sales revenue surged to ₱62.5 billion, up 17% from the previous year. Income from operations of ₱8.6 billion exceeded the prior year by 26%, despite a slight uptick in selling and administrative expenses from market development initiatives. Ultimately, we posted a record net income of ₱7.3 billion for the year, up 3% from 2023. Excluding the one-time income from the sale of Don Papa's rights in the previous year, net income would have improved by 23%.

Clearly, the strong equity of our brands built over many years and our strategies to increase market penetration have proven effective in sustaining our success.

Ginebra San Miguel's "Lamang ang May Tapang" thematic campaign, which highlighted the inherent courage of Filipinos, resonated strongly with consumers. The campaign also won the award for Best Branded TV Ad at the Catholic Mass Media

Awards, contributing to an 8% increase in sales and further enhancing our market share in the Visayas and Mindanao regions.

Meanwhile, GSM Blue remained a favorite among young drinkers. The brand posted an 11% increase in volume, due in part to its popular and catchy "Choose What's True" ad campaign.

Our Ginumanfest concert series, caravans, on-premise sampling, and other on-ground activities further boosted awareness and consumption of our gin brands.

Vino Kulafu rebounded from a decline in the previous year, achieving a 17% increase in volumes, thanks to its new "Kul-disyon sa Naay Ambisyon" advertising campaign. Primera Light Brandy also demonstrated strong performance, with a double-digit volume increase compared to the previous year.

Given all this, we've started 2025 on a strong footing. Throughout the year, we will continue to pursue our long-term strategic goals: market dominance and supply chain efficiency. We aim to achieve both through consistent and disciplined execution in all areas of our operations.

Marketing programs will be tailored to ensure our brands remain relevant and attuned to consumer sentiments. They will be highly visible and utilize both traditional and social media platforms to help ensure that our brands are top-of-mind for consumers.

This year's campaign theme, "Kabayani Kita Sa One Ginebra Nation," aims to strengthen the existing connection between consumer and our flagship brand Ginebra San Miguel. Furthermore, successful campaigns will continue to be refined and enhanced to increase market share and consumption. Experiential marketing through concerts, year-round localized activations, and consumer promotions will complement our above-the-line campaigns.

We are also expanding our distribution with the help of our trade partners. We will continue to recruit more dealers, activate new selling routes, and deploy our market development teams in high-potential areas to bring our products closer to more consumers.

To improve supply chain efficiencies, support volume growth and profitability, we will prioritize installing modern lines at two of our largest bottling facilities. Mechanizing our bottle-washing operations and enhancing our distillery's port accessibility are also among our key objectives.

We thank our fellow stockholders for your continued support throughout this busy but remarkable year. While we anticipate market conditions to be no less challenging this year, we remain highly motivated and determined to sustain our growth in 2025 and beyond.

  
**Ramon S. Ang**  
President

  
**Cynthia M. Baroy**  
OIC – General Manager





# A Spirit Like No Other: 190 Years of Ginebra San Miguel

In 2024, Ginebra San Miguel Inc. (GSMI) celebrated a legacy that transcends time – 190 years of crafting gin that has become an integral part of Filipino culture. This milestone, celebrated on World Gin Day, embodies the brand's history and its enduring spirit of resilience, innovation, and community connection.

At the heart of Ginebra San Miguel's story is a commitment to quality and excellence that has stood strong through the test of time. From its humble beginnings in a small distillery in Quiapo, Manila, Ginebra San Miguel has grown to symbolize more than just a drink as it represents the rich narrative of the Philippines itself. It has stood as a steadfast companion through two world wars, the terms of 17 Philippine Presidents, and the country's journey through triumphs and trials.

The celebration at Novotel Manila Araneta City was more than an anniversary event; it was a homage to the culture of gin—a celebration of camaraderie that Ginebra San Miguel inspires among friends and family. The vibrant atmosphere reflected the shared appreciation for a brand that has brought people together across generations.



*Historical memorabilia on display at the "Art of Gin" exhibit in celebration of Ginebra San Miguel's 190 years.*

Central to the festivities was "The Art of Gin," an immersive exhibition in three thematic sections that captured the essence of Ginebra San Miguel's 190-year journey.

This anniversary is a reminder of the shared memories that gin brings and the communal experiences it creates. Ginebra San Miguel is not just a part of history; it continues to write its story, infusing every moment with a spirit of celebration that resonates deeply in the hearts of the Filipino people.

## OriGINs: Tracing a Storied Heritage

The exhibit commenced with OriGINs, offering a rich historical account of the brand's beginnings and milestones. A film historian narrated the story behind the brand's early production methods and packaging, with actors portraying key figures from the past.

Visitors were introduced to the damajuana, a large, narrow-necked glass container wrapped in wicker or rattan, used in the 1800s to transport gin. Imported from China and Mexico, these containers held up to 60 liters and were favored at gatherings of the elite insulares and peninsulares, reflecting gin's exclusivity during those times.

By the 1930s, the Frasco or cuatro cantos (square glass bottles) replaced the damajuanas. Smaller in size and imported from Europe and the U.S., these bottles – around 700 ml to a liter – marked the beginning of gin's broader appeal. Modern distillation equipment from France boosted efficiency and output, while vast nipa plantations ensured an abundant supply of raw materials.



Crucial to this transformation was Anacleto del Rosario, a renowned Filipino chemist who, in 1879, developed a process to purify alcohol and improve its flavor. His innovation helped bring gin to the masses, shaping Ginebra as a brand that balanced quality with affordability.

The 1950s saw the arrival of the Bilog—a more compact 350 ml bottle—featuring the now-iconic image of St. Michael the Archangel defeating the devil, sketched by Fernando Amorsolo in 1917. By the 1960s, Ginebra introduced the Frasquito, a resealable, smaller version of the Frasco, further demonstrating the brand's responsiveness to evolving consumer needs.





Traditional copper stills have been used in production since the 1800s and remain in use today.

### GINnovations: Evolving with the Times

GINnovations showcased Ginebra San Miguel's technological evolution and product innovation. From the use of traditional copper stills to modern distillation, the brand's pursuit of excellence, quality, and efficiency has never wavered.

Attendees explored GSMI's growing product range: from GSM Blue, a lighter, fruitier gin, to the refined GSM Premium Gin and the heritage-inspired 1834 Premium Distilled Gin. These offerings reflect a brand that evolves with the times while staying rooted in tradition.

A highlight of the exhibit was the unveiling of the Archangel Reserve—a 90-proof, limited-edition dry gin distilled in copper pot stills and presented in an elegant emerald green bottle. This commemorative release blended craftsmanship with storytelling, symbolizing the harmony of legacy and innovation that defines the brand's storied journey.



From historical artifacts to pop culture items, the exhibit features a range of memorabilia, catering to the guests' diverse tastes.

### ImaGINations: Bannering the Filipino Spirit

The final section, ImaGINations, celebrated Ginebra San Miguel's enduring cultural impact through a vibrant variety show format that blended nostalgia, entertainment, and storytelling.

From its iconic Calendar Girls and memorable advertising campaigns to its presence at countless milestones in Filipino life, Ginebra has become more than a beverage—it's a symbol of togetherness, resilience, and Filipino pride. Whether in quiet moments or jubilant celebrations, no occasion is complete without a bottle or shot of Ginebra San Miguel.

The event featured energetic performances from SPIT Manila, the country's premier improv group, and rapper Nik Makino, who brought music and charisma to the stage. An auction of vintage Ginebra collectibles, led by Boss Toyo of Pinoy Pawnstars, gave guests a chance to take home a piece of the brand's living history.



To cap off the event and further strengthen its connection with today's generation, GSMI introduced its new Gin-Is-In ambassadors. These personalities personify the many facets of Ginebra's



Gin enthusiasts, the media, and other guests gather at the exhibit outside the World Gin Day celebration venue to explore and appreciate all things gin.

modern identity – Boss Toyo represents the street-smart, approachable character of the brand; Atty. Oliver Moeller lends a touch of clarity and sophistication; while actress-singer Mikee Quintos reflects the brand's adaptability and wide appeal. Together, they reflect the many facets of Ginebra—modern, timeless, and genuinely Filipino.

In its 190th year, Ginebra San Miguel reminds Filipinos why it remains the nation's drink of choice—a symbol of celebration, resilience, and national pride. Through challenging times and countless toasts, Ginebra endures—a faithful companion of the Filipino story. Always present. Always embodying the never-say-die spirit!





# Kabayani Kita: Everyday Heroes, Timeless Spirit



Heroism is not all about grand gestures or what we see on social media. In our daily lives, it is often manifested through simple acts of kindness, compassion, and courage. Embracing this idea, Ginebra San Miguel Inc. (GSMI) launched its 2025 campaign, "Kabayani Kita sa One Ginebra Nation," as a heartfelt tribute to the everyday heroes who make our lives—and our world—a better place.

Launched at the turn of the year across digital platforms, TV, and radio, "Kabayani Kita" deepened GSMI's connection with the Filipino people. It captured modern-day heroism—uncelebrated yet impactful, ordinary yet transformative—reinforcing

GSMI's enduring commitment to values like malasakit, pakikiisa, and the "never-say-die" spirit.

At its core, the campaign championed the idea that heroism lives in simple acts: a nurse tending to a stranger, a jeepney driver checking on a passenger, or a young teacher helping a senior citizen with basic education. These small, selfless moments create quiet ripples of change, inspiring others and strengthening communities.

Told through relatable stories set in familiar community (or barangay) settings, the campaign's narratives showcased authentic, heartfelt interactions. One poignant story follows a nurse whose spontaneous act of care for an injured player unknowingly inspires him to pursue a life of service. Each story highlights a powerful truth: one small act of kindness can ignite many more.

True to the brand's character, "Kabayani Kita" honors the everyday hero in each Filipino. It emphasizes that being a hero isn't about perfection or grandeur, but about doing something meaningful for someone else—even without recognition or expecting anything in return.

The campaign was introduced through a private screening attended by media and digital content creators, who gained behind-the-scenes insights into the creative process. Online engagement quickly followed, resonating deeply with GSMI's core audience: hardworking Filipinos whose daily experiences mirror the stories portrayed.

"Kabayani Kita" continues GSMI's tradition of culturally resonant and socially relevant campaigns, following a successful lineup that includes "Ginebra Ako" (2018), "One Ginebra Nation" (2019), and "Bagong Tapang sa One Ginebra Nation" (2020) during the pandemic years. These campaigns have not only strengthened brand affinity but also reflected the Filipino journey, highlighting both collective struggles and shared triumphs.

GSMI's excellence in brand storytelling was affirmed when its 2024 campaign, "Lamang ang May Tapang," won Best TV Ad-Branded at the 46th Catholic Mass Media Awards (CMMA), marking a third consecutive victory in the category. Similarly, "Huling Patak ng Bagong Tapang" earned an Award of Excellence at the 20th Philippine Quill Awards, highlighting GSMI's reputation for impactful and meaningful brand communication.



Flagship brand Ginebra San Miguel has received awards from the Catholic Mass Media and the Philippine Quill for its campaigns "Lamang ang May Tapang" and "Hanggang Huling Patak ng Bagong Tapang," respectively.





## Celebs Bring New Vigor

With a blend of talent, charisma, and authenticity, GSMI ushers in 2025 with a vibrant lineup of brand ambassadors who capture the brand's spirit of versatility, strength, and realness.

During the World Gin Day celebration at Novotel Manila, GSMI introduced rapper and host Boss Toyo, Cebu-based heartthrob lawyer Atty. Oliver Moeller, and GMA Sparkle talent and content creator Mikee Quintos as the faces of the "Gin-Is-In" campaign. Together, they bring to life the unique qualities of gin—"cool, clear, and versatile."

Adding star power to the brand's roster, Asia's Limitless Star Julie Anne San Jose was unveiled as the 2025 Ginebra San Miguel Calendar Girl. Expressing her gratitude, Julie Anne said, "I feel happy and grateful to be a part of the Ginebra San Miguel family as the 34th Calendar Girl. It's truly an honor to represent a brand that has collaborated with exceptional women throughout the years."



Across six themed layouts, she captured the strength, versatility, and beauty that define the Ginebra spirit—from ethereal goddess scenes to regal portraits set in nature. Julie Anne also served as GSMI's muse during the PBA Opening Ceremony, expanding the brand's reach to new fans and solidifying its bond with Filipino sports and culture.



Gabbi Garcia is GSM Blue's brand ambassador for its latest campaign, "Choose Your True."

Another talent who continues to shine bright, actress and host Gabbi Garcia debuts as GSM Blue's newest brand ambassador for the "Choose Your True" campaign. A longtime fan of GSM Blue, Gabbi resonated with the brand's core values of authenticity and realness. Through a series of videos focusing on family, love, and career, Gabbi inspires a new generation to make choices anchored in truth, confidence, and passion. She says: "GSM Blue is all for realness and authenticity, and even though I have a lot of things on my plate, I always make sure to remain grounded and true to myself."

## Campaigns Attract New Markets

With a strategic focus on growth and relevance, GSMI has successfully attracted new markets through dynamic campaigns that blend authenticity, ambition, and innovation.

Primera Light Brandy captured the spirit of aspiration and achievement through its new campaign, "Dahil Primera Klase Ka!" Rising basketball star Dwight Ramos was introduced as the new face of the brand, embodying the message that success comes



Rising basketball star Dwight Ramos is the latest brand ambassador for Primera Light Brandy, promoting its new campaign, "Dahil Primera Klase Ka!"

from hard work and dedication. The campaign struck a powerful chord, generating 38 million total views on social media—surpassing the 30 million target—and driving strong organic engagement.

In the campaign, Dwight is seen enjoying a Primera Klaseng night with Ginebra players Japeth Aguilar, Jeremiah Gray, Von Pessumal, and Ralph Cu. Primera Light Brandy is the drink of choice for those who give their best every day and reward themselves in style.

GSM Blue also broadened its appeal by tapping popular PPop girl group D1ONE to launch the new GSM Blue Lychee Martini variant. Vibrant, youthful, and energetic, the campaign connected with a younger audience, with its video titled "Ganap na Sarap with GSM Blue Lychee Martini" reaching 8.9 million total views on YouTube and 29.5 million views on Facebook.

Vino Kulafu, meanwhile, stayed true to its local roots with the release of "Kul-Disyon Sa Naay Ambisyon (Ipanumpa Ko 2.0)," a modern reworking of a popular Visayan song performed by Vispop band Oh! Caraga. The anthem, translated in English as "Kul-Disyon for those with Ambition (My Oath 2.0)," celebrates the hard work and passion among the brand's regional consumers.

As the country's leader in the Chinese wine category, Vino Kulafu's exceptional quality continued to receive global recognition, earning a Gold Medal at the 2024 Spirits International Prestige (SIP) Awards, a Gold Quality Award from Monde Selection, and an International High Trophy at the International Wine and Spirits Competition (IWSC) for securing three consecutive Golds.

## Products Engage New Audiences

Expanding its product portfolio for a new generation, GSMI launched Freedom Island Light Rum. Crafted at 55 proof with 12-year-aged rum and natural ingredients from Negros, the new rum captures the bold, playful spirit of Generation Z. Smooth, rich, and effortlessly enjoyable, it reflects the values of freedom, authenticity, and celebration.



Archangel Reserve is Ginebra San Miguel's latest creation — a 90-proof premium dry gin bottled in an iconic emerald green one-liter Frasco bottle commemorating the brand's 190-year heritage.

Elevating its premium offerings, GSMI introduced the Ginebra San Miguel Archangel Reserve, a super-premium dry gin crafted from six select botanicals distilled in traditional copper stills. Bottled in a distinctive emerald green one-liter Frasco and featuring the image of St. Michael the Archangel, it is a tribute to GSMI's 190-year gin-making heritage.



The Archangel Reserve stands as a symbol of GSMI's dedication to craftsmanship and sophistication, expanding its premium gin lineup alongside 1834 Premium Distilled Gin.

The 1834 Premium Distilled Gin continues to impress a wider audience, even the most sophisticated gin aficionados. At the 2024 Manila Gin Festival, GSMI's 1834 Premium Distilled Gin proved that heritage and innovation can go hand in hand. Proudly Filipino in flavor and story, 1834 impressed gin enthusiasts with its calamansi and sampaguita infusion, culminating in playful and uniquely Filipino cocktails such as the "Adobo Gin and Tonic" and the "Sol Delas Islas."

At the end of the two-day festival, the 1834 Premium Distilled Gin was ultimately voted 2nd Runner-Up for Most Popular Gin, making it the only local label to rank alongside top global brands. 1834 Premium Distilled Gin is a testament to the enduring excellence of Filipino craftsmanship and GSMI's commitment to creating proudly local yet globally competitive products.

#### Packaging Made Sustainable

Since 2021, the company has been moving toward greater sustainability, introducing improvements in its products' packaging.

GSMI's commitment to sustainability took a significant step forward last year with Vino Kulafu. By having a smaller cap seal on its 350mL bottles, the company reduced its plastic usage by nearly 50 percent—saving approximately 11 metric tons of plastic annually.

GSMI also completed its transition to pourer-free bottles for all products in its portfolio with the roll-out of Primera Light Brandy (750 mL) in new packaging. Earlier, the company eliminated the use of plastic pourers from its GSM Blue line of products.

Additionally, new products such as GSM Premium Gin and Freedom Island Light Rum were launched without plastic pourers.



Moving forward, GSMI has once again demonstrated a multifaceted approach to marketing—blending cultural initiatives, strategic partnerships, and community-centric events. The "Kabayani Kita" campaign exemplified the company's dedication to social responsibility, inspiring Filipinos to embrace everyday heroism. Collaborations with prominent personalities and young talents brought fresh energy to the brand, while various events showed GSMI's commitment to celebrating and elevating the gin-drinking experience.

The true spirit of bayanihan and community that Ginebra San Miguel has championed for 190 years continues to live on!

## Product Portfolio

GSMI takes pride in producing world-class products that deliver exceptional quality and taste, earning awards from around the globe. As a leader in the distilled spirits industry, we have expanded our portfolio to include a diverse range of brands, each crafted to meet the evolving preferences of today's consumers. This makes GSMI the ideal choice for every celebration and special moment.



**Ginebra San Miguel**

Hari 1 L

Frasco 700 mL

Frasquito 350 mL

Round 350 mL

Angelito 250 mL





**Ginebra San Miguel**  
**Archangel Reserve Premium Dry Gin**  
 1 L



**1834 Premium Distilled Gin**  
 750 mL





**GSM Premium**  
750 mL



**GSM Blue Mojito**  
1 L Coolitro  
700 mL

**GSM Blue Margarita**  
**GSM Blue Gin Pomelo**  
**GSM Blue Lychee Martini**  
**GSM Blue Light Gin**  
700 mL





**Vino Kulafu**  
Long Neck 700 mL  
Classic 350 mL



**Primera Light Brandy**  
Sulitro 1 L  
750 mL





**Freedom Island Light Rum**  
750 mL



**Antonov Vodka**  
700 mL





**San Miguel Ethyl Alcohol**

20 L Carboy

1 Gallon

1 L

500 mL

250 mL



# Sustainability Highlights

**In this section:**

Introduction

Our Value Chain

Our Stakeholder Engagement

Our Materiality Assessment

Doing our part in UNSDG

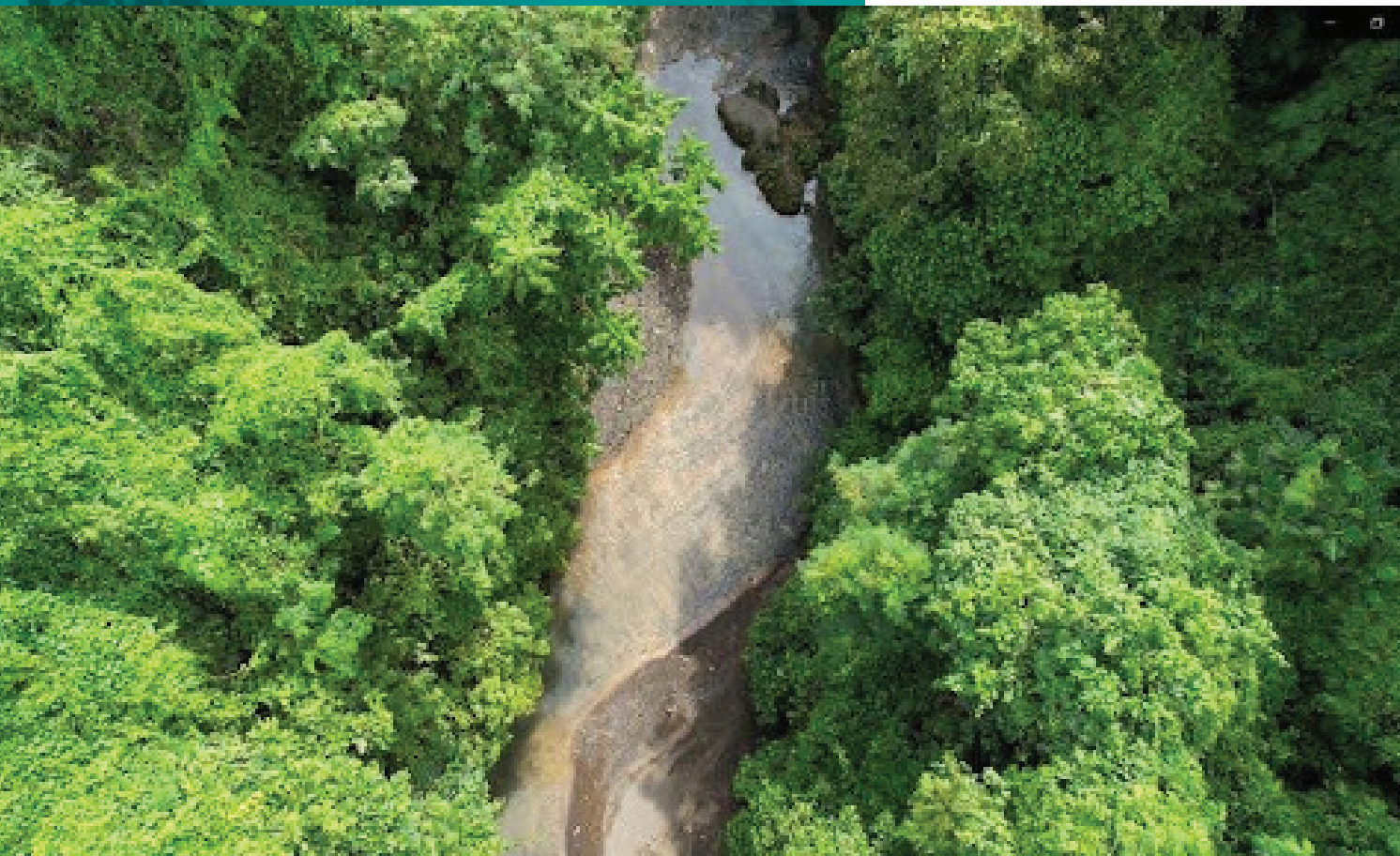
Environmental Stewardship

Social Engagement

Moving Forward Statement



# Our Sustainability Commitment



**Spirit of sustainability and 'malasakit' in every product we create.**

***Patuloy na protektahan at pangalagaan ang kabuhayan, kapwa at kalikasan.***

# Introduction

As we mark our 190th anniversary, we reflect on our rich history and the journey that has shaped us into the company we are today. This milestone provides an opportunity to assess our progress, from our foundational values to our ongoing goals. We remain steadfast in our commitment to sustainability, guided by principles of environmental responsibility, social stewardship, and ethical governance. Our focus is clear: to shape a future that respects our heritage while driving positive change for the generations to come.

This section highlights our ongoing efforts to strengthen and integrate sustainability across all areas of our organization—spanning operations, relationships with customers, suppliers, employees, and communities. It details our economic, social, and environmental performance in comparison to the previous year and highlights the initiatives we've undertaken. These initiatives not only contribute to our parent San Miguel Corporation's overall sustainability targets but also align with the United Nations Sustainable Development Goals (UNSDGs).

The metrics in this report are presented in accordance with the Global Reporting Initiative (GRI) standards. It covers the following domestic entities: Ginebra San Miguel Inc. (GSMI), Distileria Bago Inc. (DBI), East Pacific Star Bottlers Phils Inc. (EPSBPI), Agricrops Industries Inc. (Agricrops).

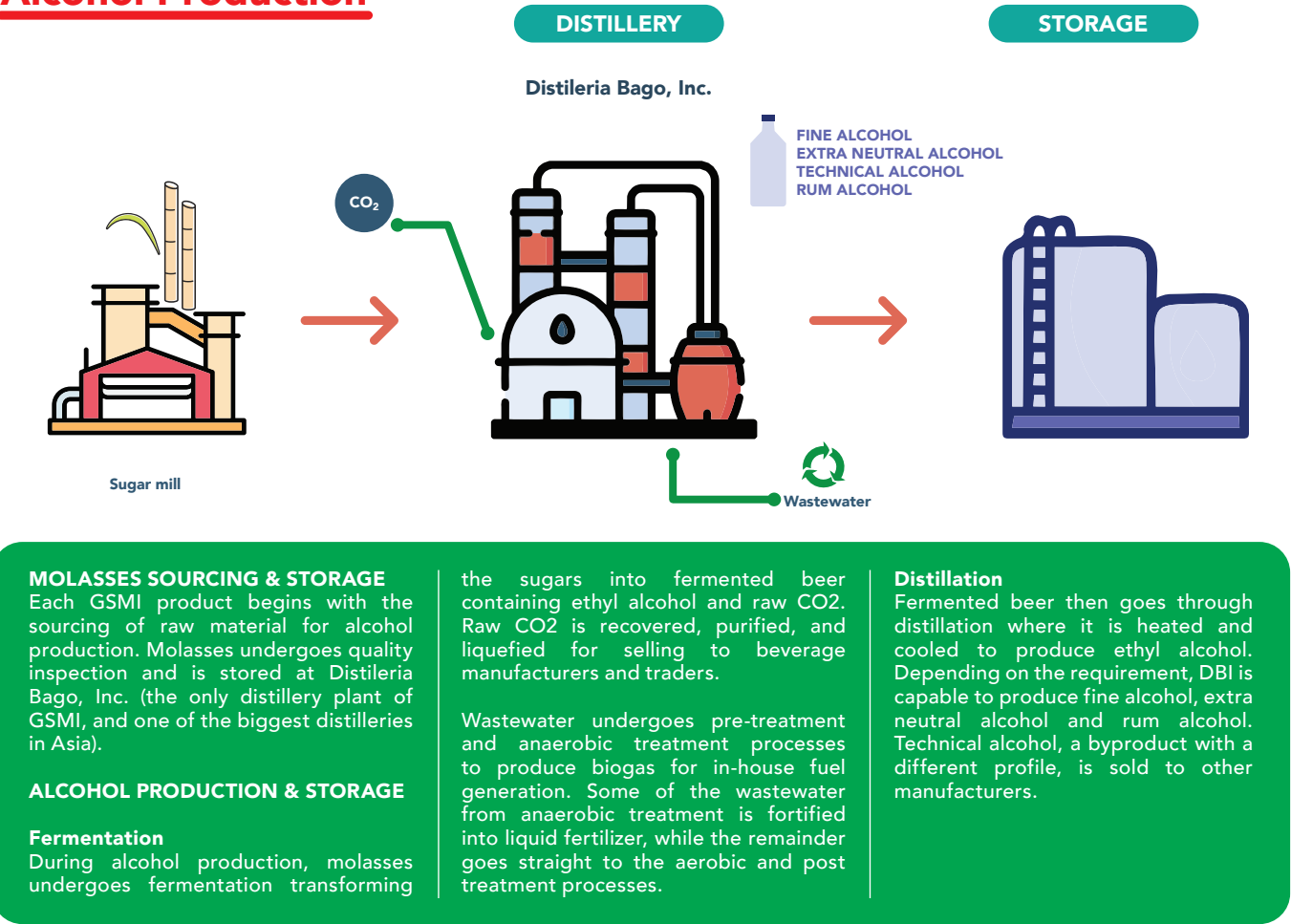
Our unwavering commitment to sustainability continues to inspire innovation, foster collaboration, and propel us towards a future where environmental responsibility and economic success are mutually reinforcing.

For us, every drop of alcohol symbolizes not only our legacy but also our enduring commitment to the planet, our people, and future generations.

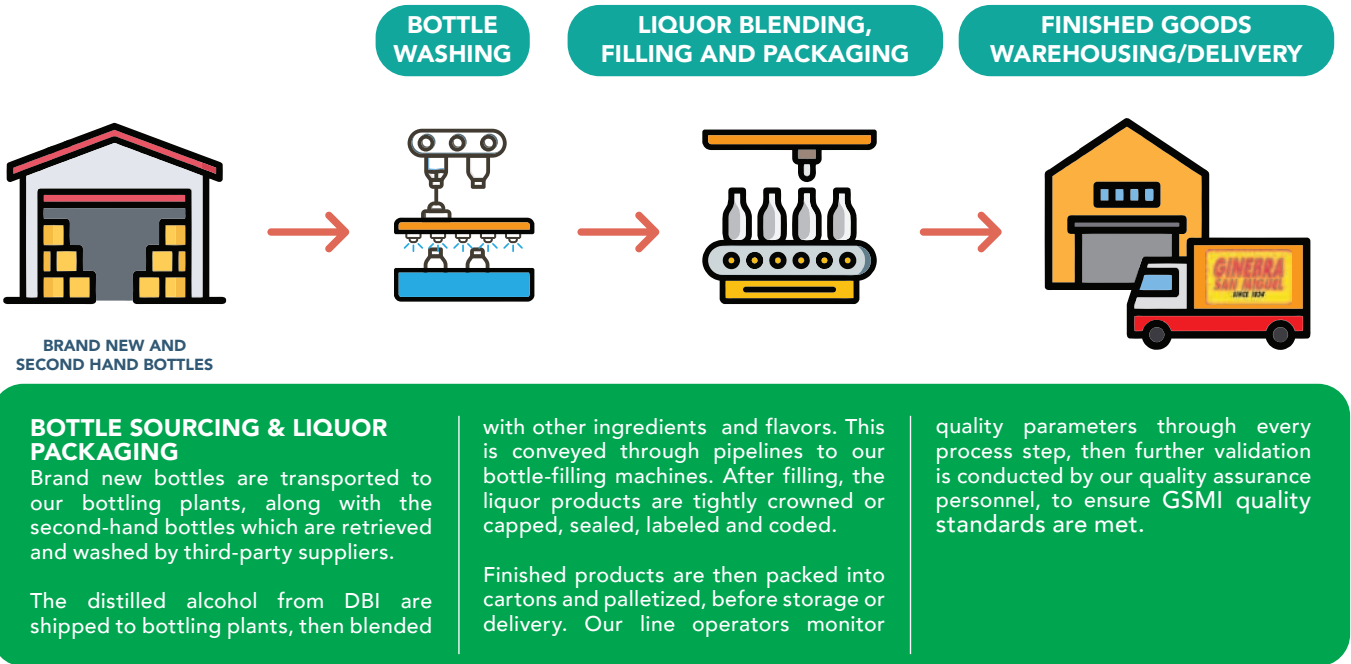


# Our Value Chain

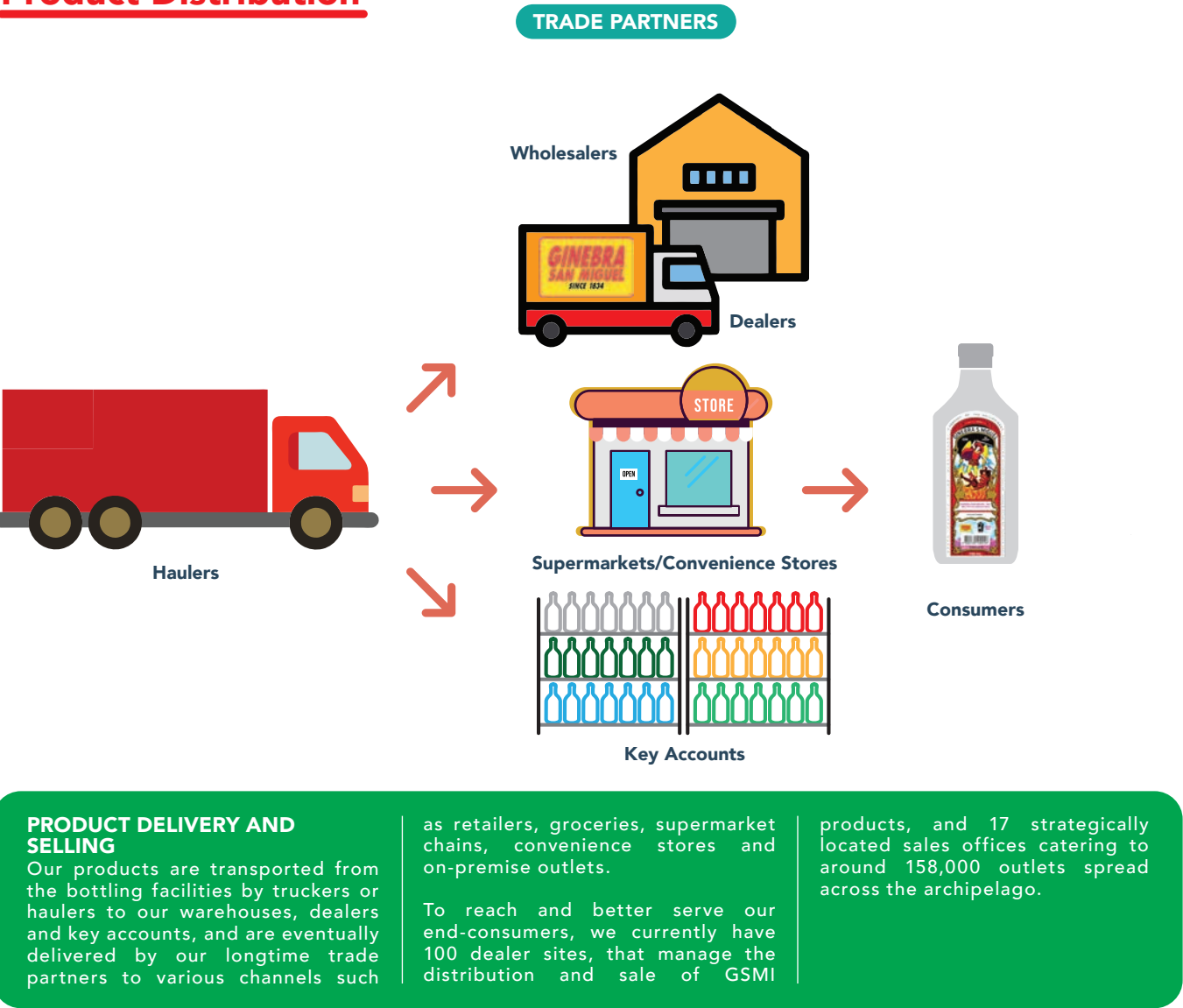
## Alcohol Production



## Bottle Sourcing & Liquor Production



## Product Distribution





# Stakeholder Engagement

Cultivating and nurturing strong relationships with our stakeholders is essential to the success of Ginebra San Miguel Inc. We are dedicated to a continuous engagement as we work to enhance awareness, promote collaboration, and improve our operations. We foster open, meaningful

conversations, attentively listen to our customers' concerns, and respond to their needs. By maintaining regular communication with our stakeholders, we can ensure the quality of our products and uphold our commitment to advocate our spirit of malasakit .

Our Stakeholders	Their issues and concerns	Engagement channels	Our response
Customers (dealers, wholesalers, key accounts & consumers)	<ul style="list-style-type: none"><li>Product safety</li><li>Product accessibility</li><li>Product portfolio</li><li>Product complaints/defects</li><li>Ease of doing business (sales order process, bill reconciliation and timely product deliveries)</li><li>Customer data privacy</li></ul>	<ul style="list-style-type: none"><li>Customer care hotlines (telephone, mailbox, messaging apps and email)</li><li>Social media platforms</li><li>Above-the-line marketing campaigns (TV and radio and Out of Home)</li><li>On-ground activations (Ginumanfest, sampling, etc.)</li><li>National Sales and Marketing Convention, Area Sales kick-off events and official business reviews</li><li>Research and market studies with third-party providers</li></ul>	<ul style="list-style-type: none"><li>Strict quality assurance protocols</li><li>Compliance with quality management and food and safety standards</li><li>Well-established system to address product-related concerns</li><li>Continuous process and product development and innovation</li><li>Strong and mutually beneficial partnership with dealers and customers</li></ul>
Suppliers	<ul style="list-style-type: none"><li>Timely payment of vendors</li></ul>	<ul style="list-style-type: none"><li>Supplier performance evaluations</li><li>Coordination meetings with GSMI's project proponent, procurement and finance departments</li></ul>	<ul style="list-style-type: none"><li>Monitoring and continuous improvement of ordering, billing, and product/service delivery processes (use of bank to bank/real time gross settlement)</li><li>Strict implementation of the company's personal data privacy policy</li><li>Monitoring and continuous improvement of receiving and payment processes (use of bank to bank payment /real time gross settlement)</li><li>Strict implementation of supplier-company contract agreements</li></ul>
Employees	<ul style="list-style-type: none"><li>Competitive compensation and other benefits</li><li>Opportunities for career growth and personal development</li><li>Healthy and safe workplace</li><li>Business strategies and future plans of the company</li></ul>	<ul style="list-style-type: none"><li>Annual performance reviews and other assessment tools</li><li>Employee Engagement Survey</li><li>Health and wellness activities (team building activities, outings and learning sessions)</li><li>Company-wide townhall meetings – "Pulung pulong," Group Interaction and News-sharing with the General Manager (GIN with the GM) for managers</li><li>Kwentong Kabarangay</li><li>Use of multiple communication channels such as email, social media and internal publications</li></ul>	<ul style="list-style-type: none"><li>Compliance with government policies on compensation and benefits</li><li>Balance scorecard driven Performance Management System (PMS) tied to rewards and recognition.</li><li>Training Needs Assessment (TNA) to determine purposive programs for each employee</li><li>Capabilities building through formal and informal training programs</li><li>Employee retention programs and succession planning</li></ul>

Our Stakeholders	Their issues and concerns	Engagement channels	Our response
Employees (continuation)		<ul style="list-style-type: none"><li>Regular labor management meetings</li><li>Use of multiple communication channels such as email, social media and internal publications</li></ul>	<ul style="list-style-type: none"><li>Conducting of employee engagement survey to measure satisfaction level and general sentiment of employees</li><li>Implementation of various health and wellness programs</li><li>Regular updating of Occupational Safety and Health (OSH) policies across all facilities</li></ul>
Investors & Shareholders	<ul style="list-style-type: none"><li>Business performance and outlook</li><li>Stock price and dividends</li><li>Company's compliance with government regulations</li><li>Impact of company operations on surrounding communities</li></ul>	<ul style="list-style-type: none"><li>Annual stockholders meeting</li><li>Investor's briefings</li><li>Formal meetings and conference calls with investors and analysts</li><li>Annual Report and Sustainability Report publication</li><li>Securities and Exchange Commission (SEC) disclosures and press releases</li><li>GSMI corporate website</li><li>Investor Relations Hotline to address inquiries and concerns</li></ul>	<ul style="list-style-type: none"><li>Open communication channel and constant engagement with investors, analysts and regulators</li><li>Timely submission and transparency of information in financial and business performance reports</li><li>Business plans geared towards increasing shareholder value</li><li>Issuance of dividends based on performance and business affordability</li><li>Strong corporate governance and risk management procedures</li></ul>
Communities	<ul style="list-style-type: none"><li>Performance of basketball team (Gin Kings) in the Philippine Basketball Association (PBA)</li></ul>	<ul style="list-style-type: none"><li>Corporate Social Responsibility (CSR) projects - health, education, and livelihood programs</li><li>Partnership with local cooperatives</li><li>Local fiesta activations</li><li>PBA games and other social events</li></ul>	<ul style="list-style-type: none"><li>Compliance with applicable rules and regulations</li><li>Local CSR activities in partnership with Local Government Units (LGUs) and nearby communities</li><li>Inclusive growth through direct and indirect creation of jobs, increase in economic activity, and contributions to local business tax</li><li>Strong support to keep basketball team competitive and access to players during special events</li></ul>
Government & Regulators	<ul style="list-style-type: none"><li>Compliance with applicable laws and regulations</li><li>Taxes and other regulatory fees</li><li>Partnership opportunities between company and LGUs</li></ul>	<ul style="list-style-type: none"><li>Attendance of seminars organized by the government as needed</li><li>Meetings with LGUs as needed</li><li>Participation in dialogues and hearings conducted by government and regulatory agencies</li></ul>	<ul style="list-style-type: none"><li>Compliance and timely submission of reports, disclosures and renewal of permits</li><li>Updating and alignment of operational policies and systems with latest regulations</li><li>Business ethics and governance</li><li>Collaborations with LGUs and other government agencies on matters concerning the spirits industry, the company and its subsidiaries</li></ul>



# Materiality Assessment

Ginebra San Miguel Inc. acknowledges that sustainability is a continuing process, and we remain dedicated to evolving and raising the bar for ourselves. With each step forward, we strive not just to meet, but to surpass stakeholder expectations, reinforcing our role as a catalyst of positive change.

There have been no significant material changes in GSMI overall business environment over the past year. This has enabled us to leverage on the understanding that our previous assessment, still accurately represents the challenges and opportunities impacting our company.

We remain committed to continue to monitor our business landscape and ensure that results of our previous materiality assessment remains relevant to our stakeholders amidst industry developments.



# Doing Our Part Toward the UN Sustainable Development Goals

CLEAN WATER AND SANITATION



GSMI supports SMC group's Water for All initiative 50x2025, which aims to reduce water consumption across the group by 50% by 2025. Currently, we achieved a 40% reduction in our water program initiatives. We are also committed to comply with Clean water Act and ensuring that our water discharges are lower than the set limits.

DECENT WORK AND ECONOMIC GROWTH



GSMI operations extend beyond its primary sector, generating indirect economic benefits for other companies and industries. The company prioritizes employee health and safety by implementing policies and regulations across all its facilities to foster a safe and healthy work environment.

RESPONSIBLE CONSUMPTION AND PRODUCTION



GSMI upholds a strong commitment to product quality, driven by continuous innovation in its manufacturing processes and sustained investment in research and development to expand its product portfolio. The many awards and accreditations received, further reflect its dedication to quality and innovation.

QUALITY EDUCATION



GSMI engaged in a collaborative effort with TESDA to establish a bartending academy to assist students in developing their skills in bartending and flairtending.

REDUCED INEQUALITIES



GSMI fosters a non-discriminatory workplace by guaranteeing equal opportunities for all applicants, employees, and business partners. This commitment involves ensuring impartiality against race, gender, age, cultural, religious beliefs, and any other forms of preferences.

CLIMATE ACTION



Deeply aware of the impact of climate change, GSMI consistently seeks innovative ways to enhance its processes and reduce its environmental footprint.

LIFE BELOW WATER



GSMI implements a range of initiatives aimed at promoting the conservation of aquatic life, including river and coastal cleanup operations.

LIFE ON LAND



GSMI undertakes tree planting activities in collaboration with Local Government Units and has continued to preserve its mangrove reforestation project, which commenced in mid-1990's and has expanded to 14 hectares.

GENDER EQUALITY



GSMI is predominantly male workforce because of the nature of its business. However, the company strongly upholds equal opportunities for all its employees.



# Environmental Stewardship

At Ginebra San Miguel Inc., we are committed to championing responsible environmental practices and continuously transforming our business operations to align with sustainability principles. Our focus is on reducing greenhouse gas emissions, conserving natural resources, and implementing responsible waste management strategies. Through these proactive measures, we are dedicated to integrating sustainable practices that help minimize our environmental footprint.

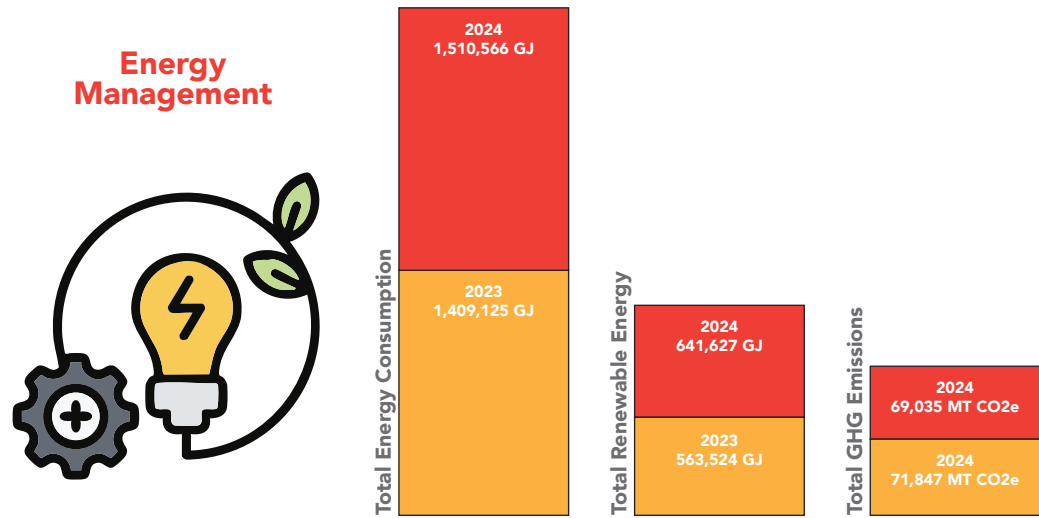
In our operations, we are committed to maximizing the use of input materials and finding value in byproducts and waste generated during manufacturing. Through our major resource management programs, we attained the following:

- Water-For-All Program: Reduced utility water usage by 40%
- Bottle Retrieval: Achieved second-hand bottle usage ratio of 56%

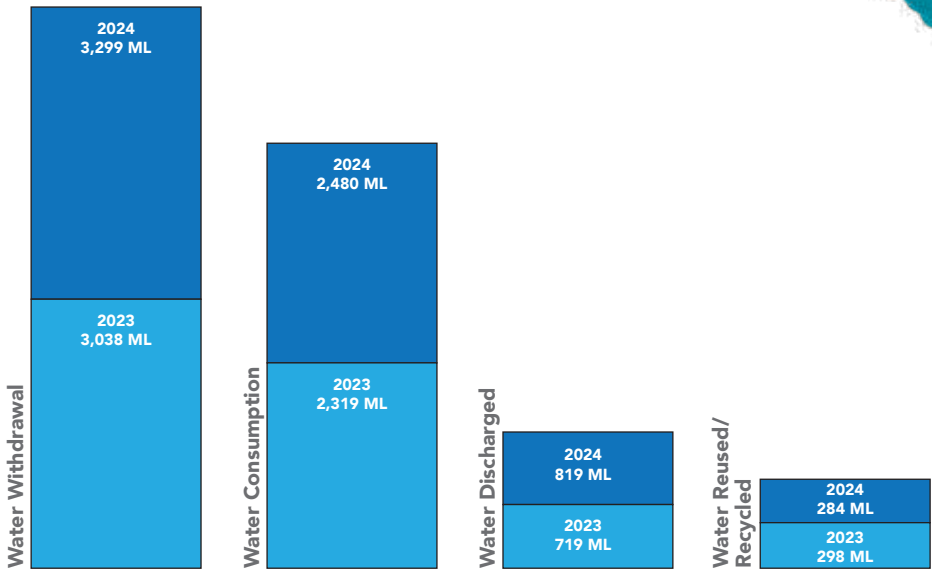
- Plastic Reduction: Cut plastic footprint by 9% through modification and partial elimination of plastic packaging
- Energy Conservation: Reduced greenhouse gas emissions by 4%

At our distillery, we embrace and actively practice the principles of a circular economy. This starts from using molasses, a byproduct of sugar refining, as our feedstock, capturing CO2 during fermentation, harvesting biogas, and converting wastewater into valuable liquid fertilizer.

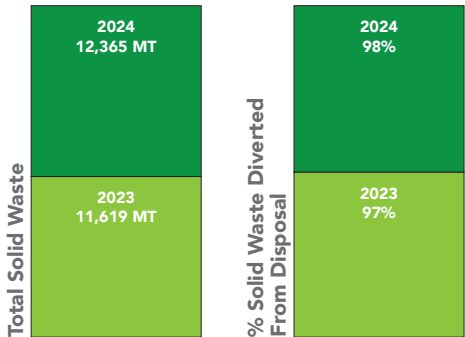
Ginebra San Miguel Inc. has adopted a holistic approach to sustainability, integrating innovative strategies into every stage of our production. As a result, we have achieved notable successes, including a reduced carbon footprint and a significant decrease in manufacturing costs. These accomplishments reflect our unwavering commitment to sustainability, demonstrating that environmental responsibility and business success can go hand in hand.



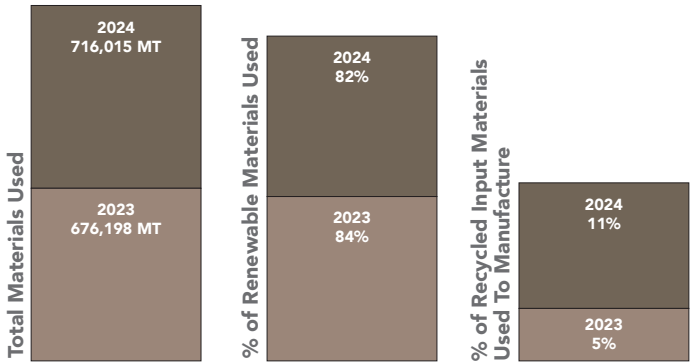
For 2024, we consumed 1.5 million GJ of energy. This 7% increase was brought about by higher production volumes. While this was the case, our renewable energy usage increased by 14% across our facilities as biogas generation improved as well as the RE mix from power supplied at our distillery. Combined with other energy reduction initiatives, our GHG emissions reduced by 4% against last year.



The increase in water withdrawal, water consumption and water discharge was generally driven by higher production volume. The water reused and recycled can be attributed to various water recovery programs implemented at each facility.



Waste segregation was implemented in each facility. Solid waste were diverted through reused, recycled and other recovery operations such as composting. We recognize the importance of waste management in our operations, and we continue to pursue initiatives to reduce the waste we generate.



The percentage of renewable materials decreased compared last year, however, total materials used increased by 6% due to higher production volume. Most of our renewable materials were raw materials which were used on production of our products, which includes alcohol, sugar, cartons, labels, molasses and second-hand bottles.

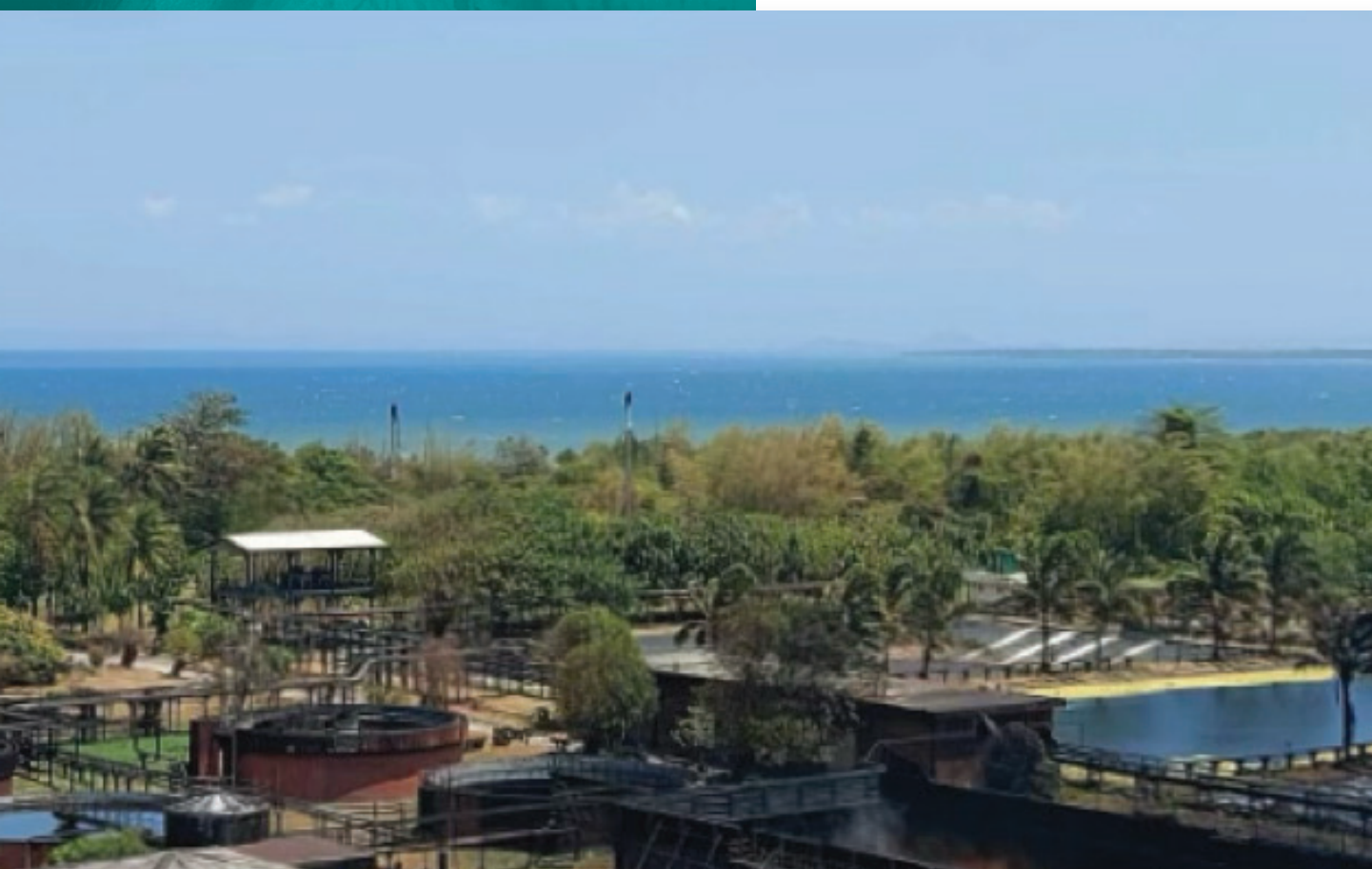


# Transforming Organic Waste into Clean Energy

Biogas production is rapidly emerging as one of the most promising solutions to address both waste management and sustainable energy needs. By harnessing the power of organic waste, biogas systems convert raw materials into renewable energy, reducing greenhouse gas emissions and offering a cleaner alternative to fossil fuels.

At our distillery, the Wastewater Treatment Department (WWTD) is responsible for the treatment and management of wastewater generated during production. The wastewater undergoes a comprehensive four-stage treatment process: (1) Pre-treatment, (2) Anaerobic Treatment, (3) Aerobic Treatment, and (4) Post-treatment.

During Anaerobic Treatment, the organic waste produced by the distillery is fed into specialized reactors containing methanogenic bacteria. Under optimal conditions, these bacteria break down the organic matter, producing two valuable by-products: biogas and digestate (a nutrient-rich liquid fertilizer).



Waste Water Treatment facility of Distileria Bago, Inc.



Waste Water Reactors at Distileria Bago, Inc.

Biogas is primarily composed of methane and carbon dioxide, with trace amounts of hydrogen sulfide and water vapor. The composition of the biogas can vary depending on the type of organic waste being processed.

The biogas is recovered through the use of biogas blowers, which direct it to dryers to remove moisture before it is used as fuel for the distillery's boiler. This process significantly reduces the consumption of bunker fuel and helps minimize the

release of greenhouse gases into the atmosphere. In fact, biogas can displace bunker fuel usage by up to 55%.

By embracing biogas production as part of our circular economy model, we not only reduce our dependence on fossil fuels but also actively mitigate climate change. This process closes the loop in waste management, transforming what would otherwise be a pollutant into a valuable resource.





# Social Engagement

‘Malasakit’ lies at the core of all our initiatives, guiding us to act with care and responsibility to positively impact our employees, business partners, and the communities where we operate. As a socially responsible company, we prioritize social sustainability in every aspect of our business.

We actively listen to the concerns of our stakeholders, working to address them and drive positive change in the areas where we can. Our efforts focus on fostering inclusivity, reducing inequality, ensuring long-term well-being, and upholding social justice.

### Employee Count

	2024	2023
	1478	1448




### Employees by Gender

	2024	2023
Male	1046	1030
Female	432	418

### Employees by Rank\*

	2024	2023
Officers	12	10
Middle Managers	93	92
Rank and File	1166	1156



\*Based on headcount of regular employees only

### Employees by Age

	2024	2023
<30 yrs old	439	505
30 – 50 yrs old	839	787
>50 yrs old	200	156

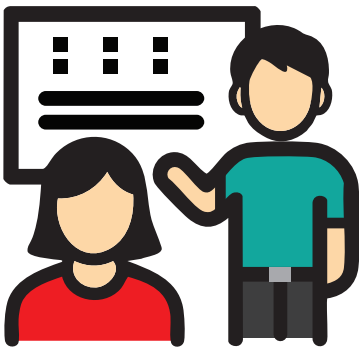
The success of our business is driven by the dedication and hard work of our employees. Our workforce consists of 71% males and 29% females. Of this, 92% are in rank-and-file positions, while 8% hold roles as Officers and Managers. While the younger demographic is growing, employees aged 30-50 years make up 57% of our workforce, providing a solid foundation of experienced and professionally skilled talent.

### Training Hours

	2024	2023
	59,587	80,713

### Average Training Hours

	2024	2023
Per Employee	46.9	64.2
Male	43.8	64.6
Female	54.5	63.1



Training and development plays a vital role in our employees growth. We continue to strengthen our learning programs through our various GSMI Training schools, for a holistic development of our employees. Now that restriction had been lifted and we have returned to normal, we gradually shifted back to face to face learning which may have contributed to a decrease in our training hours. However, we continue to be flexible in ensuring that learning gaps are effectively managed to strengthen and cultivate a competent and resilient workforce.



### Safe Man-hours

	2024	2023
	8,587,991	8,241,675

Our commitment to maintain a safe and healthy workplace is an advocacy throughout the organization. We continue to provide OSH training and conducted regular emergency drills in collaboration with our local government agency partner to ensure our employees are properly prepared to respond in case of an emergency.



# Beyond the Workplace – Making a Difference Through Volunteerism

One powerful way to build a strong sense of community and create meaningful social impact is through employee volunteerism. This initiative not only supports the local communities where our employees serve but also enhances overall job satisfaction, strengthens team cohesion, and reinforces our commitment to a culture of 'Malasakit'.

As we continue aligning our business objectives with social responsibility, volunteering empowers our employees to dedicate their time and energy to meaningful causes. It also allows them to build relationships and experience a deeper sense of purpose. This sense of gratitude has a ripple effect—positively influencing both our workplace culture and the broader community.



Rescue kitchen at Better World Diliman, Quezon City.

Last year, in collaboration with San Miguel Corporation (SMC) Team Malasakit and in partnership with the local government unit, we participated in 17 volunteer activations across all our facilities, with a total of 597 employees participating. Key activities are:

- Blood Donation Drives were successfully conducted across all company facilities, reflecting our ongoing commitment to public health and community support.
- Tree Planting Activities took place in the provinces of Rizal, Pangasinan, Isabela, Cavite, Cebu, and Negros Occidental, contributing to our environmental conservation efforts.
- Annual River and Coastal Cleanups were held in celebration of International Coastal Cleanup Day, reinforcing our dedication to protecting marine and freshwater ecosystems.
- "Shoebox of Malasakit" Gift-Giving Program was facilitated during the Christmas season, with gift boxes distributed to the families of our bottle washers—underscoring our appreciation for their valuable contribution.
- Rescue Kitchen Initiative took place last December in partnership with Better World Diliman. A total of 500 meals were prepared and distributed to underserved communities, promoting food security and compassion during the holiday season.

Looking ahead, employee volunteerism will remain an integral part of our sustainability strategy. It plays a vital role in promoting work-life integration and cultivating a workplace where employees feel valued, engaged, and inspired to make a difference.



Coastal cleanup at Tanza Marine Park, Navotas City.



Distribution of Shoebox of Malasakit at Pasig City.



# Moving Forward

Throughout our long history, our achievements have always been rooted in steadfast product quality, constant innovation, and the enduring strength of our brands. As we move forward, adapting to market trends, improving operational efficiencies and integrating sustainability practices will be key to maintaining our competitive edge.

In 2025, we will prioritize the installation and operation of our first mechanized bottle washing facility. This new facility will complement and enhance the bottle washing capacity of our third-party bottle suppliers. Over the long term, we expect this initiative to streamline the bottle retrieval process, from consumers to bottle collectors and washers. This improvement will directly contribute to an increase in the usage of second-hand bottles for our company.

The environmental benefits of this program are significant. Our reliance on brand-new bottles will decrease, reducing demand for natural resources and greenhouse gas emissions associated with producing new bottles. By extending the lifecycle of our bottles, we will minimize waste, preventing bottles from being converted into cullet or sent to landfills.

The project also offers meaningful social impact. The mechanized bottle washing facility will create jobs within the local community, providing sustainable employment opportunities. The facility's presence could also help stimulate local commerce, as micro-entrepreneurs within the area of operation stand to benefit from the increased activity and demand for second-hand bottles to be washed.

Additionally, we will continue with our ongoing water reduction programs at our facilities, explore expanding solar energy adoption, strengthen community engagement, and uphold the highest standards of corporate governance to further advance our overall sustainability agenda.

At Ginebra San Miguel Inc., we are determined to push beyond current boundaries to achieve our sustainability targets. With a clear focus on transparency, accountability, and long-term impact, we aim to create meaningful value not only for the present but for the next generations.



# Board of Directors

**Ramon S. Ang**  
*President*

**Cecile L. Ang**

**John Paul L. Ang**

**Leo S. Alvez**

**Aurora T. Calderon**

**Gabriel S. Claudio**

**Francis H. Jardeleza**

**Justice Aurora S. Lagman**  
*(Independent Director)*

**Justice Martin S. Villarama, Jr.**  
*(Independent Director)*



Ginebra San Miguel Inc. ("GSMI" or the "Company"), its Board of Directors (the "Board") Management, Officers, and employees firmly believe that corporate governance is a necessary component of what constitutes sound strategic business management and in the vital role it plays to attain corporate goals and create and sustain shareholder value.

On August 6, 2002, the Company, through its Board, institutionalized the principles of good corporate governance in the organization by establishing and implementing the Company's Manual on Corporate Governance (the "CG Manual"). Since its adoption, the CG Manual has undergone a number of amendments 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 which took effect on January 1, 2017. Conformably with the Circular, the Company formally approved and adopted an amended or new CG Manual on May 25, 2017.

## BOARD OF DIRECTORS

Compliance with the principles of good corporate governance starts with the Board. In the performance of its fiduciary roles, duties and responsibilities, the Board has always conducted itself with utmost honesty, integrity, transparency, accountability, and fairness, with the objective of ensuring that the interest of all stakeholders is considered and protected.

The Company is headed by a competent Board, which has the combined knowledge, expertise, and experience of its members that enabled the Company to sustain its competitiveness and profitability, in a manner consistent with its corporate objectives and the long-term interests of its stakeholders.

The Board is composed of nine (9) directors who are elected annually at the regular meeting of the stockholders ("RSM") scheduled on the last Thursday of May unless a different date is fixed by the Board. Two (2) members of the Board are Independent Directors who, 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. Currently, the Company is headed by the President, who is also the Chief Operating Officer. He has supervision and direction of the day-to-day business affairs of the Company and he presides over the meetings of the Board of Directors and the Stockholders in the absence of the Chairman and Vice Chairman. Moreover, the Board has a Lead Independent Director to ensure that the Independent Directors shall be free to express and advocate independent views and perspectives and that abuse of power or authority and potential conflict of interest are avoided.

During the 2024 RSM that was held on May 30, 2024, the stockholders elected six (6) male and three (3) female directors. Director Ramon S. Ang was elected as the President, while Directors Aurora S. Lagman and Martin S. Villarama, Jr. were the elected Independent Directors, with the former being elected as the Lead Independent Director of the Company. Directors Francisco S. Alejo III, Aurora T. Calderon, Leo S. Alvez, Gabriel S. Claudio, Francis H. Jardeleza and Cecile L. Ang completed the 9-member Board of the Company.

## Board Committees

To support the effective performance of the Board's functions, the Board has four (4) committees, namely:

**Executive Committee.** Acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the

Company, except as specifically limited by the Board or by law.

**Audit and Risk Oversight Committee.** Performs the functions of the Audit, Board Risk Oversight, and Related Party Transactions Committees. Among others, it enhances the oversight capability of the Board over the Company's financial reporting, internal control system, internal and external audit process and compliance with applicable laws and regulations. It likewise has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place to guide the Board in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans, and opportunities. Also, it oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related-party transactions.

**Corporate Governance Committee.** Assists the Board in the performance of its corporate governance responsibilities. Among others, it oversees the implementation of the corporate governance framework and periodically reviews the same to ensure that it remains appropriate. It also pre-screens and shortlists candidates for nomination to become a member of the Board in accordance with the qualifications and disqualifications for directors set out in the CG Manual.

**Executive Compensation Committee.** Advises the Board on the establishment of formal and transparent policies and practices on remuneration of directors and executives. It provides oversight function over remuneration of senior management and other key personnel, ensuring consistency with the Company's culture, strategy and control environment.

## Board and Committee Performance

Committed to its fiduciary duties and responsibilities, the Board members meet at least five (5) times a year through meetings held at periodic intervals at such places as may be designated in the notice. Considering the operations of the Company, as well as its reportorial obligations to regulatory bodies, the schedule of meetings of the Board, Audit and Risk Oversight Committee, and Corporate Governance Committee are determined and relayed to the directors ahead of time to enable them to arrange their respective schedules and see to it that they are available to attend the said meetings. The different Board Committees also meet as and when necessary. Prior to the date of each meeting, the Corporate Secretary sends notices and agenda to each Director, together with other information/documents, to enable the directors to actively participate and express their opinions, and for valuable discussions to take place during meetings.





In 2024, the Board held four (4) regular meetings and one (1) organizational meeting. The Board members also attended the 2024 RSM, as shown in the table below:

2024 BOARD MEETING ATTENDANCE

BOARD OF DIRECTORS	DESIGNATION	May 30, 2024		BOARD MEETING ATTENDANCE
		REGULAR STOCKHOLDERS MEETING (RSM)	ORGANIZATIONAL MEETING	
Ramon S. Ang	President	Present	Present	5/5
Cecile L. Ang <sup>1</sup>	Director	Present	Present	3/5
Leo S. Alvez	Director	Present	Present	5/5
Aurora T. Calderon	Director	Present	Present	5/5
Gabriel S. Claudio	Director	Present	Present	5/5
Francis H. Jardeleza	Director	Present	Present	5/5
Francisco S. Alejo III <sup>2</sup>	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

<sup>1</sup>Ms. Ang became a Director of the Company only on May 30, 2024. Such information was disclosed by the Company through SEC Form 17-C filed on May 30, 2024.

<sup>2</sup>Director Alejo ceased to be a Director upon his resignation on January 31, 2025. Such information was disclosed by the Company through SEC Form 17-C filed on January 27, 2025. He was replaced by Mr. John Paul L. Ang on March 5, 2025.

As for the Board Committee Meetings, details of the attendance of the Directors in the Committee meetings in 2024 are shown below:

2024 BOARD MEETING ATTENDANCE

MEMBER	EXECUTIVE COMPENSATION	AUDIT AND RISK OVERSIGHT	CORPORATE GOVERNANCE
Ramon S. Ang	2/2	n/a	n/a
Cecile L. Ang	n/a	n/a	n/a
Leo S. Alvez	2/2	4/4	1/1
Aurora T. Calderon	2/2	n/a	1/1
Gabriel S. Claudio	n/a	n/a	1/1
Francis H. Jardeleza	n/a	n/a	n/a
Francisco S. Alejo III	n/a	4/4	n/a
Aurora S. Lagman	n/a	4/4	1/1 (Chairman)
Martin S. Villarama, Jr.	2/2	4/4 (Chairman)	1/1

In 2024, each Director received a per diem of Twenty Thousand Pesos (₱20,000.00), per attendance at Board and Board Committee meetings of the Company.

Board Training and Self-Assessment by the Board and Audit and Risk Oversight Committee

The members of the Board keep themselves abreast with industry developments and business trends. Moreover, the Company’s Compliance Officer regularly apprise the directors during Board meetings, on the relevant laws, regulations, government issuances, and relevant industry developments and operations of the Company, and advises the Board on all relevant issues as they arise.

The Directors also regularly attend a seminar or program on corporate governance at least once a year. In 2024, all the directors 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 members of the Board also accomplished an Internal Self-Rating Form (the “Form”) for the purpose of evaluating the Board’s performance for 2024. 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 Forms, the Board has substantially met its mandate.



The members of the Audit and Risk Oversight Committee also accomplished an Internal Self-Rating form for the purpose of evaluating the said Committee's performance for 2024. 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.

### Management

In 2024, the Company's Management is under the leadership of President Ramon S. Ang. He was assisted by General Manager Emmanuel B. Macalalag until the latter's assignment to San Miguel Food Inc. on November 1, 2024. Thereafter, Ms. Cynthia M. Baroy was appointed as OIC-General Manager, taking over the functions and position of Mr. Macalalag. The President is responsible for the general supervision, administration and management of the business of the Company as well as its day-to-day business affairs. He presides at the meetings of the Directors and stockholders and exercises such powers and perform such duties and functions as the Board may assign to him. The General Manager reports to the President and is charged with overseeing the overall management of the Company's various departments with the aim of continuously improving the Company's business operations and attainment of corporate objectives. The Senior Management of the Company, who are composed of individuals with knowledge

and expertise in their respective fields, provide valuable support in achieving the Company's corporate goals and objectives.

### ACCOUNTABILITY AND AUDIT

The Company has internal and external auditors, whose respective reports and recommendations are considered by the Company in conducting its business affairs. The Board ensures that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Company's governance, operations and information systems, including the reliability and integrity of financial and operations information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts. The Board also established the Audit and Risk Oversight Committee to, among others, enhance the oversight capability of the Board over the Company's financial reporting, internal control system, internal and external audit process, and compliance with applicable laws and regulations, the said Committee performs oversight functions to both external and internal auditors of the Company.

#### Internal Auditor

The Company's internal audit function is performed by Ginebra San Miguel Group Audit (the "GSMGA"), which is headed by the Chief Audit Executive, who reports functionally to the Audit and Risk Oversight Committee and administratively to the President and General Manager. The GSMGA provides independent, objective assurance and consulting services to add value and improve the operations of GSMI and its subsidiaries (hereinafter referred to as the "GSMI Group"). It also helps each function or organization in the GSMI Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The GSMGA is mandated to provide an independent risk-based assurance service

to the Board, perform compliance audit, establish a risk-based audit plan, and review the efficiency and effectiveness of the internal control system of all areas of the GSMI Group, to name a few.

#### External Auditor

The External Auditor of the Company for 2024 is R.G. Manabat & Co. ("KPMG"), an auditing firm duly accredited with the SEC. Through the conduct of an independent audit of the Company and provision of objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders, the External Auditor is able to help maintain the prevalence of an environment of good corporate governance as reflected in the Company's financial records and reports. The External Auditor regularly apprises the Audit and Risk Oversight Committee of the status of its audit.

KPMG's appointment as External Auditor was approved by the Board upon the recommendation of the Audit and Risk Oversight Committee, which appointment was subsequently approved by the stockholders during the RSM held on May 30, 2024. While KPMG has been the External Auditor of the Company for several years, such reappointment in 2024 is compliant with Part I (3) (b) (ix) of the Securities Regulation Code (the "SRC"), Rule 68, as amended, with respect to the re-engagement of the said audit firm and the rule on rotation for the signing partner every five (5) years or earlier. Representatives of the audit firm were present during the said RSM and were given the opportunity to respond to appropriate questions or make a statement, if so desired. 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 P 9.1 million in 2024. Moreover, there were also non-audit fees paid in 2024 amounting to Php362,780.00.

There were no disagreements with the Company's External Auditor on any matter relating to accounting and financial disclosures.

### DISCLOSURE AND TRANSPARENCY

The Company, as a publicly-listed company, with shares listed with The Philippines Stock Exchange, Inc. (the "PSE"), recognizes the importance of updating its stakeholders with relevant and Company-related information. Thus, it adheres to full disclosure and transparency in its transactions, and it does so by providing comprehensive, accurate, reliable and timely information through prompt filing of various reports, notices and documents (collectively, the "Corporate Disclosures") to the SEC and PSE and through regular investor's briefings. These Corporate Disclosures are likewise uploaded in the Company's website for easy access of the stakeholders. They refer to material information about the Company, i.e., anything that could potentially affect share price or its viability or the interest of its stockholders and other stakeholders such as financial results and position, acquisition or disposal of significant assets, material related party transactions, and shareholdings of Directors. Through these Corporate Disclosures, the Company is able to provide its stakeholders with a fair and complete picture of the Company's financial condition, results and business operations, as well as the quality of its corporate governance.

#### Ownership Structure

The stakeholders are made aware of the Company's shareholding structure through numerous reports filed with the SEC and PSE. The Company files with the SEC the following reports, which contain information about its ownership structure: General Information Sheet, SEC Form 17-A, Audited Financial Statements, and Information Statement ("IS"). These reports are likewise submitted to the PSE. For the PSE alone, the Company regularly files the Top 100



Stockholders, Public Ownership, and Foreign Ownership Reports by uploading the same in the PSE Edge Portal.

### Financial Reporting

Compliant with the requirements of the Securities Regulation Code, the financial results of the Company for the first three (3) quarters of the relevant year are disclosed to the stakeholders through SEC Form 17 – Q filed with the SEC and PSE within forty (45) days from the end of the relevant quarter. The Audited Consolidated Financial Statements for the latest completed financial year, which is included in the Definitive Information Statement or SEC Form 20 – IS (the “IS”) that is distributed to the stockholders, are released and duly disclosed to the SEC and PSE within fifteen (15) business days prior to the RSM. The financial information on these reports is also disclosed to the financial and investment analysts through the quarterly Investors’ Briefing and ultimately to the investing public, as the presentation materials for the said briefing are also filed with the PSE.

The Company’s financial reports are all prepared in compliance with the Philippine Financial Reporting Standards (PFRS), which are based on International Financial Reporting Standards issued by the International Accounting Standards Board. The Audited Parent and Consolidated Financial Statements as of December 31, 2024 of the Company were approved and authorized for submission and filing with the concerned regulatory bodies by a resolution of the Board on March 5, 2025.

### Related Party Transactions

The Company has significant transactions with related parties pertaining to purchases of containers, bottles, and other packaging materials, as well as

the sale of liquor and by-products. It has also entered into various lease agreements with related parties as a lessor and lessee. These transactions are made in the ordinary course of business at normal market prices and terms. Related party transactions (the “RPTs”) are fully disclosed in the Audited Consolidated Financial Statements of the Company.

The Audit and Risk Oversight Committee evaluates, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in related parties are noted. It also evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

Conformably with the Material Related Party Transactions Policy of the Company, the Company, with the approval of the Board, engaged the services of Punongbayan and Araullo (the “P&A”), an external independent party, tasked to evaluate the fairness of the terms of transactions that may qualify as “Material RPTs”. These are transactions with related parties that meet the materiality threshold in terms of transaction value amounting to a minimum of 10% of the total consolidated assets of the Company based on the latest audited financial statements of the Company. The P&A has determined that the Company’s material RPTs in 2024 met the fairness test. Consequently, such transactions, upon the recommendation of the Audit and Risk Oversight Committee, were approved by the Board.

## STOCKHOLDERS’ RIGHTS

### Dividends

The Company’s Articles of Incorporation (“AOI”) provides for the right of stockholders to dividends as and when declared by the Board of Directors (the “Board”) at such rate or amount and period as may be fixed by the Board. AOI also provides that holders of preferred shares are entitled to receive, to the fullest extent allowable under the law, subject to certain adjustments. 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 to further strengthen the rights of the stockholders to dividends.

In 2024, the Board approved the declaration of regular cash dividends to stockholders in the following amounts per common share: Php0.75 on March 6; ₱1.50 on April 30 and August 6; and ₱2.50 on November 5. In addition, the Board also approved the declaration of special cash dividends in the following amounts per common share: ₱1.75 per common share on March 6; and ₱1.50 per common share on April 30, August 6, and November 5.

### Stockholders’ Meeting

The Company recognizes that the stockholders’ meeting, whether regular or special, is an excellent opportunity for stockholders to actually express their sentiments and opinions, as well as ask questions to the Board and Management. Thus, the Company sees to it that its stockholders are informed of the details of stockholders’ meetings through the IS sent to each stockholder at least fifteen (15) business days before the scheduled date of the meeting. The IS contains the notice, date, time, venue and agenda of the meeting, information pertaining to proxies, deadline for submission

thereof and date of their validation, as well as other relevant information about the Company. For the 2024 RSM, the IS was made available to the stockholders on May 6, 2024.

The draft minutes of stockholders’ meetings of the Company are uploaded to the Company’s website within five (5) business days from the date of the relevant meeting.

### Voting Rights and Voting Procedures

Each share, whether common or preferred, registered in the name of the stockholder entitles such stockholder to one (1) vote. Stockholders have the right to elect, remove, and replace Directors as well as vote on certain corporate acts in accordance with the Revised Corporation Code. In electing members to the Board, every stockholder is entitled to cumulate his votes in accordance with the provisions of law. Voting procedures on matters presented for approval to the stockholders in the RSM are set out in the IS.

### Pre-emptive Rights

All stockholders have the right to subscribe to all issues of shares of the Company in proportion to their shareholdings, unless the same is denied in its Articles of Incorporation (the “Articles”) or an amendment thereto. Under the Company’s Articles, stockholders do not have pre-emptive rights to subscribe to the convertible preferred shares or to subscribe to the common shares to be issued by the Company upon conversion of the preferred shares and the conversion of any notes issued to redeem such preferred shares. Subject to certain conditions and thresholds on the percentage of shares allotted to be issued pursuant to a duly approved stock option, stock purchase, stock subscription, or similar plans (collectively, the “Plans”), stockholders do not have pre-emptive rights to shares issued, sold or disposed of by the Company to its Officers and/or employees pursuant to such Plans.



## STAKEHOLDER RELATIONS

At the forefront of the Company's business principles is transparency. It applies this principle in all its dealings with its stakeholders, which include, among others, its customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates, and sees to it that their rights as established by law, contractual relations and through voluntary commitments, are respected.

The Company, through the different channels of communication, is always within easy reach. When the rights and interests of stakeholders are at stake, they can communicate with the Company to obtain prompt, effective redress for the violation of their rights. Ensuring cooperation among the Company and its numerous stakeholders in creating wealth, growth and sustainability is crucial to the Company's success.

### Right to Information of Stakeholders and Investor Relations

Transparency is manifested in the Company's Corporate Disclosures filed with the SEC and PSE, which relate to the Company, its directors and officers, and its operations and transactions. Stakeholders can request hard copies of these documents, as well as make inquiries through, among others, the Investor Relations Office of the Company and San Miguel Corporation (the "SMC").

The Company also holds combined Investors' Briefings with SMC and other SMC subsidiaries on a regular basis, the date and agenda for which are disclosed to the PSE at least three (3) days before the holding thereof. Materials for the said briefings are also disclosed to the PSE on the scheduled date of the briefing.

## EMPLOYEE RELATIONS

The Company believes its greatest strength has always been its people – from the visionary leaders to the competent and dedicated managers and staff who comprise the organization. Hence, it believes in providing a healthy and conducive work environment. Thus, a comprehensive remuneration and benefits package is provided to help retain productive talents and maintain high employee satisfaction. Moreover, periodic reviews are done to ensure that employee recruitment and retention strategies are always aligned with business objectives.

Employees are entitled to benefits such as, but not limited to, leaves, loans and financial programs, personal and group insurance programs, burial assistance for employees and dependents, and medical benefits through Health Maintenance Organization (HMO) coverage consisting of annual physical examinations, physician consultations, diagnostic procedures, and hospitalization. For vacation and sick leaves, the Company also offer a commutation option to their employees. Leave Benefits are paid with vacation, sick and emergency leaves being given to regular employees under certain guidelines. Work-Life Benefits include rice ration, uniform, wedding gift and burial assistance. Learning and Education Benefits include Educational Program (EDPRO) and Professional Board Examination Incentive. Under the EDPRO, a monetary assistance is provided to regular employees who wish to pursue further studies for career growth based on set eligibility standards. On the other hand, the Board Incentive which is equivalent to one-month basic pay, is awarded to an employee who passes a government board examination that is administered by the Professional Regulation Board. The said board examination, however, should be considered by the Company to be a requirement for the employee's field of specialization or in technical fields considered as relevant to the Company's operations and to the employee's career path.

The Company is also committed to (1) providing its employees with programs for their professional and personal growth; and (2) promoting a culture of open communication, teamwork, continuous improvement, and learning. The Learning and Development Programs of the Company are classified into formal and informal trainings. Formal trainings include corporate training programs, functional or technical school training programs, and e-learning. These are facilitated by the Company's Human Resources Department, Technical Schools and other external training institutions. Informal trainings, on the other hand, include on-the-job training, developmental/special assignment, job rotation/ transfer, coaching and mentoring. In addition, the Company is guided by the following course curriculum:

- **Work Support Programs** refer to training programs that are designed to develop employees' skills, help them perform effectively in their roles, and foster team effectiveness and personal mastery. These programs are focused on general development, personal excellence, communication, creativity, innovation, productivity, and customer orientation;
- **Technical Programs** refer to training programs that are designed to maintain and develop the core skills required for specific functions of the business. These programs are organized and administered by the respective functional schools of each department namely: Alcohol and Liquor Technology Institute, Manufacturing School, Logistics School, Sales and Marketing School, Human Resources School, Finance School, and Distileria Bago, Inc. Technical School; and,
- **Leadership and Management Programs** refer to training programs that are designed to develop the Company's supervisors, heads, managers, and executives' leadership and management skills.

In 2024, the Company provided opportunities to its employees, as well as the employees of its subsidiaries, to attend the following training programs offered by SMC that cater to the employee and organization's needs:

- **SMC – Ateneo Leadership and Management Development Program** - This program aims to harness leadership and management potential to help transform managers into effective organizational change leaders and valuable members of the whole enterprise. The customized courses enrich cross-functional expertise and build a general management perspective, providing young leaders with the critical skills for success;
- **AIM Executive Management Development Program** - This program is tailored for executives and leaders who are constantly managing change to lead, inspire, and transform a hyper-connected workforce. The program primes the participating executive for self-awareness, personal mastery, and transformation leadership in today's business context. The building block approach and progression of learning themes, modules, and topics deliberately become more complex, as the participant engages co-participants, faculty, peers, and colleagues as learning partners; and,
- **Sustainability Management Program** – The sustainability imperative: ESG from concept to action. This program introduces basic concepts of corporate sustainability, give example of how different companies embedded environmental, social and governance (ESG) into their strategies and activities, explore ESG initiatives for local companies. This will benefit SMC leaders who wish to be more familiar with the language and concerns of sustainability, or who need to participate in the execution of the Company's sustainability strategies and initiatives.



Aside from the above programs offered by SMC, the Company utilizes various platforms to provide effective and purposive training to enhance competencies of its employees. The following are the programs offered by the Technical Schools or provided by external training institutions:

- **Work Support Programs** - Personal Effectiveness, Code of Champions, 7 Habits of Highly Effective People, Work-Life Harmony, and Malasakit Learning Sessions are conducted to promote employees' health, wellbeing, and personal development. Other alternative programs also include Financial Wellness, Fostering Creativity at Work, and Effective Communication and Presentation Skills;
- **Technical Programs** - Alcohol and Liquor Technology, Road Safety and Defensive Driving, Basic Selling Systems and Procedures, Fermentation and Distillation, Labor Cost Analysis Workshop, Innovation Workshop were some of the courses offered by the Technical Schools. To ensure that the employees are updated with new trends, technologies, and processes in the industry, the Company encourages its employees to participate in local and international conferences, forums, and events such as Annual Sugar and Ethanol Asia, Bar Convent Berlin: International Bar and Beverage Trade Show, DIGICON: R.EVOLUTION 2024, ESOMAR Asia Pacific Conference 2024, People Management Association of the Philippines Convention and Chemical Regulatory Compliance Seminars. The Company has also enrolled some of its employees in international institutions that offer programs related to distillation, gin or alcohol-making, raw material, and packaging; and
- **Leadership and Management Programs** - Leadership Emergence Appreciation Program Module 1 and Module 2, Corporate Governance, Employee Discipline and Administrative

Investigation, People Champion: Leading a Diverse Workforce, and Growing in Coaching are among the programs for supervisors and managers that were done in 2024.

The Company also encourages employees to develop work-life integration by providing year-round programs. One of these programs is the celebration of the Company Anniversary where employees get to gather, mingle, and have fun while. This event also honors employees who have been in the service for a substantial number of years, with the intent of making them feel valued and appreciated. The Company not only focuses on work-related activities but also takes time and effort to celebrate important occasions – Birthday, Valentine's Day, Mother's Day, Father's Day, and Christmas, ensuring that employees feel special and important. In addition, a variety of health and wellness programs are made accessible to employees to allow relaxation and decompression. These are designed to ensure that the general wellbeing of employees is maintained or improved through proper diet, exercise, and stress management.

The Company also encourages its employees to participate in meaningful activities such as Ginebra Shoe Box of Malasakit, an annual gift-giving project, where employees voluntarily donate shoe boxes filled with school supplies, groceries, and personal hygiene items for distribution to residents of chosen communities. Through this activity, the employees demonstrate their Malasakit to the people of their chosen community.

#### SIGNIFICANT COMPANY POLICIES

Over the years, the Company has adopted policies geared towards promoting the best interest of the Company and its various stakeholders: stockholders, employees, customers and regulatory agencies. Some of the significant policies are the following:

**Dividend Policy.** This policy provides that 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. "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.

**Conflict of Interest.** The Company implements a policy on Conflict of Interest which espouses the principle that Officers and employees have a duty to act in the best interest of the Company. This policy specifically requires Officers, Managers, and employees to: conduct business affairs with fairness; avoid granting undue personal favors; engage only in private activities or business consistent with responsibilities as officers and employees and not detrimental to the interest of the Company; refuse gifts that might connote bribery in any way; utilize Company property, funds, equipment and time solely for Company purposes, and recognize that all intellectual property and rights so created are owned by the Company; and seek prior Management clearance before engaging in outside work. In the event that any personal interest of an Officer or employee may conflict with the interest of the Company, proper disclosure through the accomplishment of the Full Business Interest Disclosure Form should be made, and a review by higher Management shall resolve the conflict. This policy was updated in 2023 to enhance compliance with various sustainability reporting standards.

**Code of Ethics.** The Company adheres to the SMC group-wide Code of Ethics that sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the Directors, Management, Officers and employees of the Company. The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its Directors, Officers and employees to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees and in all their dealings with stockholders, customers, suppliers, government and the general public.

**Securities Dealing.** The Company's commitment to the highest standards of values, expertise, and professionalism prompted the Company to adopt a Policy on Dealings in Securities. This policy mandates the Directors, Officers, and employees of the GSMI Group to exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy, as well as the requirements of the SRC. It sets out the conditions and rules under which the Directors, Officers, and employees of the GSMI Group shall deal in securities of the Company. Under this policy, Directors, Officers, and certain employees are considered to have access to "insider information", i.e. knowledge or possession of material non-public information about the Company by virtue of their functions and responsibilities. Therefore, such Directors, Officers and key employees with access to inside information are prohibited from trading in the Company's shares at any time when they have knowledge or possession of material non-public information about the Company, and during a specified time frame, or a "blackout period". The same prohibition applies even if the material non-public information refers to another company, so long as the same was obtained in the course of performing the duties as Directors, Officers or employee of the GSMI Group.



**Whistle Blowing.** Procedures have been established for the communication and investigation of concerns regarding the Company's accounting, internal accounting controls, auditing, and financial reporting matters under a SMC group-wide Whistle Blowing Policy. The said policy provides that all complaints be ultimately referred to the Audit and Risk Oversight Committee, which complaints may be on anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or for such longer time as the said Committee may deem necessary. All communications received through the established channels will be kept confidential. The original copies or records of all communications will be available to any Audit and Risk Oversight Committee member, upon request. The said Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate. This policy was updated in 2023 to enhance compliance with various sustainability reporting standards and was further updated in 2024 to address the specific needs of the Company.

**Data Privacy.** The Company values the personal information of individuals and collects, stores, and uses the same only in accordance with law. To institutionalize the same, the Board approved a Personal Data Privacy Policy to ensure compliance with the requirements of the Data Privacy Act of 2012 and its Implementing Rules and Regulations. Pursuant thereto, the Company also appointed a Data Protection Officer responsible for ensuring the Company's compliance with applicable laws and regulations to protect data privacy and security.

**Material Related Party Transactions Policy.** It is the policy of the Company that all RPTs are conducted on an arm's length basis and under fair terms, in order that no shareholder or stakeholder is unduly disadvantaged and there is no prejudice to the interest of the stakeholders of the Company. The Board shall have the overall responsibility of ensuring that RPTs are handled in a sound and

prudent manner, with integrity and in effective compliance with applicable laws, rules and regulations at all times to protect the interests of the Company and its subsidiaries, and their shareholders and other stakeholders. The objectives of this policy are to mitigate or avoid conflict of interest and abusive transactions between related parties, and ensure that every RPT is reviewed, approved and disclosed in compliance with the requirements of the relevant governmental and regulatory agencies such as the SEC.

**Other Policies.** Since 2023, the Company has adopted several revised SMC-wide people-related policies, to wit: Child and Forced Labor Policy, Board Diversity Policy, Code of Conduct and Ethical Business Policy, Anti-Corruption Policy and Sexual Harassment Policy. These policies were revised to incorporate Environmental, Social, and Governance Principles aimed to boost the SMC group's commitment to conform with various sustainability reporting standards.

Information about the foregoing policies can be found on the official website of the Company.

## COMPLIANCE SYSTEM

To ensure adherence to corporate principles and best practices, the Board has appointed a Compliance Officer who is responsible for monitoring compliance by the Company with the provisions and requirements of the CG Manual, relevant laws, issuances, and rules and regulations of regulatory agencies. The Company's Compliance Officer is Atty. Virgilio S. Jacinto.

## WEBSITE

Other information about the Company may be viewed at <http://www.ginebrasanmiguel.com>.

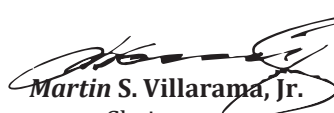
## REPORT OF THE AUDIT AND RISK OVERSIGHT COMMITTEE

### For the year ended December 31, 2024


The Audit and Risk Oversight Committee (the "Committee"), was constituted by the Board of Directors (the "Board"), to among others, enhance its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Committee specifically performed the following in 2024:

- Recommended to the Board and endorsed for approval by the stockholders, the appointment of R.G. Manabat & Co. ("KPMG"), as the Company's independent External Auditor for the fiscal year 2024;
- Reviewed and approved the terms of engagement of KPMG for audit-related services and non-audit services provided or to be provided and the fees for such services;
- Reviewed and approved KPMG's Audit Plan for 2024;
- Reviewed, discussed and recommended for approval of the Board the Company's Separate and Consolidated Financial Statements for 2024, as well as the Company's SEC Form 17-Q or Quarterly Financial Statements for 2024 and such other reports required to be submitted to regulatory agencies in connection with such financial statements, to ensure that the information contained in such statements and reports presented a true and balanced assessment of the Company's financial position and condition and that such statements and reports complied with the regulatory requirements of the Securities and Exchange Commission (the "SEC") and applicable laws, rules, regulations and issuances of regulatory bodies;
- Reviewed and approved the Company's Internal Audit and Outsourcing Plan for 2024;
- Reviewed, discussed and recommended for approval of the Board the Material Related Party Transactions of the Company in 2024;
- As and when necessary, performed functions pertaining not only to audit, but also to risk oversight and related party transactions;
- Reviewed the adequacy, effectiveness and sufficiency of the Company's financial and internal controls and risk management systems, and ensured that, where applicable, necessary measures were taken to address any concern or issue arising therefrom;
- Accomplished the Committee's Internal Self-Assessment Form for the purpose of evaluating its performance for 2024; and
- Attended a Seminar on Corporate Governance in compliance with the SEC Memorandum Circular No. 19, Series of 2016.

*The Committee exerted best efforts in fulfilling its responsibilities as set forth in its Charter and the Company's Manual on Corporate Governance, and substantially met its mandate in 2024.*

  
Martin S. Villarama, Jr.  
Chairperson  
Independent Director

  
Leo S. Alvez

  
Aurora S. Lagman  
Member – Lead Independent Director





## 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, 2024, 2023 and 2022, 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.

  
ARIEL I. VICTORIA  
OIC - Chief Finance Officer

  
RAMON S. ANG  
President

Signed this 5th day of March 2025



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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Ginebra San Miguel Inc.**  
3<sup>rd</sup> and 6<sup>th</sup> 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, 2024 and 2023, 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, 2024, 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

### 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  
SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025  
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)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee





### 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 (P62,505 million)

Refer to Note 3, *Material Accounting Policy Information* 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 for 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.



### 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, 2024 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, 2024 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 Accounting Standards, 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 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 matter communicated with those charged with governance, we determine that matter was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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 Arlene C. Yu.

R.G. MANABAT & CO.

*Maria Arlene C. Yu*

MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years covering the audit of 2021 to 2025 financial statements

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 10467161

Issued January 2, 2025 at Makati City

April 14, 2025

Makati City, Metro Manila



# Financial Statements

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2024 AND 2023  
(In Thousands)

	Note	2024	2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 5, 31, 32	P11,330,931	P9,881,018
Trade and other receivables - net	4, 6, 22, 26, 27, 31, 32	1,899,136	1,577,836
Inventories	4, 7	7,606,929	8,083,201
Prepaid expenses and other current assets	8, 27, 31, 32	892,247	817,344
<b>Total Current Assets</b>		<b>21,729,243</b>	<b>20,359,399</b>
<b>Noncurrent Assets</b>			
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	6,392,474	5,092,142
Right-of-use assets - net	4, 12, 27, 28	65,532	50,778
Goodwill - net	4, 13	126,863	126,863
Deferred tax assets - net	4, 18	625,092	562,775
Other noncurrent assets - net	4, 14, 27, 31, 32	93,389	75,848
<b>Total Noncurrent Assets</b>		<b>8,803,350</b>	<b>7,408,406</b>
		<b>P30,532,593</b>	<b>P27,767,805</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	15, 27, 31, 32	P5,666,430	P5,694,109
Loans payable	4, 16	-	1,000,000
Income and other taxes payable		1,808,095	1,736,095
Lease liabilities - current portion	4, 27, 28, 31	32,108	25,796
<b>Total Current Liabilities</b>		<b>7,506,633</b>	<b>8,456,000</b>
<b>Noncurrent Liabilities</b>			
Retirement liabilities	4, 29	1,045,838	880,891
Lease liabilities - net of current portion	4, 27, 28, 31	39,626	30,602
<b>Total Noncurrent Liabilities</b>		<b>1,085,464</b>	<b>911,493</b>
<b>Total Liabilities</b>		<b>8,592,097</b>	<b>9,367,493</b>

Forward



	Note	2024	2023
<b>Equity</b>	19		
Capital stock		P399,063	P399,063
Additional paid-in capital		2,539,454	2,539,454
Equity reserves		(777,643)	(640,050)
Retained earnings:			
Appropriated		3,512,000	3,512,000
Unappropriated		19,937,595	16,259,818
Treasury stock		(3,669,973)	(3,669,973)
<b>Total Equity</b>		<b>21,940,496</b>	<b>18,400,312</b>
		<b>P30,532,593</b>	<b>P27,767,805</b>

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022  
(In Thousands, Except Per Share Data)

	Note	2024	2023	2022
<b>SALES</b>	27	<b>P62,505,408</b>	P53,638,569	P47,340,746
<b>COST OF SALES</b>	20	<b>47,270,273</b>	40,834,816	35,862,785
<b>GROSS PROFIT</b>		<b>15,235,135</b>	12,803,753	11,477,961
<b>SELLING AND MARKETING EXPENSES</b>	21	<b>(4,148,039)</b>	(3,715,966)	(3,397,473)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	22	<b>(2,491,327)</b>	(2,252,979)	(2,093,924)
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	11, 16, 17, 25, 28, 29	<b>(82,936)</b>	(61,041)	(52,779)
<b>INTEREST INCOME</b>	5, 10, 27	<b>854,110</b>	552,354	130,537
<b>GAIN (LOSS) ON DISPOSAL/RETIREMENT OF NONCURRENT ASSETS - Net</b>	11	<b>345</b>	784	(1,040)
<b>OTHER INCOME (CHARGES) - Net</b>	26	<b>265,704</b>	2,037,982	(5,031)
<b>INCOME BEFORE INCOME TAXES</b>		<b>9,632,992</b>	9,364,887	6,058,251
<b>INCOME TAX EXPENSE</b>	18	<b>2,376,118</b>	2,319,020	1,511,029
<b>NET INCOME</b>		<b>P7,256,874</b>	P7,045,867	P4,547,222
<b>Basic and Diluted Earnings Per Share</b>	30	<b>P25.34</b>	P24.61	P15.88

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, 2024, 2023 AND 2022  
(In Thousands)

	Note	Capital Stock		Additional Paid-in Capital	Equity Reserve for Retirement Plan	Retained Earnings		Treasury Stock		Total
		Common	Preferred			Appropriated	Unappropriated	Common	Preferred	
<b>As at January 1, 2024</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P640,050)</b>	<b>P3,512,000</b>	<b>P16,259,818</b>	<b>(P1,947,198)</b>	<b>(P1,722,775)</b>	<b>P18,400,312</b>
Net income		-	-	-	-	-	7,256,874	-	-	7,256,874
Other comprehensive loss:										
Equity reserve for retirement plan	29	-	-	-	(137,593)	-	-	-	-	(137,593)
Total comprehensive income		-	-	-	(137,593)	-	7,256,874	-	-	7,119,281
Cash dividends and distribution on common shares	19	-	-	-	-	-	(3,579,097)	-	-	(3,579,097)
<b>As at December 31, 2024</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P777,643)</b>	<b>P3,512,000</b>	<b>P19,937,595</b>	<b>(P1,947,198)</b>	<b>(P1,722,775)</b>	<b>P21,940,496</b>
<b>As at January 1, 2023</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P415,729)</b>	<b>P3,512,000</b>	<b>P12,077,230</b>	<b>(P1,947,198)</b>	<b>(P1,722,775)</b>	<b>P14,442,045</b>
Net income		-	-	-	-	-	7,045,867	-	-	7,045,867
Other comprehensive loss:										
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	P345,625	P53,438	P2,539,454	(P640,050)	P3,512,000	P16,259,818	(P1,947,198)	(P1,722,775)	P18,400,312
<b>As at December 31, 2023</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P366,345)</b>	<b>P3,512,000</b>	<b>P9,104,812</b>	<b>(P1,947,198)</b>	<b>(P1,722,775)</b>	<b>P11,519,011</b>
<b>As at January 1, 2022</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P366,345)</b>	<b>P3,512,000</b>	<b>P9,104,812</b>	<b>(P1,947,198)</b>	<b>(P1,722,775)</b>	<b>P11,519,011</b>
Net income		-	-	-	-	-	4,547,222	-	-	4,547,222
Other comprehensive loss:										
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)
<b>As at December 31, 2022</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P415,729)</b>	<b>P3,512,000</b>	<b>P12,077,230</b>	<b>(P1,947,198)</b>	<b>(P1,722,775)</b>	<b>P14,442,045</b>

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022  
(In Thousands)

	Note	2024	2023	2022
NET INCOME		P7,256,874	P7,045,867	P4,547,222
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	29	(183,459)	(299,094)	(65,845)
Income tax	18	45,866	74,773	16,461
OTHER COMPREHENSIVE LOSS - Net of tax		(137,593)	(224,321)	(49,384)
TOTAL COMPREHENSIVE INCOME - Net of tax		P7,119,281	P6,821,546	P4,497,838

See Notes to the Consolidated Financial Statements.



GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022  
(In Thousands)

	Note	2024	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P9,632,992	P9,364,887	P6,058,251
Adjustments for:				
Depreciation and amortization	11, 12, 14, 20, 21, 22, 23	705,494	666,063	677,239
Retirement expense	24, 29	107,995	94,998	98,437
Interest expense and other financing charges	11, 16, 17, 25, 28, 29	82,936	61,041	52,779
Net unrealized foreign exchange loss (gain)	26, 31	6,915	(33,905)	28,131
Net derivative loss (gain)	26, 32	328	(2,000)	241,801
Net provision (reversal) of impairment losses on trade and other receivables	6, 22	-	(292)	10,325
Net provision (reversal) of impairment losses for write-down of inventories to net realizable value	7, 20	-	30,098	(10,325)
Gain on lease modification	12, 26	(19)	(8,014)	(10,159)
Loss (gain) on disposal/retirement of noncurrent assets - net	11	(345)	(784)	1,040
Interest income	5, 10, 27	(854,110)	(552,354)	(130,537)
Operating income before working capital changes		9,682,186	9,619,738	7,016,982
Decrease (increase) in:				
Trade and other receivables		(315,306)	(325,961)	(199,903)
Inventories		465,973	(1,155,381)	1,529,566
Prepaid expenses and other current assets		(671,953)	(435,413)	(198,488)
Increase (decrease) in:				
Accounts payable and accrued expenses		(20,550)	179,404	287,349
Other taxes payable		(117,398)	820,160	130,043
Cash generated from operations		9,022,952	8,702,547	8,565,549
Contribution to retirement plan	29	(181,968)	(189,785)	(178,323)
Interest and other financing charges paid		(33,980)	(17,822)	(18,219)
Income taxes paid		(1,702,110)	(1,668,233)	(1,111,845)
Net cash flows provided by operating activities		7,104,894	6,826,707	7,257,162

Forward

	Note	2024	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received		P848,105	P537,061	P117,648
Proceeds from disposal of property and equipment	11	403	784	3,270
Additions to investment in debt instruments at amortized cost	10	-	-	(1,500,000)
Increase in other noncurrent assets		(13,792)	(10,274)	(20)
Additions to advances to suppliers	14	(14,612)	(12,007)	(11,839)
Additions to property, plant and equipment	11	(1,956,546)	(966,026)	(990,333)
Net cash flows used in investing activities		(1,136,442)	(450,462)	(2,381,274)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from loans payable	16	-	998,747	-
Payments of:				
Cash dividends		(3,475,022)	(2,774,093)	(1,524,714)
Loans payable	16	(1,000,000)	-	-
Lease liabilities:	28			
Principal		(32,276)	(36,602)	(71,411)
Interest		(4,339)	(5,218)	(9,259)
Long-term borrowings	17	-	(166,666)	(166,667)
Net cash flows used in financing activities		(4,511,637)	(1,983,832)	(1,772,051)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		(6,902)	31,328	(25,726)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,449,913</b>	<b>4,423,741</b>	<b>3,078,111</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5	<b>9,881,018</b>	<b>5,457,277</b>	<b>2,379,166</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	5	<b>P11,330,931</b>	<b>P9,881,018</b>	<b>P5,457,277</b>

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 Floors, 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) Accounting Standards. PFRS Accounting Standards are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS Accounting Standards 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 5, 2025.

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:

Items	Measurement Basis
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:

Name of Subsidiary	Country of Incorporation
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries Inc. (AII)	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.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intragroup balances and transactions, including intragroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.



### 3. Material Accounting Policy Information

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

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

#### Adoption of Amendments to Standards

The Group has adopted the following amendments to standards 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 consolidated financial statements.

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

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in preparing the consolidated financial statements. Except as otherwise indicated, the adoption of new and amendments to standards will not have any significant impact on the Group's consolidated financial statements.

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

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

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

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

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

- Annual Improvements to PFRS Accounting Standards - Volume 11. This cycle of improvements contains amendments to two standards:
  - Gain or Loss on Derecognition (Amendments to PFRS 7). The amendments replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.
  - Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9). The amendments:
    - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and
    - replaced the term 'their transaction price (as defined in PFRS 15, *Revenue from Contracts with Customers*)' with 'the amount determined by applying PFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

The amendments apply for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendment on derecognition of lease



liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1. The new standard introduces the following key requirements:
  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.
  - Management-defined performance measures are disclosed in a single note to the financial statements.
  - Enhanced guidance is provided on how to group information in the financial statements.

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

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of income, the statement of cash flows and the additional disclosures required for management-defined performance measures. The Group is also assessing the impact on how information is grouped in the consolidated financial statements, including for items currently labelled as "other".

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

#### 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.

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, 2024 and 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, lease receivables 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 financial liabilities at amortized costs. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

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

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

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt 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.

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:

	Number of Years
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 consolidated statements of income 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, *Revenue from Contracts with Customers* 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 and intangible assets with finite lives 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.

##### *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.

*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 consolidated statements of income 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. 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.

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 Accounting Standards 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 2024, 2023 and 2022 (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 instruments, 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.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 32.

#### 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 nil and P3,897 in 2024 and 2023, respectively. The Group did not recognize provision for impairment loss in 2024 and 2023. The allowance for impairment losses on trade receivables amounted to P9,768 as at December 31, 2024 and 2023 (Note 6). The net carrying amount of trade receivables amounted to P1,710,601 and P1,348,927 as at December 31, 2024 and 2023, 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 2024 and 2023.

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

	Note	2024	2023
<b>Other Financial Assets at Amortized Cost</b>			
Cash and cash equivalents	5	P11,330,931	P9,881,018
Non-trade receivables - net of allowance for impairment losses* (included under "Trade and other receivables - net" account)**	6	173,707	213,925
Lease receivable (included under "Other noncurrent assets" account)	14	279	275
Investment in debt instruments at amortized cost	10	1,500,000	1,500,000
Security deposit (included under "Other noncurrent assets - net" accounts)	14	493	493

\*Allowance for impairment losses on non-trade receivables amounted to P672,799 as at December 31, 2024 and 2023 (Note 6).  
\*\*Excluding tax certificate receivables amounted to P14,828 and P14,984 as at December 31, 2024 and 2023, respectively (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 Accounting Standards, 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 P132,255 and P141,665 as at December 31, 2024 and 2023, respectively (Note 7).

The carrying amount of inventories amounted to P7,606,929 and P8,083,201 as at December 31, 2024 and 2023, respectively (Note 7).

*Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets and Intangible Asset with Finite Useful Life.* The Group estimates the useful lives of property, plant and equipment, right-of-use assets 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 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 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 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 and intangible asset with finite useful life as at December 31, 2024 and 2023.

Property, plant and equipment, net of accumulated depreciation and impairment losses amounted to P6,392,474 and P5,092,142 as at December 31, 2024 and 2023, respectively. Accumulated depreciation of property, plant and equipment amounted to P10,533,949 and P9,922,509 as at December 31, 2024 and 2023, respectively (Note 11).

Right-of-use assets, net of accumulated depreciation amounted to P65,532 and P50,778 as at December 31, 2024 and 2023, respectively. Accumulated depreciation of right-of-use assets amounted to P91,496 and P84,562 as at December 31, 2024 and 2023, respectively (Note 12).

Intangible assets, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P30,719 and P27,792 as at December 31, 2024 and 2023, respectively. Accumulated amortization of intangible assets amounted to P36,602 and P25,739 as at December 31, 2024 and 2023, 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 P71,734 and P56,398 as at December 31, 2024 and 2023, 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 allowance for impairment loss of goodwill amounted to P100,000 as at December 31, 2024 and 2023. The carrying amount of goodwill amounted to P126,863 as at December 31, 2024 and 2023 (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 P625,092 and P562,775 as at December 31, 2024 and 2023, respectively (Note 18).



*Impairment of Non-financial Assets.* PFRS Accounting Standards requires that an impairment review be performed on investments in joint ventures, property, plant and equipment, intangible assets with finite useful lives, 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, 2024 and 2023 (Notes 9 and 11).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets and intangible assets with finite useful lives amounted to P6,488,725 and P5,170,712 as at December 31, 2024 and 2023, 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 P2,554,684 and P2,267,495 as at December 31, 2024 and 2023, respectively (Note 29).

## 5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2024	2023
Cash in banks and on hand		P2,046,268	P787,855
Short-term investments		9,284,663	9,093,163
	31, 32	P11,330,931	P9,881,018

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 P729,573, P395,050 and P125,206 in 2024, 2023 and 2022, respectively.

## 6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2024	2023
Trade:			
Third parties		P1,693,446	P1,343,360
Related parties	27	26,923	15,335
Non-trade:			
Third parties		131,981	153,927
Related parties	27	729,353	747,781
		2,581,703	2,260,403
Less allowance for impairment losses		682,567	682,567
	31, 32	P1,899,136	P1,577,836

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 as at December 31, 2024 and 2023.

Non-trade receivables from third parties consist of the following: (i) receivable from employees amounting to P27,296 and P22,770 as at December 31, 2024 and 2023, respectively; (ii) tax certificate receivables amounting to P14,486 and P14,969 as at December 31, 2024 and 2023, respectively; and (iii) miscellaneous receivables amounting to P90,199 and P116,188 as at December 31, 2024 and 2023, respectively. These are generally collectible on demand. Allowance for impairment losses for non-trade receivables from third parties amounted to P380 as at December 31, 2024 and 2023. Allowance for impairment losses pertaining to non-trade receivables from related parties amounted to P672,419 as at December 31, 2024 and 2023.



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

	Note	2024	2023
Balance at beginning of year		P682,567	P691,293
Provision	22	-	4,297
Reversal of impairment loss	22	-	(4,589)
Amounts written off		-	(8,434)
Balance at end of year	4	P682,567	P682,567

The reversal of impairment loss amounting to nil and P4,589 in 2024 and 2023, respectively, is included as part of "Net provision (reversal) for impairment losses" account under "General and administrative expenses" account in the consolidated statements of income (Note 22).

## 7. Inventories

Inventories consist of:

	2024	2023
At cost:		
Finished goods and goods in process	P3,814,398	P4,785,850
At net realizable value:		
Materials and supplies	3,792,531	3,297,351
	P7,606,929	P8,083,201

The cost of materials and supplies amounted to P3,924,786 and P3,439,016 as at December 31, 2024 and 2023, respectively.

The amount of inventories charged to cost of sales amounted to P17,140,685, P15,454,336 and P13,967,463 in 2024, 2023 and 2022, respectively (Note 20).

The movements in allowance for write-down of inventories to net realizable value at the beginning and end of 2024 and 2023 are as follows:

	Note	2024	2023
Balance at beginning of year		P141,665	P118,353
Write-off		(9,410)	(6,786)
Provision	20, 22	-	38,503
Reversal	20	-	(8,405)
Balance at end of year	4	P132,255	P141,665

Provision for write-down of inventories to net realizable value amounted to nil and P38,503 in 2024 and 2023, respectively.

The Group adjusted the allowance for write-down of inventories to net realizable value based on the recent computed net realizable value. This resulted to a net provision (reversal) of write-down of inventories amounting to nil and P30,098 in 2024 and 2023, 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:

	Note	2024	2023
Prepaid taxes		P832,162	P747,096
Derivative assets	31, 32	9,158	14,572
Others	27	50,927	55,676
		P892,247	P817,344

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

Others include prepaid insurance, prepaid rental and advances to employees. Prepaid insurance pertains to amounts owed by a related party amounting to P42,953 and P45,002 as at December 31, 2024 and 2023, 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

GSML, through GSML, 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	2024	2023	2022
Current assets (including cash and cash equivalents - 2024: P257,234; 2023: P218,817 and 2022: P344,797)	P269,547	P331,755	P603,948
Noncurrent assets	670,234	683,238	732,657
Current liabilities (including financial liabilities - 2024: P1,332,335; 2023: P1,281,459 and 2022: P1,277,193)	(1,368,575)	(1,320,303)	(1,379,120)
Net liabilities	(428,794)	(305,310)	(42,515)
Percentage of ownership	44.9%	44.9%	44.9%
Amount of investment in joint venture	-	-	-
Carrying amount of investment in joint venture - net	P -	P -	P -

TSML	2024	2023	2022
Sales	P1,093	P3,279	P397,212
Cost of sales (including depreciation - 2024: P33,567; 2023: P46,347 and 2022: P136,602)	(44,150)	(61,016)	(563,196)
Operating expenses (including depreciation - 2024: P3,332; 2023: P3,237 and 2022: P3,353)	(24,726)	(170,876)	(160,133)
Other charges (including interest expense - 2024: P32,132; 2023: P31,616 and 2022: P30,727)	(37,008)	(31,263)	(35,414)



Net loss	(104,791)	(259,876)	(361,531)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net loss	(47,051)	(116,684)	(162,327)
Share in other comprehensive loss	-	-	-
Total comprehensive loss	(P47,051)	(P116,684)	(P162,327)

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, 2024 and 2023.

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 P459,340 and P412,289 as at December 31, 2024 and 2023, 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	2024	2023	2022
Current assets (including cash and cash equivalents - 2024: P7,362; 2023: P7,168 and 2022: P7,135)	P18,836	P18,203	P18,216
Noncurrent assets	168	214	431
Current liabilities	(1,028,554)	(989,278)	(986,056)
Net liabilities	(1,009,550)	(970,861)	(967,409)
Percentage of ownership	44.9%	44.9%	44.9%
Carrying amount of investment in joint venture	P -	P -	P -

TGT	2024	2023	2022
Sales	P -	P126	P12,166
Cost of sales	-	(115)	(9,895)
Operating expenses (including depreciation - 2024: P42; 2023: P201 and 2022: P202)	(149)	(243)	(1,413)
Other income	12	14	118
Net income (loss)	(137)	(218)	976
Percentage of ownership	44.9%	44.9%	44.9%
Share in net income (loss)	(62)	(98)	438
Share in other comprehensive loss	-	-	-
Total comprehensive income (loss)	(P62)	(P98)	P438

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 P295,352 and P295,290 as at December 31, 2024 and 2023, 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 P111,446, P117,564 and P5,331 in 2024, 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
<b>Cost</b>								
January 1, 2023	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	1,258,668	2,683,662	476,703	9,429,427	910,874	136,499	426,418	15,322,251
Additions	2,132	252,320	24,522	104,358	149,202	3,551	1,420,461	1,956,546
Disposals/retirement	-	(801)	(7,546)	(17,444)	(24,182)	-	-	(49,973)
Reclassifications	7,291	14,662	16,422	62,860	9,845	3,447	(109,328)	5,199
<b>December 31, 2024</b>	<b>1,268,091</b>	<b>2,949,843</b>	<b>510,101</b>	<b>9,579,201</b>	<b>1,045,739</b>	<b>143,497</b>	<b>1,737,551</b>	<b>17,234,023</b>
<b>Accumulated Depreciation</b>								
January 1, 2023	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
Depreciation	11,375	91,568	48,603	390,478	104,815	14,516	-	661,355
Disposals/retirement	-	(760)	(7,546)	(17,427)	(24,182)	-	-	(49,915)
Reclassifications	-	-	-	-	-	-	-	-
<b>December 31, 2024</b>	<b>315,140</b>	<b>1,575,014</b>	<b>395,779</b>	<b>7,528,377</b>	<b>677,009</b>	<b>42,630</b>	<b>-</b>	<b>10,533,949</b>
<b>Accumulated Impairment Losses</b>								
December 31, 2023 and 2024	-	-	-	307,600	-	-	-	307,600
<b>Carrying Amount</b>								
December 31, 2023	P954,903	P1,199,456	P121,981	P1,966,501	P314,498	P108,385	P426,418	P5,092,142
<b>December 31, 2024</b>	<b>P952,951</b>	<b>P1,374,829</b>	<b>P114,322</b>	<b>P1,743,224</b>	<b>P368,730</b>	<b>P100,867</b>	<b>P1,737,551</b>	<b>P6,392,474</b>

The Group has fully depreciated assets with cost amounting to P4,747,955 and P3,721,892 as at December 31, 2024 and 2023, respectively, which are still used in operations.

The Group sold various equipment for P403, P784 and P3,270 in 2024, 2023, and 2022, respectively. Accordingly, the Group recognized gains amounting to P403, P784 and P1,373 included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income in 2024, 2023 and 2022, respectively.

The carrying amount of certain property and equipment retired from use amounted to P58, nil and P2,413 as at December 31, 2024, 2023 and 2022, 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 P661,355, P615,441 and P564,588 in 2024, 2023 and 2022, respectively (Notes 20, 21, 22 and 23). These amounts include annual amortization of capitalized interest amounting to P7,802, P6,933 and P6,825 in 2024, 2023 and 2022, respectively.

The Group has interest amounting to P5,199, P10,754 and P3,781 which was capitalized in 2024, 2023 and 2022, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization were 6.40%, 3.87% and 4.47% in 2024, 2023 and 2022, 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
<b>Cost</b>				
January 1, 2023		P15,610	P174,142	P189,752
Additions	28	11,315	31,430	42,745
Retirement		-	(97,157)	(97,157)
December 31, 2023		26,925	108,415	135,340
Additions	28	-	48,239	48,239
Retirement		-	(26,551)	(26,551)
<b>December 31, 2024</b>		<b>26,925</b>	<b>130,103</b>	<b>157,028</b>
<b>Accumulated Depreciation</b>				
January 1, 2023		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
Depreciation	23	4,954	28,322	33,276
Retirement		-	(26,342)	(26,342)
<b>December 31, 2024</b>		<b>12,435</b>	<b>79,061</b>	<b>91,496</b>
<b>Carrying Amount</b>				
December 31, 2023		P19,444	P31,334	P50,778
<b>December 31, 2024</b>		<b>P14,490</b>	<b>P51,042</b>	<b>P65,532</b>



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 P19, P8,014 and P10,159 in 2024, 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

GSML 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.

In 2015, 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. Due to improvements in the operations of EPSBPI starting 2016 and the growth in volume requirements of GSML, no additional impairment loss was recognized in 2024 and 2023.

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 4% and 3% in 2024 and 2023, 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 8.4% and 8.6% in 2024 and 2023, 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.

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:

	Note	2024	2023
Intangible assets - net		P30,719	P27,792
Security deposit	31, 32	493	493
Others	27	62,177	47,563
		P93,389	P75,848

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

	Note	2024	2023
<b>Cost</b>			
Balance at beginning of year		P53,531	P43,272
Additions		13,790	10,259
<b>Balance at end of year</b>		67,321	53,531
<b>Accumulated Amortization</b>			
Balance at beginning of year		25,739	14,852
Amortization	22, 23	10,863	10,887
<b>Balance at end of year</b>		36,602	25,739
<b>Carrying Amount</b>		P30,719	P27,792

Amortization expense, included as part of "General and administrative expenses" account in the consolidated statements of income amounted to P10,863, P10,887 and P8,776 in 2024, 2023 and 2022, respectively (Notes 22 and 23).

The movements in deferred containers - net are as follows:

	Note	2024	2023
<b>Cost</b>			
Balance at beginning of the year		P -	P375,009
Retirement		-	(375,009)
<b>Balance at end of year</b>		-	-
<b>Accumulated Depreciation</b>			
Balance at beginning of year		-	373,245
Depreciation	22, 23	-	1,764
Retirement		-	(375,009)
<b>Balance at end of year</b>		-	-
<b>Carrying Amount</b>		P -	P -

Depreciation of deferred containers, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to nil, P1,764 and P25,627 in 2024, 2023 and 2022, respectively (Notes 22 and 23).

"Others" include advances to suppliers for construction projects amounting to P61,898 and P47,286 as at December 31, 2024 and 2023, respectively, and lease receivables from related party amounting to P279 and P275 as at December 31, 2024 and 2023, respectively (Note 27).



## 15. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2024	2023
Trade:			
Third parties		P4,097,923	P4,251,662
Related parties	27	1,358,503	1,330,005
Non-trade:			
Third parties		196,084	110,780
Related parties	27	8,886	1,186
Derivative liabilities	31, 32	5,034	476
	31, 32	P5,666,430	P5,694,109

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 bears an interest rate of 6.40%. On January 30, 2024, the loan was fully paid by the Company.

Changes in liabilities arising from financing activities are as follows:

	Note	2024	2023
Balance at beginning of year		P1,000,000	P -
Changes from Financing Cash Flows			
Proceeds from loan		-	1,000,000
Interest expense	11	5,199	5,511
Payment of:			
Loan		(1,000,000)	-
Interest		(5,199)	(5,511)
Total Changes from Financing Cash Flows		(1,000,000)	1,000,000
Balance at end of year		P -	P1,000,000

The interest on loans payable amounting to P5,199 and P5,511 in 2024 and 2023, respectively, were capitalized to property, plant and equipment (Note 11).

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

## 17. Long-term Debt

On December 28, 2020, the Company obtained a long-term debt with a fixed interest rate of 4.21% 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 Company fully paid the loan.

Unamortized debt issue costs amounted to nil as at December 31, 2024 and 2023.

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

	Note	2024	2023
Balance at beginning of year		P -	P165,430
Changes from Financing Cash Flows			
Capitalized borrowing cost	11	-	5,243
Interest paid		-	(5,243)
Payments of borrowings		-	(166,666)
Total Changes from Financing Cash Flows		-	(166,666)
Amortization of debt issue cost		-	1,236
Balance at end of year		P -	P -

The movements in debt issue costs are as follows:

	Note	2024	2023
Balance at beginning of year		P -	P1,236
Amortization	25	-	(1,236)
Balance at end of year		P -	P -

Amortization of debt issue costs included in "Bank charges" amounted to nil, P1,236 and P1,250 in 2024, 2023 and 2022, respectively (Note 25).

Interest expense on the long-term debt amounted to nil in 2024 and 2023 and P8,626 in 2022 which is included as part of "Interest expense and other financing charges" account in the consolidated statements of income (Note 25).



## 18. Income Taxes

The components of income tax expense are shown below:

	2024	2023	2022
Current	P2,392,569	P2,282,059	P1,519,957
Deferred	(16,451)	36,961	(8,928)
	P2,376,118	P2,319,020	P1,511,029

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

2024	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Equity reserve for retirement plan	P213,350	P -	P45,866	P259,216
Provision for impairment losses	182,834	-	-	182,834
Past service costs	81,387	1,381	-	82,768
Leases	36,559	1,510	-	38,069
Allowance for write-down of inventories	35,506	(2,286)	-	33,220
Various accruals	21,305	1,417	-	22,722
NOLCO	152	7,218	-	7,370
MCIT	42	5,980	-	6,022
Net defined benefit retirement surplus	8,328	(3,642)	-	4,686
Derivative liabilities - net	(3,524)	2,493	-	(1,031)
Unamortized capitalized borrowing costs	(4,683)	651	-	(4,032)
Unrealized foreign exchange loss (gain) - net	(8,481)	1,729	-	(6,752)
	P562,775	P16,451	P45,866	P625,092

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

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

	2024	2023
Amount charged to profit or loss	P16,451	(P36,961)
Amount charged to other comprehensive income	45,866	74,773
	P62,317	P37,812

As at December 31, 2024, 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
2024	28,884	-	-	28,884	2027
	P29,644	P -	P -	P29,644	

As at December 31, 2024, 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
2021	P24	(P24)	P -	P -	2024
2022	5	-	-	5	2025
2023	13	-	-	13	2026
2024	6,004	-	-	6,004	2027
	P6,046	(P24)	P -	P6,022	

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

	2024	2023	2022
Statutory income tax rate	25.00%	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	(0.44%)	(0.27%)	(0.10%)
Others	0.11%	(0.01%)	0.04%
Effective income tax rate	24.67%	24.72%	24.94%

The Group has applied the amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*, which provide a mandatory temporary exception from accounting for deferred taxes arising from Pillar Two income taxes. No deferred tax assets or liabilities have been recognized in relation to Pillar Two legislation.

The Group will continue to monitor developments and will provide additional disclosures when the legislation becomes effective and the impact becomes reasonably estimable.

## 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 615 and 618 stockholders as at December 31, 2024 and 2023, respectively.

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

	2024	2023
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.

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

	2024	2023
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:

	2024	2023	2022
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

There were no movements in the number of shares held in treasury in 2024 and 2023.

#### *c. Unappropriated Retained Earnings*

The unappropriated retained earnings of the Company amounting to P3,669,973 in 2024 and 2023, 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, 2024.

#### *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.

The Company has not made any other appropriation or restriction of its excess retained earnings as at December 31, 2024 and 2023.

#### *e. Dividend Declaration*

The BOD of the Company 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	P0.75
	April 30, 2024	May 17, 2024	June 7, 2024	1.50
	August 6, 2024	August 22, 2024	September 6, 2024	1.50
	November 5, 2024	November 21, 2024	December 6, 2024	2.50
Common-special	March 6, 2024	March 21, 2024	April 11, 2024	1.75
	April 30, 2024	May 17, 2024	June 7, 2024	1.50
	August 6, 2024	August 22, 2024	September 6, 2024	1.50
	November 5, 2024	November 21, 2024	December 6, 2024	1.50

#### 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

The Company makes regular declaration of cash dividends out of its unrestricted retained earnings in accordance with its dividend policy and as part of its capital management.



**20. Cost of Sales**

Cost of sales consist of:

	Note	2024	2023	2022
Taxes and licenses		P27,481,064	P22,990,727	P19,919,823
Inventories	7	17,140,685	15,454,336	13,967,463
Utilities and supplies		967,428	855,522	754,636
Personnel	24, 29	444,637	397,104	357,342
Depreciation and amortization	11, 12, 14, 23	411,798	371,854	292,698
Repairs and maintenance		321,318	269,847	175,737
Outside services		279,513	253,062	218,730
Tolling fees		181,745	178,735	150,574
Insurance		4,250	3,989	3,353
Rent	28	1,502	2,096	5,006
Freight, trucking and handling		224	686	5,899
Net provision (reversal) for write-down of inventories to net realizable value	7	-	29,586	(10,325)
Others		36,109	27,272	21,849
		P47,270,273	P40,834,816	P35,862,785

**21. Selling and Marketing Expenses**

Selling and marketing expenses consist of:

	Note	2024	2023	2022
Advertising and promotions		P1,732,341	P1,559,420	P1,479,808
Delivery and marketing		1,320,660	1,149,900	967,880
Personnel	24, 29	479,662	418,885	407,377
Repairs and maintenance		104,628	93,813	68,127
Outside services		99,995	95,051	76,152
Rent	28	97,231	116,639	117,119
Depreciation and amortization	11, 12, 23	85,465	79,800	92,056
Utilities and supplies		76,567	69,884	73,551
Travel and transportation		60,792	44,060	30,520
Research		45,403	27,812	40,428
Corporate special program		18,400	36,881	26,150
Insurance		15,076	11,970	9,339
Others		11,819	11,851	8,966
		P4,148,039	P3,715,966	P3,397,473

**22. General and Administrative Expenses**

General and administrative expenses consist of:

	Note	2024	2023	2022
Personnel	24, 29	P1,140,119	P1,002,892	P956,362
Outside services	27	396,011	346,672	325,830
Taxes and licenses		251,891	191,585	171,080
Depreciation and amortization	11, 12, 14, 23	208,231	214,409	292,485
Corporate special program		144,686	134,964	94,557
Repairs and maintenance		128,056	130,174	73,671
Insurance		97,834	93,651	84,245
Utilities and supplies		54,927	60,046	50,952
Travel and transportation		33,403	30,499	15,025
Rent	28	22,998	33,208	14,078
Research		9,100	13,242	1,475
Net provision (reversal) for impairment losses	6	-	(292)	10,325
Others		4,071	1,929	3,839
		P2,491,327	P2,252,979	P2,093,924

**23. Depreciation and Amortization**

Depreciation and amortization consist of:

	Note	2024	2023	2022
Property, plant and equipment	11	P661,355	P615,441	P564,588
Right-of-use assets	12	33,276	37,971	78,248
Intangible assets	14	10,863	10,887	8,776
Deferred containers	14	-	1,764	25,627
		P705,494	P666,063	P677,239

Depreciation and amortization are distributed as follows:

	Note	2024	2023	2022
Cost of sales	20	P411,798	P371,854	P292,698
Selling and marketing expenses	21	85,465	79,800	92,056
General and administrative expenses	22	208,231	214,409	292,485
		P705,494	P666,063	P677,239



## 24. Personnel Expenses

Personnel expenses consist of:

	Note	2024	2023	2022
Salaries and wages		P1,213,998	P1,126,363	P1,052,744
Retirement costs	29	107,995	94,998	98,437
Other employee benefits		742,425	597,520	569,900
		P2,064,418	P1,818,881	P1,721,081

Personnel expenses are distributed as follows:

	Note	2024	2023	2022
Cost of sales	20	P444,637	P397,104	P357,342
Selling and marketing expenses	21	479,662	418,885	407,377
General and administrative expenses	22	1,140,119	1,002,892	956,362
		P2,064,418	P1,818,881	P1,721,081

## 25. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2024	2023	2022
Interest on defined benefit obligation - net	29	P55,461	P40,833	P27,872
Interest on lease liabilities	28	4,339	5,218	9,259
Interest on long-term debt	17	-	-	8,626
Bank charges	17	23,136	14,990	7,022
		P82,936	P61,041	P52,779

## 26. Other Income (Charges) - net

Other income (charges) consist of:

	Note	2024	2023	2022
Tolling fees - net		P191,966	P327,089	P200,491
Sale of scrap materials		42,465	47,357	48,360
Rent income	28	172	172	172
Net derivative gain (loss)	32	(328)	2,000	(241,801)
Net foreign exchange gain (loss)	31	(6,294)	31,568	(28,131)
Income from transfer of rights		-	1,530,295	-
Others	6, 12	37,723	99,501	15,878
		P265,704	P2,037,982	(P5,031)

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 and insurance claims. In 2022, this also includes collection of miscellaneous receivables previously provided with allowance.

## 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	2024	P -	P -	P5	P -	On demand;	Unsecured;
	2023	-	-	5	-	non-interest	no impairment
	2022	-	-	5	-	bearing	
Intermediate Parent Company	2024	12,783	271,038	10,939	19,441	On demand;	Unsecured;
	2023	12,201	485,309	8,690	28,457	non-interest	no impairment
	2022	48,370	250,306	5,298	14,278	bearing	
Parent Company	2024	150	-	7	-	On demand;	Unsecured;
	2023	150	-	9	-	non-interest	no impairment
	2022	150	-	7	-	bearing	
Under Common Control	2024	240,719	9,282,037	129,036	1,393,266	On demand;	Unsecured;
	2023	301,252	8,790,094	140,876	1,348,616	non-interest	with impairment
	2022	326,585	6,600,721	111,069	1,695,910	bearing	
Joint Venture	2024	13,091	-	-	5,346	On demand;	Unsecured;
	2023	39,740	-	-	1,934	Interest bearing	with impairment
	2022	-	201,821	-	1,951		
Associate of the Intermediate Parent Company	2024	111,897	-	1,500,104	-	5 to 7 years;	Unsecured;
	2023	117,960	-	1,500,040	-	interest bearing	no impairment
	2022	363	-	1,500,006	-	On demand;	Unsecured;
						non-interest	no impairment
						bearing	
Others	2024	222	-	1,101	-	On demand;	Unsecured;
	2023	521	-	1,184	-	non-interest	no impairment
	2022	1,714	-	269	-	bearing	
<b>Total</b>	<b>2024</b>	<b>P378,862</b>	<b>P9,553,075</b>	<b>P1,641,192</b>	<b>P1,418,053</b>		
<b>Total</b>	<b>2023</b>	<b>P471,824</b>	<b>P9,275,403</b>	<b>P1,650,804</b>	<b>P1,379,007</b>		
<b>Total</b>	<b>2022</b>	<b>P377,182</b>	<b>P7,052,848</b>	<b>P1,616,654</b>	<b>P1,712,139</b>		

- 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.
- 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 P44,116 and P50,664, respectively as at December 31, 2024 and P42,238 and P47,816, respectively as at December 31, 2023. Rent expense to related parties for short-term leases and leases of low-value assets recognized in the consolidated statements of income amounted to P41,888, P41,254 and P41,892 in



2024, 2023 and 2022, respectively. Amounts owed to related parties includes deferred rent income amounted to P8,886 and P1,186 as at December 31, 2024 and 2023, respectively. Amounts owed by related parties include lease receivables presented under "Other noncurrent assets - net" account in the consolidated statements of financial position which amounted to P279 and P275 as at December 31, 2024 and 2023, respectively (Note 14).

- c. Management fees paid to SMC amounting to P214,363, P203,939 and P202,654 in 2024, 2023 and 2022, respectively, are included in "Outside services" account under "General and administrative expenses" account in the consolidated statements of income (Note 22).
- d. TSML executed various promissory notes in favor of the Company. The details of which are as follows:
- o Principal sum of THB250,000 together with interest of 5.50% per annum, which interest shall accrue on March 13, 2014.
  - o Principal sum of THB50,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
  - o Principal sum of THB25,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
  - o Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
  - o 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, 2024 and 2023.

The Company received interest amounting to P13,091, P39,740 and nil in 2024, 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, 2024 and 2023 (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 P111,446, P117,564, and P5,331 in 2024, 2023 and 2022, respectively (Notes 10, 31 and 32).

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

	Note	2024	2023	2022
Short-term employee benefits		P70,062	P69,763	P63,707
Retirement costs	29	18,807	16,045	14,650
		P88,869	P85,808	P78,357

## 28. Leasing Agreements

### Group as Lessee

The Company leases various warehouse, parcels of land 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.

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

	December 31, 2024		Present Value of Minimum Lease Payments
	Future Minimum Lease Payments	Interest	
Within one year	P36,264	P4,156	P32,108
After one year but not more than five years	38,165	4,927	33,238
More than five years	7,104	716	6,388
	P81,533	P9,799	P71,734

	December 31, 2023		Present Value of Minimum Lease Payments
	Future Minimum Lease Payments	Interest	
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

The Group recognized interest expense related to these leases amounting to P4,339, P5,218 and P9,259 in 2024, 2023 and 2022, respectively (Note 25).

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

	Note	2024	2023
Balance at beginning of year		P56,398	P108,742
Changes from Financing Activities			
Interest expense	25	4,339	5,218
Payment of:			
Principal		(32,276)	(36,602)
Interest		(4,339)	(5,218)
Total Changes from Financing Activities		(32,276)	(36,602)
Other Changes		47,612	(15,742)
Balance at end of year		P71,734	P56,398



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 total rent expenses relating to short-term leases and leases of low-value assets amounted to P121,731, P151,943 and P136,203 in 2024, 2023 and 2022, respectively (Notes 20, 21 and 22).

Rent expenses are recognized in the following line items in the consolidated statements of income:

	Note	2024	2023	2022
Cost of sales	20	P1,502	P2,096	P5,006
Selling and marketing expenses	21	97,231	116,639	117,119
General and administrative expenses	22	22,998	33,208	14,078
		P121,731	P151,943	P136,203

The Group had total cash outflows for above leases amounted to P158,346 and P193,763 in 2024 and 2023, 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:

	2024	2023
Within one year	P176	P168
After one year but not more than five years	798	760
After five years	624	757
	P1,598	P1,685

Rent income recognized in the consolidated statements of income amounted to P172 in 2024, 2023 and 2022 (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, 2024. 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. One 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 is 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	
	2024	2023	2024	2023	2024	2023
Balance at beginning of year	P1,386,604	P1,177,102	(P2,267,495)	(P1,812,853)	(P880,891)	(P635,751)
Recognized in Profit or Loss						
Current service costs	-	-	(107,995)	(94,998)	(107,995)	(94,998)
Interest expense	-	-	(148,918)	(130,489)	(148,918)	(130,489)
Interest income	93,457	89,656	-	-	93,457	89,656
	93,457	89,656	(256,913)	(225,487)	(163,456)	(135,831)
Recognized in Other Comprehensive Income						
Remeasurements	-	-	-	-	-	-
Actuarial gains (losses) arising from:						
Experience adjustments	-	-	(67,142)	(143,947)	(67,142)	(143,947)
Changes in financial assumptions	-	-	(71,365)	(95,321)	(71,365)	(95,321)
Changes in demographic assumptions	-	-	(775)	(42,708)	(775)	(42,708)
Return on plan assets excluding interest income	(44,177)	(17,118)	-	-	(44,177)	(17,118)
	(44,177)	(17,118)	(139,282)	(281,976)	(183,459)	(299,094)
Others						
Contributions	181,968	189,785	-	-	181,968	189,785
Transfer to/ from other plans	-	-	-	-	-	-
Benefits paid	(109,006)	(52,821)	109,006	52,821	-	-
	72,962	136,964	109,006	52,821	181,968	189,785
Balance at end of year	P1,508,846	P1,386,604	(P2,554,684)	(P2,267,495)	(P1,045,838)	(P880,891)

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 P146,305, P120,838 and P111,545 in 2024, 2023 and 2022, respectively, while those charged by DBI amounted to P13,699, P12,025 and P11,555 in 2024, 2023 and 2022, respectively, and for EPSBPI amounted to P3,452, P2,968 and P3,209 in 2024, 2023 and 2022, respectively (Notes 24 and 25).

The retirement costs are recognized in the following line items:

	Note	2024	2023	2022
Cost of sales	20	P23,192	P20,275	P21,575
Selling and marketing expenses	21	22,413	20,156	21,041
General and administrative expenses	22	62,390	54,567	55,821
Interest expense and other financing charges	25	55,461	40,833	27,872
	24, 25	P163,456	P135,831	P126,309

Retirement liabilities recognized by GSMI amounted to P967,689 and P807,908 as at December 31, 2024 and 2023, respectively, while those recognized by DBI amounted to P65,267 and P60,980 as at December 31, 2024 and 2023, respectively, and by EPSBPI amounted to P12,882 and P12,003 as at December 31, 2024 and 2023, respectively.

The carrying amounts of the Group's retirement plan approximate fair values as at December 31, 2024 and 2023.

The Group's plan assets consist of the following:

	In Percentages	
	2024	2023
Investments in marketable securities	84.29	81.99
Investments in pooled funds:		
Fixed income portfolio	7.41	7.96
Others	8.30	10.05
	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 (P10,826) and P25,439 in 2024 and 2023, respectively.

Dividend income from the investment in marketable securities amounted to P35,726 and P21,918 in 2024 and 2023, respectively.

Interest income from the investment in marketable securities amounted to P29,981 and P26,699 in 2024 and 2023, 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 2024 and 2023.

Approximately 13.64% and 12.30% 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, 2024 and 2023, 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 P188,858 to the Retirement Plans in 2025.

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	
	2024	2023
Discount rate	6.04 - 6.13	6.54 - 6.58
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 10.37 and 10.93 years as at December 31, 2024 and 2023, respectively.

As at December 31, 2024 and 2023, 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			
	2024		2023	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P153,381)	P175,393	(P147,554)	P169,553
Salary increase rate	175,602	(156,303)	170,527	(150,951)

In 2024 and 2023, 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, 2024 and 2023.

### 30. Basic and Diluted Earnings Per Share

Basic and Diluted Earnings Per Share is computed as follows:

	2024	2023	2022
Net income available to common shares (a)	P7,256,874	P7,045,867	P4,547,222
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)	P25.34	P24.61	P15.88

### 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 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, lease receivable, security deposit, 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.

Internal Audit assists the Committee in its oversight role. 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 primarily 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, 2024	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years
<b>Financial Asset</b>					
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
<b>Financial Asset</b>					
Investment in debt instruments at amortized cost	P -	P -	P -	P -	P1,500,000
Interest rate	-	-	-	-	6.90%
<b>Financial Liability</b>					
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:

	December 31, 2024		December 31, 2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	\$3,386	P195,842	\$1,677	P92,870
Trade and other receivables	585	33,855	1,165	64,493
<b>Liabilities</b>				
Accounts payable and accrued expenses	(2,022)	(116,977)	(2,113)	(116,977)
<b>Foreign Currency-denominated Monetary Assets and Liabilities</b>	<b>\$1,949</b>	<b>P112,720</b>	<b>\$729</b>	<b>P40,386</b>

The Group reported net gain (losses) on foreign exchange amounting to (P6,294), P31,568 and (P28,131) in 2024, 2023 and 2022, 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, 2024	57.845
December 31, 2023	55.370
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
December 31, 2024				
Cash and cash equivalents	(P3,386)	(P2,540)	P3,386	P2,540
Trade and other receivables	(585)	(439)	585	439
Accounts payable and accrued expenses	2,022	1,517	(2,022)	(1,517)
	(P1,949)	(P1,462)	P1,949	P1,462
	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.

December 31, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P11,330,931	P11,330,931	P11,330,931	P -	P -	P -
Trade and other receivables - net*	1,830,717	1,830,717	1,830,717	-	-	-
Lease receivable (included under "Other noncurrent assets - net" account)	279	279	-	279	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	9,158	9,158	9,158	-	-	-

Investment in debt instruments at amortized cost	1,500,000	1,817,020	3,654	87,687	1,408,135	317,544
Security deposit (included under "Other noncurrent assets - net" accounts)	493	493	-	493	-	-
<b>Financial Liabilities</b>						
Accounts payable and accrued expenses (excluding derivative liabilities and deferred rent income**)	5,652,510	5,652,510	5,652,510	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	5,034	5,034	5,034	-	-	-
Lease liabilities (including current portion)	71,734	81,533	36,264	23,695	14,470	7,104

\* Excluding tax certificate receivables amounted to P68,419 as at December 31, 2024.

\*\*Deferred rent income amounted to P8,886 as at December 31, 2024 (Notes 15 and 27).

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	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	-	-	-
Lease receivable (included under "Other noncurrent assets - net" account)	275	275	-	275	-	-
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 "Other noncurrent assets - net" accounts)	493	493	-	493	-	-
<b>Financial Liabilities</b>						
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 (Notes 15 and 27).

\*\*\*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 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, 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, lease receivable and security deposit.

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	2024	2023
Cash and cash equivalents*	5	P11,327,421	P9,878,439
Trade and other receivables - net**	6	1,830,717	1,518,351
Lease receivable	14	279	275
Investment in debt instruments at amortized cost	10	1,500,000	1,500,000
Derivative assets	8	9,158	14,572
Security deposit	14	493	493
		P14,668,068	P12,912,130

\*Excluding cash on hand amounted to P3,510 and P2,579 as at December 31, 2024 and 2023, respectively.

\*\*Excluding tax certificate receivables amounted to P68,419 and P59,485 as at December 31, 2024 and 2023, respectively.

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, 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*	P11,327,421	P -	P -	P -	P11,327,421
Trade and other receivables**	-	1,830,717	682,567	-	2,513,284
Lease receivable	-	279	-	-	279
Derivative assets	-	-	-	9,158	9,158
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	493	-	-	493

\* Excluding cash on hand amounted to P3,510 as at December 31, 2024.

\*\*Excluding tax certificate receivables amounted to P68,419 as at December 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*	P9,878,439	P -	P -	P -	P9,878,439
Trade and other receivables**	-	1,518,351	682,567	-	2,200,918
Lease receivable	-	275	-	-	275
Derivative assets	-	-	-	14,572	14,572
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	493	-	-	493

\* Excluding 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:

December 31, 2024	Trade	Non-trade	Amounts Owed by Related Parties	Total*
Current	P1,398,872	P92,396	P66,189	P1,557,457
Past due:				
1 - 30 days	231,719	369	4,342	236,430
31 - 60 days	3,816	1,062	3,100	7,978
61 - 90 days	968	267	12,380	13,615
Over 90 days	4,480	23,401	669,923	697,804
	P1,639,855	P117,495	P755,934	P2,513,284

\*Excluding tax certificate receivables amounted to P68,419 as at December 31, 2024.

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

\*Excluding tax certificate receivables amounted to P59,485 as at December 31, 2023.

Various collaterals for trade receivables such as bank guarantees and time deposit 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, lease receivable and security deposit 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.

### 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, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P11,330,931	P11,330,931	P9,881,018	P9,881,018
Trade and other receivables - net*	1,830,717	1,830,717	1,518,351	1,518,351
Derivative assets (included under "Prepaid expenses and other current assets" account)	9,158	9,158	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	493	493	493	493
Lease receivable	279	279	275	275
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,652,510	5,652,510	5,688,925	5,688,925
Loans payable	-	-	1,000,000	1,000,000
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	5,034	5,034	476	476

\*Excluding tax certificate receivables amounted to P68,419 and P59,485 as at December 31, 2024 and 2023, respectively.

\*\*Deferred rent income amounted to P8,886 and P1,186 as at December 31, 2024 and 2023, respectively (Notes 15 and 27).

\*\*\*Payable to a government agency amounted to nil and P3,522 as at December 31, 2024 and 2023, respectively.



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, Lease Receivable, 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, lease receivable 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.

#### 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\$19,441 and US\$27,939 as at December 31, 2024 and 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 P4,124 and P14,096 as at December 31, 2024 and 2023, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P328), P2,000 and (P241,801) in 2024, 2023 and 2022, respectively (Note 26).

#### Fair Value Changes on Derivatives

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

	Note	2024	2023
Balance at beginning of year		P14,096	(P67,427)
Net change in fair value of non-accounting hedges	26	(328)	2,000
		13,768	(65,427)
Less fair value of settled instruments		9,644	(79,523)
Balance at end of year		P4,124	P14,096

#### 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, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P9,158	P9,158	P -	P14,572	P14,572
Financial Liabilities						
Derivative liabilities	-	(5,034)	(5,034)	-	(476)	(476)

The Group has no financial instruments valued based on Level 1 and Level 3 as at December 31, 2024 and 2023. In 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 33. Events After the Reporting Date

#### *Declaration of Cash Dividends*

On March 5, 2025, the BOD approved the declaration of regular and special cash dividends to all common shareholders of record as of March 20, 2025 amounting to P2.50 and P1.50 per common share, respectively. Cash dividends for common shares, both regular and special are payable on April 4, 2025.

### 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, 2024 and 2023.

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 GSML, filed a petition against SMC, SMFB and GSML, 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 GSML 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 GSML 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 GSML.

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 GSML. 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*  
CTA Case No. 11052  
CTA Third Division

This case is a judicial claim for refund of alleged deficiency taxes paid under protest by GSML 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, GSML received a Notice of Discrepancy dated July 6, 2020 issued by the BIR (the "Original NOD"), which enjoined GSML 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, GSML 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, GSML 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, GSML 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, GSML 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, GSML 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, GSML submitted to the BIR a Letter-Reply to the BIR's Letter dated November 6, 2020. GSML 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, GSML 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, GSML 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 GSML'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, GSML 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 GSML 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. 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 October 28, 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*  
SC G.R. No. 257839  
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 (IPOPHL). The IPOPHL 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 IPOPHL'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 IPOPHL.

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 IPOPHL 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 IPOPHL'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 "Tanduay 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 IPOPHL 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 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.

#### b. Commitments

The outstanding purchase commitments of the Group amounted to P10,433,507 (US\$180,370), P9,736,102 (US\$175,837) and P6,794,293 (US\$121,860) as at December 31, 2024, 2023 and 2022, respectively.

#### 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 P1.687 and P1.622 in 2024 and 2023, respectively, for consolidated statements of financial position accounts; and average rates of P1.627, P1.601 and P1.600 in 2024, 2023 and 2022, respectively, for income and expense accounts.



# Corporate Directory

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## **SHAREHOUSE SERVICES AND ASSISTANCE**

The SMC Stock Transfer Service Corporation serves as the Company's stock transfer agent and registrar. For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificate, please write or call:

### **SMC STOCK TRANSFER SERVICE CORPORATION**

2nd Floor, SMC Head Office Complex  
40 San Miguel Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Telephone: (632) 8632-34-50 to 52  
Email: [smc\\_stsc@sanmiguel.com.ph](mailto:smc_stsc@sanmiguel.com.ph)

## **CUSTOMER CARE**

For inquiries, orders and suggestions on our products and services, please write or call:

### **SAN MIGUEL CUSTOMER CARE CENTER**

San Miguel Properties Centre  
7 St. Francis Street, Mandaluyong City  
1550 Metro Manila, Philippines  
Telephone: (632) 8632-2564  
Mailbox No. 2623  
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