METRO
RETAIL STORES GROUP, INC.

2025
ANNUAL REPORT

CREATING LASTING VALUE

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BLUE CAMP



INTERNATIONAL SELECTI
METRO
AMERICAN FOOD FEST
November 7-30
USA

WINE & SPIRITS

FRUITS & VEGETABLES
FRESH MEAT

VICSAL Stands with You
CALAMITY RELIEF ASSISTANCE

Golden Arrow Awardee

GOLD BAGWIS

METRO
Scholarship Grant Awarding



METRO VALUE MART
METRO
OPENS ON APRIL 25

METRO corner


HAPPIER SHOPPING TOGETHER


CONTENTS

VISION

To be the preferred retail destination for Filipino families—delivering value, convenience, and affordable choices across the communities we serve.

MISSION

We serve families and communities by providing quality, sustainable, and value-for-money products with care and convenience. Guided by the integrity, agility, and *malasakit*, we create meaningful experiences for customers and other stakeholders.

VALUES

Integrity and Honesty

Integrity means doing right by customers, communities, partners, and one another—especially when no one is watching.

Excellence

Excellence is our daily habit of raising the bar — designing simpler processes, curating better assortments, and executing with precision.

Respect

Respect is the lived experience of *malasakit* in our stores and offices — listening well, honoring diverse perspectives, and ensuring everyone feels safe and valued.

Results-Oriented

We focus on achieving outcomes that drive growth, efficiency, and customer satisfaction — ensuring that our actions directly contribute to realizing our mission of serving families, communities, and stakeholders.

Entrepreneurial Spirit

Our entrepreneurial spirit is a disciplined curiosity to spot opportunities, test ideas, and scale what works — so we deliver greater value and convenience faster.

Teamwork

Teamwork is how we turn individual strengths into shared wins for customers and communities.

HISTORY AND **MILESTONES**

In 1982, Victor Gaisano and his wife, Sally, built the first Gaisano Metro Department Store and Supermarket in Colon, Cebu City. They started the business from very humble beginnings with their children, Margaret, Jack, Edward, and Frank.

Eventually, Gaisano Metro was renamed Metro Gaisano, and through the years, evolved into what is now known as Metro Department Store and Supermarket. Metro remains one of the country's leading homegrown retail brands, proudly rooted in Cebu. Much more than the capital that started the business, the core values set forth by its patriarch serve as the foundation of the business, which has advanced from a start-up to the present professional organization.

Consequently, an aggressive expansion brought Metro to major cities outside Cebu and the Visayas region. Metro established its presence in Central Luzon, the National Capital Region, Calabarzon, and the Bicol region. In November 2015, Metro Retail Stores Group, Inc. became a publicly listed company on the Philippine Stock Exchange, marking a significant milestone in its continued growth and evolution as a leading homegrown retailer.

Today, Metro Retail Stores Group, Inc. has transformed itself into a company encompassing multiple store formats: Metro Department Store, Metro Supermarket, Super Metro Hypermarket, Metro Value Mart, and has grown into a company with 81 stores as of end-2025.

It has been an eventful 43 years of operations from the time Metro started as Gaisano Metro, to Metro Gaisano, and to the present Metro Retail Stores Group, Inc. Throughout the years, the Company has continued to evolve alongside the communities it serves while remaining grounded in the values that shaped its beginnings.

The entrepreneurial vision, discipline, and customer-first mindset established by founders Victor and Sally Gaisano continue to guide the organization today. These values have been carried forward by the succeeding generations of the Gaisano family, whose leadership continues to build on the strong foundation laid by their parents.

As MRSGI continues to grow across regions and store formats, it remains committed to the same principles that defined its earliest years: hard work, trust, service, and long-term stewardship. From a single store in Colon, Cebu City to a multi-format retail network serving communities nationwide, Metro Retail's journey reflects both its enduring heritage and its continued aspiration to grow with purpose for generations to come.

A clear vision for growth enables every enterprise to achieve success. Amidst the changing times, an enterprise must be able to transform and innovate, while remaining true to its roots and heritage.

– Mr. Victor Gaisano

HISTORY AND MILESTONES

81
STORES

2025
Golden Arrow Award for good governance received for second consecutive year

20 locations with solar PV systems installed (19 stores and 1 DC)

2024
Inauguration of the **Metro Distribution Center** in Sta. Rosa, Laguna

Launch of **Metro Home Improvement Store** in Marquee Mall, Angeles

2023
Debut of the **small format store, METRO Value Mart** in Gen. Trias, Cavite

Launch of the **Mareng EMS Program** focused on sari-sari stores and HORECA businesses

2022
MRSGI celebrates its **40th anniversary** in the retail industry

2021
Full re-opening of flagship store METRO Ayala Center Cebu

2020
Launch of MRSGI's **e-commerce and m-commerce platforms** (shopmetro.ph and Metro Pabili)

2019
Launch of the **first Compact Department Store** concept in METRO Baybay, Leyte

2018
Jan 2018: Major fire hit flagship store in METRO Ayala Center Cebu

Dec 2018: **Reopening of the supermarket** in METRO Ayala Center Cebu

2015
Initial Public Offering (IPO) of Metro Retail Stores Group, Inc. (PSE:MRSGI)

2013
Implementation of **Oracle ERP** to improve operations and financial management

2012
Opening of **METRO Store** in Alabang

2011/13
Launch of the **SUPER METRO Hypermarket format**

Acquisition of the **Tita Gwapa neighbourhood stores chain**

46
STORES

2009
Entry into Central Luzon with the opening of METRO Angeles in Ayala Marquee Mall

2006
Launch of the **METRO Rewards Loyalty Program**

16
STORES

2004
Entry into Metro Manila with the opening of METRO Market! Market!

2001/03
Entry into Luzon with the openings of METRO Legazpi and METRO Lucena

1994
Opening of the **2nd METRO Store** in Mandaue, Cebu

Opening of the **3rd METRO Store** in Ayala Center, Cebu

6
STORES

2
STORES

1982
Opening of the first **METRO Department Store and Supermarket**, in Colon Street, Cebu

MESSAGE FROM THE **BOARD** OF **DIRECTORS**

Dear Shareholders, Esteemed Partners, Valued Customers, and Team Members,

With a deep sense of purpose and optimism, we reflect on 2025 as a year defined not only by sustained growth and disciplined execution, but also by the steady strengthening of the foundations that will support MRSGI's long-term relevance and resilience in an evolving retail landscape.

Throughout the year, we were continually reminded that MRSGI's strength lies not only in the scale of our operations, but also in the trust of the communities we serve and the dedication of the people who move the organization forward each day. We extend our deepest gratitude to our shareholders for their continued trust and confidence, and to our management team, employees, customers, and partners for their commitment and support in advancing MRSGI's mission.

In 2025, MRSGI delivered solid financial and operational performance despite an evolving and competitive retail landscape. Total sales reached PhP41.56 billion, reflecting continued growth momentum supported by network expansion and stable underlying demand. Net income increased by 12% to PhP682.64 million, while EBITDA rose by 12.4% to PhP2.63 billion, underscoring improved operational efficiency and stronger cash earnings generation.

Beyond the financial results, 2025 was also a year of purposeful expansion, continued modernization, and organizational strengthening across the business.

We opened 10 new stores during the year, bringing our total network to 81 stores nationwide. This expansion strengthened our presence in key growth areas, particularly across the Visayas and emerging provincial markets, while making quality retail experiences more accessible to Filipino communities.

We also continued to evolve our store formats and merchandise offerings. The introduction of Metro Corner marked an important step in expanding our retail portfolio through more curated, lifestyle-oriented concepts designed to meet changing customer preferences. At the same time, we continued to strengthen our supermarket, department store, and specialty formats, while enhancing our private label portfolio through brands such as Blue Camp.

To support long-term competitiveness, we continued to invest in modernization and digital enablement initiatives aimed at improving operational efficiency, data-driven decision-making, and overall customer experience.

Alongside growth, we remained focused on building a more responsible and sustainable organization. As of end-2025, MRSGI has installed 9 MWp of solar PV generator systems across 19 stores nationwide, which has provided a renewable source of energy for our stores' energy requirements; with additional sites in the planning and development stage. We have also fully converted 17 of our stores to LED lighting. These efforts, together with initiatives in waste management, water reuse, and environmental compliance, support our commitment to responsible resource management and operational efficiency.

Strong governance continues to underpin our growth strategy. Guided by accountability, professionalism, and independent oversight, MRSGI maintains a governance structure that combines the values of its entrepreneurial heritage with the discipline expected of a publicly listed company. The contributions of our Board, independent directors, and management team continue to support sound decision-making, institutional continuity, and long-term value creation.

We are pleased that MRSGI once again received external recognition for its governance standards and corporate performance, reflecting the strength of our institutional foundations and our continued progress as a publicly listed company.

The year was not without challenges. Cost pressures, macroeconomic uncertainty, and shifting consumer expectations continued to shape the operating environment. Through disciplined cost management, prudent expansion, and a continued focus on operational resilience, we were able to sustain growth while maintaining financial stability.

Looking ahead, we remain confident in MRSGI's long-term prospects. Our priorities remain anchored on customer intimacy, operational excellence, and merchandise innovation. These pillars will continue to guide how we strengthen our network, enhance customer experiences, and create sustainable value for our stakeholders. We will continue investing in our stores, logistics systems, digital capabilities, and people to ensure the Company remains agile, competitive, and responsive to evolving consumer needs.

We extend our appreciation to the management team, led by President and COO Joselito G. Orense, for their steady leadership and disciplined execution throughout the year. We also thank our employees, partners, and fellow Board members for their continued dedication and contributions.

As we move forward, we do so with confidence in the strength of our organization, discipline in our execution, and a shared commitment to building a Metro Retail that remains resilient, relevant, and trusted for generations to come.

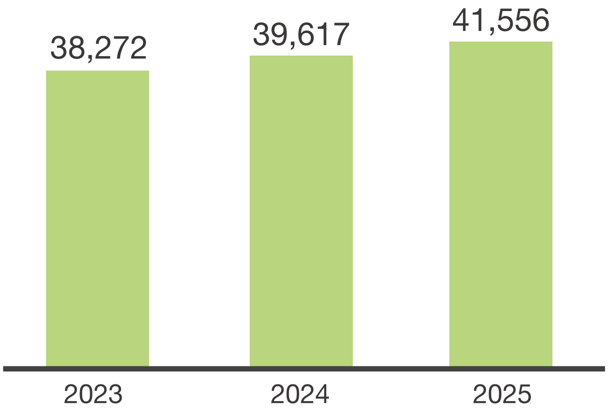
Thank you.

Sherisa P. Nuesa
Chairperson

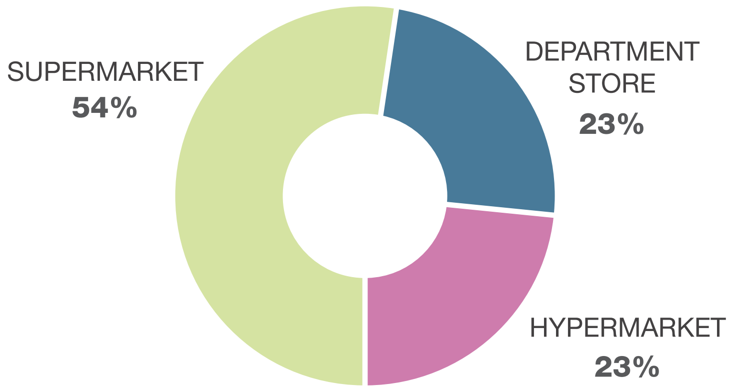
Joselito G. Orense
President and
Chief Operating Officer

FINANCIAL AND OPERATIONAL HIGHLIGHTS

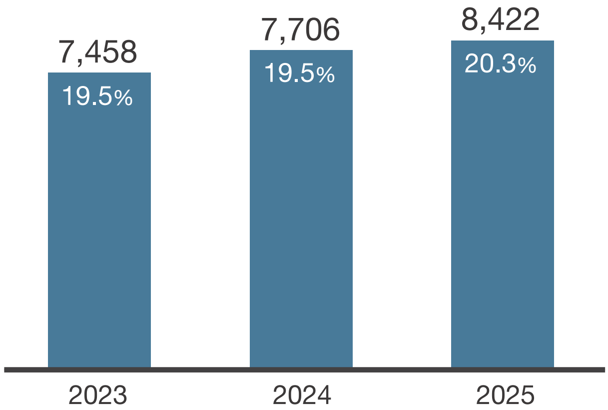
Net Sales



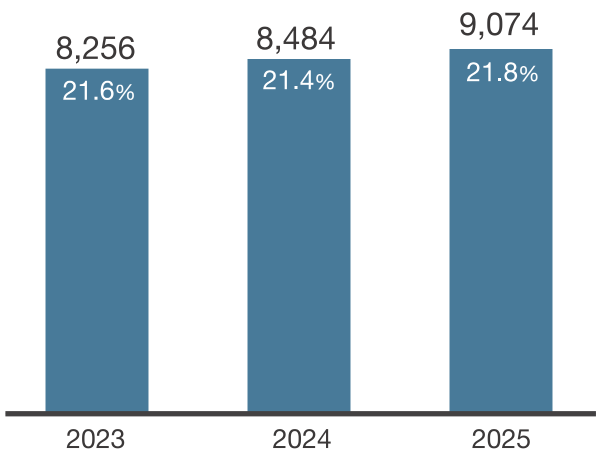
Share to Business*



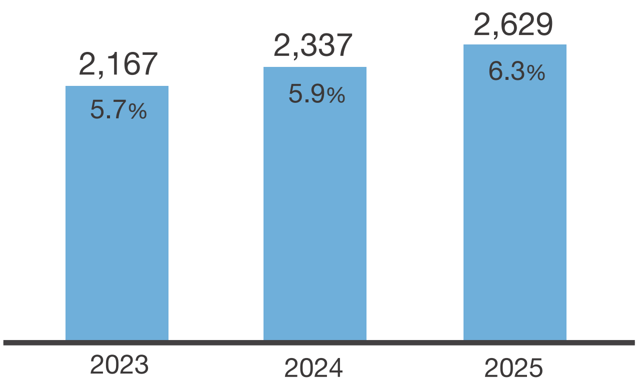
Operating Expenses



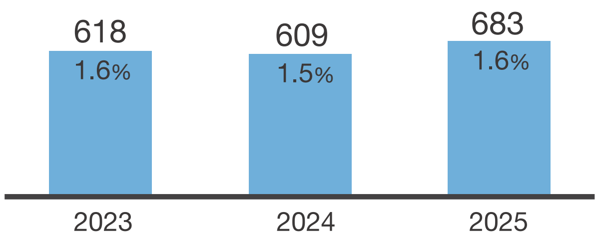
Gross Profit



EBITDA**



Net Income



Notes: Figures are in PhP million and percent to net sales
* Figures are in percent to net sales
** Earnings before interest, tax, depreciation, and amortization

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(In million pesos, unless indicated)

Income Statement	2025	2024	2023
Net Sales	41,556	39,617	38,272
Gross Profit	9,074	8,484	8,256
EBITDA	2,629	2,337	2,167
Net Income	683	609	618

Balance Sheet	2025	2024	2023
Total Assets	25,099	24,282	23,663
Total Liabilities	15,074	14,761	14,241
Stockholders' Equity	10,025	9,521	9,422

Financial Ratios	2025	2024	2023
Current Ratio	1.61	1.62	2.04
Debt to Equity Ratio	0.37	0.28	0.30
Net Debt to Equity Ratio	0.12	0.04	(0.14)
Asset to Equity Ratio	2.50	2.55	2.51
Return on Assets	2.76%	2.54%	2.66%
Return on Equity	6.98%	6.43%	6.69%

STORE FORMATS AND **CHANNELS**

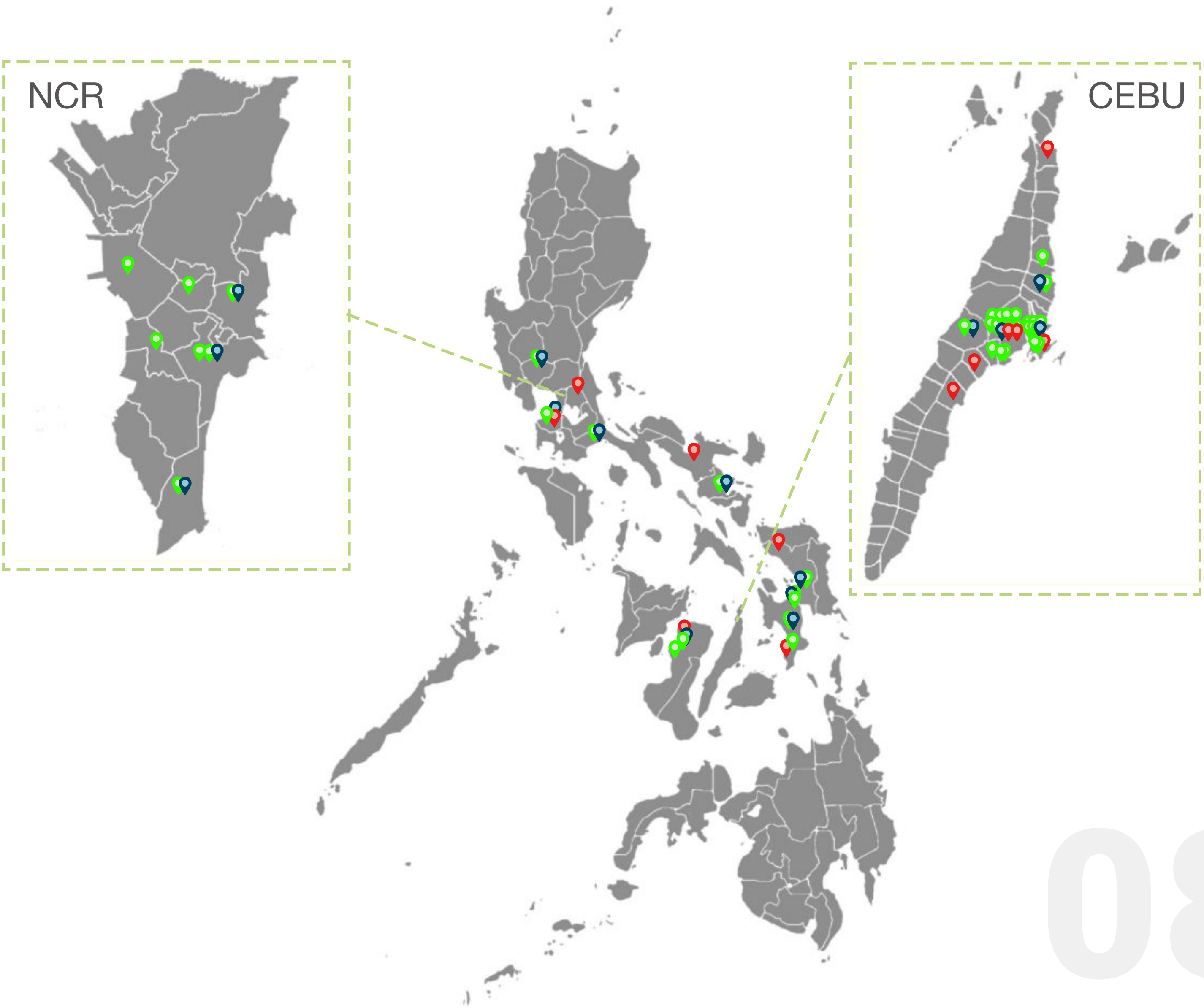
Responsive to the needs and changing lifestyles of Filipinos, Metro Retail Stores Group, Inc. is a trusted provider of quality merchandise and has a wide assortment of products featuring both local and international brands at competitive prices.

AS OF 31 DECEMBER 2025

Supermarket	
NCR	7
Luzon	8
Visayas	36
Total	**51**

Department Store	
NCR	3
Luzon	4
Visayas	11
Total	**18**

Hypermarket	
NCR	-
Luzon	3
Visayas	9
Total	**12**



METRO **SUPERMARKET**

Metro Supermarket remains a go-to destination for customers seeking quality and variety. Offering a wide range of products, from fresh produce, meat, poultry, and seafood to household essentials and international items, Metro Supermarket ensures a satisfying shopping experience. With a network of 51 locations nationwide, each store adheres to stringent safety standards, providing customers with a consistent and reliable shopping environment.

Metro Alabang Town Center
Metro Ayala Pasig
Metro Binondo Lucky Chinatown
Metro Legazpi
Metro Lucena
Metro Mandaluyong
Metro Market! Market!
Metro Marquee Mall Angeles
Metro Plaza 66 Newport City
Metro The District Imus

Metro Alangalang
Metro Ayala Center Cebu
Metro Bacolod
Metro Bais
Metro Baybay
Metro Canduman
Metro Carmen
Metro Catbalogan
Metro Colon
Metro Cebu IT Park
Metro Danao

Metro Hilongos
Metro Hinigaran
Metro LG Garden Walk Mactan
Metro Mandaue
Metro Paseo
Metro Patria de Cebu
Metro Sum-ag
Metro Tacloban
Metro Toledo

Metro Value Mart Dumlog
Metro Value Mart Gubat
Metro Value Mart Guinobatan
Metro Value Mart Gun-ob
Metro Value Mart Lancaster
Metro Value Mart Ligao City
Metro Value Mart Marigondon
Metro Value Mart Nova Mall
Metro Value Mart Poblacion
Metro Value Mart Tangke

Metro Corner Mandani Bay
Metro Fresh 'N Easy Banilad
Metro Fresh 'N Easy Mactan
Metro Fresh 'N Easy Minglanilla
Metro Fresh 'N Easy Punta
Metro Fresh 'N Easy Tabok
Metro Fresh 'N Easy Tabunok
Metro Fresh 'N Easy Taguig
Metro Fresh 'N Easy Umapad
Metro Market Tayud, Liloan
Metro Wholesale Mart Colon

Metro Supermarket is a trusted go-to for fresh produce, daily essentials, and quality grocery items that meet the needs of modern Filipino families. Designed with convenience and affordability in mind, Metro Supermarket combines value pricing, product variety, and attentive service to ensure an enjoyable shopping experience for customers. The format is present in key cities and communities across the Philippines, serving as a reliable partner for everyday living. Metro Supermarket is currently present in 51 locations nationwide.

Metro Retail expands community presence through 10 new store openings

In 2025, MRSGI continued to strengthen its retail footprint through strategic store openings across growing communities nationwide, including Metro Value Mart Dumlog in Talisay City and Metro Store and Supermarket Bais in Negros Oriental. Designed to serve the everyday needs of Filipino families, these new locations provide convenient access to fresh produce, household essentials, and lifestyle products while creating local employment opportunities and supporting nearby suppliers and businesses. The openings reflect MRSGI's continued commitment to community-centered growth and accessible retail experiences.

Metro Retail strategically expands network with 5 Metro Value Mart stores in: Novaliches, Quezon City, Guinobatan and Ligao, Albay; Gubat, Sorsogon; and Talisay, Cebu; Metro Market in Liloan, Cebu; Metro Supermarket in Patria de Cebu, Cebu City; and Metro Supermarket and Department Store in Bais, Negros Oriental.

Metro Retail introduces Metro Corner at Mandani Bay

MRSGI launched Metro Corner, a new premium lifestyle-oriented retail concept designed for modern urban communities. The first branch at Mandani Bay in Mandaue City reflects the Company's efforts to expand its retail portfolio through more curated neighborhood formats that respond to changing consumer lifestyles and preferences.

The first Metro Corner branch at Mandani Bay introduces a premium lifestyle-oriented retail concept designed for modern urban communities.

Metro Retail strengthens farm-to-market partnerships

MRSGI continued to strengthen its farm-to-market initiatives through its partnership with Gulay Farmers, helping connect smallholder farmers to larger retail markets through locally sourced produce supplied under its in-house fresh produce brand, Q. The program supports local livelihoods while improving consumer access to fresh produce, reflecting the Company's commitment to sustainability, local sourcing, and community development.

MRSGI strengthens its partnership with Gulay Farmers Cooperative to support smallholder farmers and improve access to locally sourced produce.

Metro Retail expands global food partnerships through international food festivals

MRSGI strengthened its international retail partnerships through the launch of the American Food Fest in collaboration with the U.S. Embassy and the second run of Explore Canadian Flavours with the Embassy of Canada. These campaigns brought a wide range of imported food products to select Metro Supermarkets nationwide, expanding product variety for customers while reinforcing MRSGI's commitment to curated global offerings and stronger international trade partnerships.

Launch of American Food Fest with Michael Ward, Agricultural Counselor, U.S. Department of Agriculture, Foreign Agricultural Service, U.S. Embassy, Philippines, at Metro Market! Market! (November 2025)

Launch of Explore Canadian Flavours with His Excellency David Bruce Hartman, Ambassador of Canada to the Philippines, at Metro Market! Market! (April 2025)

METRO **DEPARTMENT STORE**

From the basic to the more stylish buys, Metro shoppers will find their every need under one curated store. Metro Department Store is also known for its efficient customer service and dedication to deliver a great shopping experience for everyone. Currently, there are 18 Metro Department Stores across the country.

Metro Alabang Town Center
Metro Ayala Pasig
Metro Legazpi
Metro Lucena
Metro Market! Market!
Metro Marquee Mall Angeles
Metro The District Imus

Metro Ayala Center Cebu
Metro Bacolod
Metro Bais
Metro Baybay
Metro Catbalogan
Metro Colon
Metro Danao
Metro Hinigaran
Metro Mandaue
Metro Tacloban
Metro Toledo

2025 **HIGHLIGHTS**

METRO DEPARTMENT STORE

MRSGI continued to evolve its department store portfolio in 2025, focusing on innovation, format diversification, and customer-centric experiences. With a total of 18 department stores across key locations, MRSGI's department store segment remains a core driver of its retail strategy, offering a wide range of lifestyle, fashion, and home categories. The year marked the launch of new formats and in-store enhancements designed to meet changing consumer preferences while building on MRSGI's established in-store experience and trusted product assortment.

Blue Camp relaunch strengthens private label portfolio

MRSGI strengthened its private label portfolio in 2025 through the relaunch of Blue Camp, one of its established in-house fashion brands. Featuring refreshed designs, improved fabric quality, and an expanded assortment across men's, women's, teens', and kids' apparel, the revitalized brand reflects the Company's commitment to providing accessible, quality fashion at everyday value. The relaunch also supports MRSGI's broader merchandise strategy of enhancing customer relevance through differentiated in-house brands while reinforcing Metro Department Store's position as a trusted destination for fashion and lifestyle essentials.

Blue Camp apparel on display at Metro Department Store, showcasing the brand's refreshed look and everyday style.

Metro Retail Enhances Beauty Shopping Experience Through Cosmetics Department Refresh

MRSGI enhanced the Cosmetics Department across three flagship Metro Department Stores through a refreshed store layout and improved product presentation designed to create a more engaging and convenient shopping experience. The upgraded space features dedicated beauty and personal care categories, making it easier for customers to discover and access a wider range of products. The enhancement reflects the Company's continued investment in store modernization and customer-centric retail environments, while strengthening Metro Department Store's position as a destination for beauty, wellness, and personal care essentials.



The refreshed Cosmetics Department introduces a more organized and customer-centric shopping environment, supporting MRSGI's continued investment in store modernization and enhanced retail experiences.

SUPER METRO **HYPERMARKET**

Super Metro Hypermarket offers ease and convenience - aligned with the bustling lifestyle of today's shoppers. Meticulously designed to serve as a one-stop shop that offers an expansive selection of general merchandise, groceries, and other food items – Super Metro Hypermarket is the choice of many smart shoppers who want to get the best value for their money. Super Metro Hypermarket is currently present in twelve (12) strategic locations nationwide.

Super Metro Antipolo
Super Metro Camarines Sur
Super Metro North Point Tagaytay
Super Metro Calbayog

Super Metro Bogo*
Super Metro Carcar
Super Metro Colon
Super Metro Lapu-Lapu
Super Metro Maasin
Super Metro Mambaling
Super Metro Naga
Super Metro Talisay

** Super Metro Bogo was closed down in September 2025 as it was heavily affected by the strong earthquake where Bogo was the epicenter.*

ANCILLARY **BUSINESSES**

Metro Retail's complementary outlets enable shoppers to enhance their overall shopping experience.

METRO PHARMACY

serves the needs for health and wellness products with its competitively priced branded and generic medicines from top pharmaceutical companies.

SUISSE COTTAGE

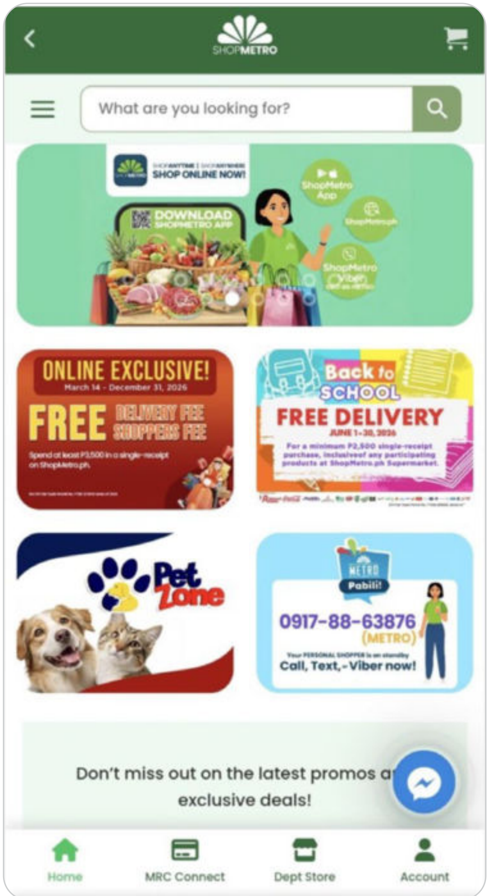
prepares freshly baked breads, cakes, and pastries for any occasion, all handmade using the finest quality ingredients.

FOOD AVENUE

showcases a wide selection of delicious and affordable meals that can be enjoyed in a comfortable, vibrant, and modern food court ambiance.

E-COMMERCE

Metro Retail Stores Group, Inc. (MRSGI) continued to strengthen its digital commerce business in 2025, supported by growing customer adoption of its online platforms and ongoing investments in omnichannel retail. The Company enhanced the accessibility and convenience of its digital channels while further strengthening its in-house platforms and strategic marketplace partnerships to better serve evolving consumer preferences. Continuous improvements in customer experience, product assortment, and fulfillment capabilities helped support engagement across Metro's supermarket, home, and lifestyle categories.



As part of its long-term digital strategy, MRSGI continued to integrate its online and offline operations to deliver a more seamless shopping experience and support more responsive merchandising and marketing initiatives. Building on this momentum, the Company remains focused on expanding the reach of its e-commerce operations, enhancing platform capabilities, and strengthening customer engagement as it continues to grow digital commerce as an important component of its retail business.

CORPORATE **HIGHLIGHTS**

MRSGI reinforced its core operations while advancing long-term growth anchored on responsible business practices and innovation. The year saw notable developments in corporate governance, store format innovation, and regional expansion, all reflecting MRSGI's ongoing commitment to ethical leadership, inclusive growth, and building partnerships that support sustainable, community-centered retail.

Advancing sustainability through renewable energy initiatives

MRSGI continued to expand the deployment of solar energy systems across select stores in 2025 as part of its broader sustainability and operational efficiency initiatives. To date, solar installations have been implemented across 19 store locations, generating approximately 11,445 gigajoules of renewable energy and contributing to reductions in operational costs and carbon emissions. The initiative reflects the Company's ongoing commitment to responsible resource management and long-term environmental stewardship.

Completed solar installations in Metro Ayala Cebu Center, Legazpi, and Mandaue City.

Corporate governance and institutional recognition

MRSGI continued to strengthen its governance and institutional foundations in 2025, earning its second consecutive Golden Arrow recognition from the Institute of Corporate Directors (ICD) for its adherence to high standards of corporate governance, transparency, and board stewardship. The Company was also once again included in the Fortune Southeast Asia 500 list, reinforcing MRSGI's growing scale, strong institutional foundations, and commitment to responsible business leadership across the region.

Metro Retail secures Golden Arrow Award and a spot at Fortune SEA 500 for two consecutive years.

Metro Retail advances operational and quality excellence

MRSGI continued to strengthen operational excellence across its store network through multiple recognitions and quality certifications in 2025. Several stores, including Metro Sum-ag, Metro Bacolod, and Metro Market! Market!, received or renewed DTI Gold Bagwis Awards in recognition of outstanding customer service and responsible business practices. Meanwhile, Metro Ayala Cebu successfully maintained its GMP and HACCP certifications, reinforcing MRSGI's continued leadership in food safety and quality assurance standards in Philippine retail.

Metro stores received multiple DTI Gold Bagwis Awards in 2025, while Metro Ayala Cebu maintained its GMP and HACCP certifications.

Supporting communities through humanitarian and relief efforts

Through Vicsal Foundation, MRSGI continued to support communities affected by natural calamities and emergencies during the year, including relief efforts for earthquake-affected families in Northern Cebu. Assistance reached thousands of households across impacted communities through the distribution of food packs, hygiene kits, and other essential aid, including more than Php1.1 million in relief assistance for earthquake-affected families in Northern Cebu.

Vicsal Foundation extends P1.1M aid to quake-hit Northern Cebu

SUSTAINABILITY

Economic

343 M
Dividends given to stockholders

664 M
Taxes given to government

7 M
Community contributions and donations

91%
Procurement budget spent on local suppliers

378
Jobs generated from new stores opened in 2025

Environment

11,445 GJ
Renewable power generated and consumed

20
Locations with installed solar panels with a total capacity of 9.35 MW, covering ~20% of the stores' power requirement

17
Locations fully-converted to LED lighting

7
Locations with water recycling system (rainwater and condensate recovery)

1,975 tonnes
Recycled carton packaging and others

Social

61,523
Total training hours provided to employees

53%
Female workers in the total workforce

18.6M
Safe man-hours

72
Safety drills conducted

0
Complaint in data security

0
Complaint in customer privacy

SUSTAINABILITY

Metro Retail Stores Group, Inc. (MRSGI) is committed to advancing a sustainability agenda that uplifts communities, safeguards the environment, and creates long-term value for stakeholders. Grounded in its role as a trusted retailer, MRSGI integrates social responsibility into its business strategy to ensure inclusive progress and resilient communities.

MRSGI's sustainability efforts are anchored by these objectives:

- To uplift communities through opportunity and support by advancing programs in education, livelihood, and emergency assistance that improve the quality of life.
- To champion environmental stewardship by promoting responsible consumption, resource efficiency, and initiatives that help protect natural ecosystems.
- To build meaningful relationships with host communities by fostering goodwill, collaboration, and shared growth wherever Metro stores operate.
- To empower employees with purpose by creating avenues for them to actively contribute to positive social and environmental change.

These programs are designed to enhance the Company's long-term social value for its stakeholders, from the management and employees to its customers and host communities.

EDUCATION

MRSGI helps transform lives and communities by providing educational assistance to underprivileged but deserving youth.

SUPPORT FOR VSF SCHOLARSHIP PROGRAM

- MRSGI and its other affiliates contribute funds and provide assistance to Vicsal Foundation, Inc. (VSF) in helping the financially challenged yet deserving youths pursue college education through the VSF Scholarship Program.

METRO - SEGUNDA MANA YSLEP SCHOLARSHIP PROGRAM

- SEGI donation boxes located in corporate offices and stores across Luzon and Visayas.
- Proceeds of Metro-Segunda Mana help sustain the Youth Servant Leadership and Education Program (YSLEP) of Caritas Manila, which focuses on education for underprivileged youth nationwide.

COMMUNITY AND LIVELIHOOD

MRSGI supports MSMEs by providing retail spaces within Metro Stores for its CSR partners and empowers local communities through various livelihood initiatives.

METRO-GULAY FARMERS

- Partnership with Gulay Farmers, a non-government and non-profit organization, allows farmers direct access to MRSGI's stores under its in-house fresh produce brand, Q.
- Since its launch in 2020, the program has benefited 500 farmers and supplied around 60,000 tons of locally grown produce to MRSGI's shelves annually.
- It currently serves 30 Metro Supermarkets, enhancing market opportunities for smallholder farmers and improving access to fresh produce for consumers.

METRO CARITAS MARGINS

- Retail of Caritas Margins products in select Metro Supermarkets supports the livelihood of MSMEs and the Metro-YSLEP Scholarship Program.
- Communities served: Albay, Batangas, Bulacan, Cagayan, Camarines Norte, Dipolog, Iloilo, Quezon City, and Sorsogon.

METRO – GREENEARTH MORINGA

- Retail of moringa tea and powder in 17 Metro Supermarkets that provides support to scholars and families of farmers in Sierra Madre, San Miguel, Bulacan.

METRO – TSAA LAYA

- Retail of herbal tea blends in 11 Metro Supermarkets to support tea farming communities in Kiangan, Ifugao, and Calauan and to sustain herbal livelihood programs.

ENVIRONMENTAL RESPONSIBILITY

Metro Retail Stores is committed to promote and enhance its sustainability practices and be an inspiration for environmental stewardship to our localities, partners, and patrons.

ACCESSIBLE ENERGY FOR ALL

- Ensuring accessible energy for future generations by practicing conservation of power and improving insulations in Metro stores and offices to reduce energy usage and promote energy efficiency.
- Seventeen (17) locations fully converted to LED lighting.

GENERATING CLEAN ENERGY FOR THE FUTURE

- Installing several solar panels across Metro stores in efforts to reduce greenhouse gas emissions and generate clean and usable energy from natural resources.
- Nineteen (19) store locations with solar panels installed.

PRESERVING FRESHWATER RESOURCES

- Installing systems to reduce consumption and ensure proper usage of water resources.
- Systems for condensate and rainwater recovery installed in seven (7) locations.

SELECTED **ESG DATA**

(excerpts from the Sustainability Reports FY23 to FY25)

ECONOMIC PERFORMANCE	*Units*	2023	2024	2025
Direct Economic Value Generated and Distributed				
Direct economic value generated (revenue)	*PhP*	38,584,126,687	39,981,677,051	41,951,402,624
Direct economic value distributed:				
a. Operating costs	*PhP*	5,134,665,823	5,388,168,344	5,916,582,836
b. Employee wages and benefits	*PhP*	1,865,772,504	1,889,570,045	2,053,512,425
c. Payments to supplier, other operating costs	*PhP*	30,442,504,361	31,561,213,590	32,841,797,623
d. Dividends given to stockholders and interest payments to loan providers	*PhP*	357,593,182	637,005,311	343,396,598
e. Taxes given to government	*PhP*	596,743,276	706,910,856	664,283,235
f. Investments to community (e.g. donations, CSR)	*PhP*	7,000,000	7,000,000	7,300,000
Proportion of spending on local suppliers				
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	*%*	88.3%	89.7%	90.9%

ENVIRONMENT	Units	2023	2024	2025
Energy consumption within the organization				
Energy consumption (renewable sources)	*GJ*	7,361	7,273	11,445
Energy consumption (diesel)	*GJ*	5,933	12,045	33,836
Energy consumption (electricity)	*kWh*	102,911,746	103,564,508	111,589,724
Water consumption within the organization				
Water withdrawal	m^3	224,979	199,624	275,852
Water consumption	m^3	671,675	598,457	1,326,490
Water recycled and reused	m^3	1,094	768	1,221
Solid waste				
Total solid waste generated	*kg*	4,379,944	3,093,228	3,679,471
Recyclable	*kg*	2,187,178	1,605,947	1,975,861
Residuals/Landfilled	*kg*	2,192,827	1,543,823	1,670,362

SOCIAL	Units	2023	2024	2025
Employee data				
Total Number of Employees	*#*	7,175	7,188	6,766
a. Number of Female Employees	*#*	3,742	3,748	3,558
b. Number of Male Employees	*#*	3,433	3,440	3,208
Diversity and Equal Opportunity				
% of female workers in the workforce	*%*	52.2%	52.1%	52.6%
% of male workers in the workforce	*%*	47.8%	47.9%	47.4%
Employee Training and Development				
Average training hours provided to employees				
a. Female employees	*hrs/employee*	2.4	6.7	4.6
b. Male employees	*hrs/employee*	2.4	7.2	5.4
Occupational Health and Safety				
Safe Man-Hours	*man-hours*	18,716,000	16,867,968	18,607,567
No. of Work-related Injuries	*#*	47	14	19
No. of Work-related Fatalities	*#*	0	0	0
No. of safety drills	*#*	64	69	72
Customer Privacy				
No. of substantiated complaints on customer privacy	*#*	Nil	Nil	Nil
No. of complaints addressed	*#*	Nil	Nil	Nil
No. of customers, users and account holders whose information is used for secondary purposes	*#*	Nil	Nil	Nil
Data Security				
No. of data breaches, including leaks, thefts and losses of data	*#*	Nil	Nil	Nil

At Metro Retail Stores Group, Inc. (MRSGI), its Board of Directors (Board) believes that corporate governance is a necessary component of what constitutes sound strategic business management. The Board therefore undertakes every effort necessary to create awareness within the organization.

The Board

MRSGI's Board of Directors bears primary responsibility for steering MRSGI's long-term trajectory. In fulfilling this role, the Board defines MRSGI's vision, mission, and strategic direction, while maintaining independent oversight of Management's performance. Guided by unwavering honesty, integrity, and ethical leadership, the Board actively ensures that every management action aligns with MRSGI's long-term goals, safeguarding the interests of stakeholders and securing the continuous growth of MRSGI.

Board Composition

MRSGI is headed by a competent and working Board to foster the long-term success of the corporation, and to sustain its competitiveness, growth and profitability in a manner consistent with its corporate objectives and the long-term best interest of its shareholders and stakeholders.

MRSGI's Board has seven (7) members which is composed of five (5) regular directors and two (2) independent directors, with non-executive directors holding the majority.

The table below indicates the composition of MRSGI's Board of Directors.

Director's Name	Type*	If Nominee, Identify the Principal	Nominator in the Last Election**	Date First Elected	Date Last Elected***	Elected When (Annual/ Special Meeting)	No. of Years Served as Director
Sherisa P. Nuesa	NED		Vicsal Dev't Corp. (VDC)	Oct. 23, 2023	May 9, 2025	Annual	1.5
Margaret Gaisano Ang	NED		VDC	Aug. 28, 2003	May 9, 2025	Annual	21.7
Jack S. Gaisano	NED		VDC	Aug. 28, 2003	May 9, 2025	Annual	21.7
Joselito G. Orense	ED	VDC	VDC	May 9, 2025	May 9, 2025	Annual	0.0
Ricardo Nicanor N. Jacinto	NED			Jul. 27, 2015	May 9, 2025	Annual	9.8
Medel T. Nera	ID	No relation	N/A	Oct. 23, 2023	May 9, 2025	Annual	1.5
Daniel Rafael Ramon Z. Gomez III	ID	No relation	N/A	May 3, 2024	May 9, 2025	Annual	1.0

* Executive (ED), Non-Executive (NED), or Independent Director (ID)
** If ID, state the relationship with the nominator
*** If ID, state the number of years served as ID

Independent Directors

The Independent Directors provide unbiased and objective perspectives to decision making. They have no financial, personal, or employment ties to MRSGI, its executive management, or its controlling shareholders.

MRSGI has two (2) Independent Directors, who are nominated by the Nomination and Compensation Committee, ensuring that they possess all of the qualifications and none of the disqualification. They serve for a maximum of cumulative term of nine (9) years. After which, they are perpetually barred from re-election as such in MRSGI, but may continue to qualify for nomination and election as non-independent director.

To promote transparency, the presence of at least one (1) Independent Director is required in all MRSGI Board meetings.

In 2025, MRSGI's Independent Directors are:

- Medel T. Nera, who was first elected on October 23, 2023; and
- Daniel Rafael Ramon Z. Gomez III, who was first elected on May 3, 2024.

Board Meeting and Attendance

The Board meets once every two (2) months. Meeting agenda and other necessary materials are given to the members of the Board at least three (3) days prior to the meeting. The minimum quorum requirement is determined by a simple majority or, in the case of MRSGI, at least four (4) Directors. For the year 2025, MRSGI conducted meetings as illustrated below:

Position	Name	No. of Meetings Held During the Year	No. of Meetings Attended	Attendance Rate
Chairperson	Sherisa P. Nuesa	8	8	100%
Vice-Chairperson	Margaret Gaisano Ang	8	8	100%
Member	Jack S. Gaisano	8	6	75%
Member	Joselito G. Orense	8	8	100%
Member	Ricardo Nicanor N. Jacinto	8	8	100%
Independent	Medel T. Nera	8	8	100%
Independent	Daniel Rafael Ramon Z. Gomez III	8	8	100%

Board Remuneration

MRSGI's By-laws provides that the Board is authorized to fix and determine the compensation of the Directors and Officers in accordance with law.

By resolution of the Board, there are currently no standard arrangements pursuant to which Directors of MRSGI are compensated, or are to be compensated, directly or indirectly, for any services provided as a Director, except reasonable per diem for attendance in Board and/or Committee meetings, as follows:

	Fixed Remuneration	Per Diem Allowance per BOD Meeting	Per Diem Allowance per Committee Meeting
Executive Directors	Fixed monthly compensation	Nominal per diem of PhP10,000.00 (net of tax)	Nominal per diem of PhP10,000.00 (net of tax)
Non-Executive Directors	None	Nominal per diem of PhP10,000.00 (net of tax)	Nominal per diem of PhP10,000.00 (net of tax)
Independent Directors	None	PhP150,000.00 (gross of tax)	Chairman: PhP45,000.00 (gross of tax) Member: PhP40,000.00 (gross of tax)

Except for Ms. Sherisa P. Nuesa, who receives professional fees as Chairperson, and Mr. Joselito G. Orense, who receives a monthly salary as President & Chief Operating Officer, there are no other arrangements for which the directors are compensated by MRSGI for services other than those provided as a director.

Board Continuing Education

To further improve its overall function and effectiveness, the members of the Board attended the Advanced Corporate Governance Training conducted by the Institute of Corporate Directors on November 28, 2025.

The in-house training program covered the following topics:
- Turbocharging Talent at the Top: The Board's Role in Succession, Leadership, and Rewards; and
- Customer Centricity.

Board Committees

MRSGI's Board establishes Board Committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. They function as part of and under the control of the Board of Directors and are supplementary, which directly aids the Board in the performance of its functions.

The Board has the following Board Committees:
1. Audit and Risk Committee;
2. Corporate Governance Committee;
3. Nomination and Compensation Committee; and
4. Investment Committee.

Audit and Risk Committee

The Audit and Risk Committee (ARC) assists the Board in fulfilling its oversight responsibilities on the management and financial reporting process, the system of internal control, the maintenance of an effective audit process, the process for monitoring compliance, and the overall risk management function and/or program.

The ARC is also responsible for the oversight of MRSGI's Enterprise Risk Management system and related-party transactions.

The ARC is composed of three (3) directors, the majority of whom are Independent Directors including the Chairperson:
- Medel T. Nera – Chairperson
- Ricardo Nicanor N. Jacinto – Member
- Daniel Rafael Ramon Z. Gomez III – Member

The Chairman of the ARC is not the Chairman of the Board or of any other committee. In 2025, the ARC met at least five (5) times.

Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) assists the Board in reviewing and evaluating the qualifications of all individuals nominated to the Board and other appointments that require Board's approval. It likewise assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

The NCC has established a formal and transparent procedure for developing a policy on remuneration.

The NCC is composed of the following directors:
- Margaret Gaisano-Ang – Chairperson
- Ricardo Nicanor N. Jacinto – Member
- Sherisa P. Nuesa – Member
- Medel T. Nera - Member

Corporate Governance Committee

The Corporate Governance Committee (CGC) assists the Board in the performance of its corporate governance responsibilities. It also ensures that the Board conforms to all its legal, ethical, and functional obligations through adequate governance policy development, training programs, monitoring of Board's activities, and evaluation of Board's performance.

The CGC is composed of four (4) directors, including all Independent Directors, and is also chaired by an Independent Director:
- Daniel Rafael Ramon Z. Gomez III – Chairperson
- Ricardo Nicanor N. Jacinto – Vice-Chairperson
- Medel T. Nera – Member
- Joselito G. Orense – Member

Investment Committee

The Investment Committee (IC) assists the Board in the oversight of the MRSGI's major investment activities. It establishes, reviews, and recommends to the Board policies and strategies to be adopted by MRSGI regarding the investment activities and portfolios necessary to achieve its goals and objectives; evaluates and enhances MRSGI's investment processes; and recommends the hiring and termination of investment managers.

The IC is composed of the following directors:
- Ricardo Nicanor N. Jacinto - Chairperson
- Margaret Gaisano Ang – Member
- Sherisa P. Nuesa – Member
- Medel T. Nera – Member
- Jack S. Gaisano – Member

Management and Corporate Officers

MRSGI's Management and Corporate Officers assist the Board in managing stakeholders, executing corporate governance, monitoring compliance, managing enterprise risks, protecting data privacy, and ensuring sustainability.

The Chairperson, Vice-Chairperson, and President and Chief Operating Officer

The Chairperson presides over all Board and stockholder's meeting, fostering an environment conducive for constructive debate and leveraging the expertise of the individual directors, during each meeting of the Board. MRSGI's Chairperson is Ms. Sherisa P. Nuesa, who assumed the post on May 3, 2024. Previously, she served as Senior Board Adviser to MRSGI since its 2015 IPO until she was elected as a non-executive director of MRSGI in October 2023.

In the absence of the Chairperson, the Vice-Chairperson automatic assumes the role of the Chairperson. MRSGI's Vice-Chairperson is Ms. Margaret Gaisano-Ang, who has served as Director of MRSGI since August 2003 and its Corporate Secretary until July 2015.

The President, who is also the Chief Operating Officer (COO) of MRSGI, is responsible for the administration and direction of the day-to-day ordinary business affairs of MRSGI and spearheads the execution and implementation of its budgets and strategies. MRSGI's President and COO is Mr. Joselito G. Orense, who was elected on May 9, 2025. Before his appointment as President and COO, he served as MRSGI's Treasurer and Chief Finance Officer for 10 years since 2015.

Chief Risk Officer

Reporting to the Audit and Risk Committee, the Chief Risk Officer (CRO) leads MRSGI's Enterprise Risk Management (ERM) program, addressing financial, operational, safety and IT risks. The CRO is concurrently held by MRSGI's Vice-President for Corporate Planning.

Chief Sustainability Officer

Reporting to the Corporate Governance Committee, the Chief Sustainability Officer (CSO) champions Environmental, Social, and Governance (ESG) principles across the organization. The CSO is concurrently held by MRSGI's President and Chief Operating Officer.

Corporate Secretary

The Corporate Secretary assists the Board and its committees in conducting their meetings and ensures that meeting agendas are distributed at least five (5) working days in advance, as mandated by MRSGI's By-laws. The Corporate Secretary is a separate individual from the Compliance Officer and is not a member of the Board. Atty. Vincent E. Tomaneng is the Corporate Secretary, who has served as MRSGI's Corporate Secretary since his appointment in 2015.

The Corporate Secretary attended MRSGI's Annual Corporate Governance Training on November 28, 2025, conducted by the Institute of Corporate Directors duly accredited by the Securities and Exchange Commission.

Compliance Officer

The Compliance Officer oversees the compliance function of MRSGI to ensure adherence to corporate governance principles and best practices. He also ensures that MRSGI remains compliant with all relevant laws, rules, and mandates of regulatory agencies and MRSGI's corporate governance-related policies.

The Compliance Officer reports directly to the Chairperson of the Board and is not a member of the Board. Atty. Dalisay V. Bas-Catedrilla serves as MRSGI's Compliance Officer, having succeeded Atty. Theresa Marie Puno-Dela Peña in July 2025.

The Compliance Officer attended MRSGI's Annual Corporate Governance Training on November 28, 2025, conducted by the Institute of Corporate Directors duly accredited by the Securities and Exchange Commission.

Data Protection Officer

The Data Protection Officer (DPO) ensures that the Board and Management uphold all legal obligations regarding data privacy and security. The DPO is concurrently held by MRSGI's Vice President for Information Technology.

Policies and Best Practices

MRSGI's Board and Management remain committed to good corporate governance practices, whose operations and decision-making are guided by MRSGI's Corporate Governance (CG) framework, as embodied in the following policies and best practices:

- Manual on Corporate Governance;
- Board Charter;
- Rights and equitable treatment of shareholders;
- Annual Stockholder's Meeting;
- Disclosure and Transparency Policy;
- Insider Trading Policy;
- Code of Conduct for Directors and Senior Management;
- Related-party Transaction Policy;
- Whistleblowing Policy;
- Investor Relations; and
- Standard Operating Procedures.

MRSGI continues to further strengthening its CG framework and aligning this with applicable international practices. Significant efforts were made not only to comply with the mandates of the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) but also to adopt best practices that fill in the gaps whether in practice or policies.

Manual on Corporate Governance

MRSGI's corporate governance policies, programs and procedures are contained in its Third Manual on Corporate Governance (MCG), which was initially filed with the SEC and PSE last May 30, 2017, and subsequently amended on July 8, 2020. The MCG substantially complied with the requirements under SRC Rule 38, as amended, and the Revised Code of Corporate Governance for Publicly Listed Companies. The MCG has since guided MRSGI's CG-related activities throughout the year and served as the overarching policy framework that guided all initiatives, decisions, and actions that had CG implications.

Board Charter

The Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role. Board Charter serves as a guide to the directors in the performance of their functions, and is publicly available and posted on MRSGI's website.

MRSGI's Board Charter encompasses the following committee charters:

- Audit and Risk Committee charter;
- Investment Committee charter;
- Governance Committee charter; and
- Nomination and Remuneration Committee charter.

Rights and Equitable Treatment of Shareholders

The Board maintains a steadfast commitment in protecting and promoting shareholder's rights. It encourages shareholders to freely exercise their rights by providing them a clear-cut process and procedures to follow, and providing them an adequate venue for them to seek timely redress for violation of their rights.

MRSGI's Investor Relations Department (IRD) regularly hosts Analysts' Briefings and Investors' Calls to update the investing public on financial and operational performance, ensuring prompt resolution of shareholder concerns.

Recognizing that all stockholders should be treated equally and without discrimination, MRSGI provides minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of MRSGI.

Annual Stockholders' Meeting

Demonstrating its commitment to shareholder engagement, MRSGI held its Annual Shareholders' Meeting (ASM) virtually on May 09, 2025 via Zoom Video Conferencing, complying with the regulations of SEC on holding meetings virtually or by remote communication.

Notice of the ASM, containing the voting procedures, was disclosed on MRSGI's website and was published in the business sections of two newspapers in general circulation (both print and online formats).

Minutes of the ASM were timely disclosed to PSE and SEC, and are posted on MRSGI's website within five (5) days of the ASM.

MRSGI Directors and Officers during the Annual Stockholders' Meeting (May 2025)

Disclosure and Transparency Policy

The Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and stakeholders, giving a fair and complete picture of MRSGI's financial condition, results and business operations.

Under MRSGI's Disclosure and Transparency Policy, all material information about MRSGI which could affect its viability or the interests of its shareholders and stakeholders should be publicly and timely disclosed to PSE and SEC. Such information includes, among others, earnings results, acquisition or disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

MRSGI makes available to the public its annual consolidated reports on financial position, financial results, and cash flows within ninety (90) days from the end of the fiscal year, while quarterly consolidated reports are published within forty-five (45) days from the end of the reporting period.

Through its Compliance Officer, MRSGI diligently complied with all required disclosure through the mechanisms established for listed companies by the SEC and PSE. MRSGI likewise disclosed its voluntary purchase of its shares from the market through its share buy-back program.

As of December 31, 2025, MRSGI disclosed ownership structure as follows:

Stockholder	Nationality	No. of Shares Subscribed and Paid-Up	% to Total Outstanding Shares
Vicsal Development Corporation	Filipino	2,627,427,299	81.21
Valueshop Stores, Inc.	Filipino	24,801,489	0.77
Sherisa P. Nuesa	Filipino	920,001	0.03
Margaret Gaisano-Ang	Filipino	2	0.00
Jack S. Gaisano	Filipino	2	0.00
Joselito G. Orense	Filipino	1	0.00
Ricardo Nicanor N. Jacinto	Filipino	500,000	0.02
Medel T. Nera	Filipino	1	0.00
Daniel Rafael Ramon Z. Gomez III	Filipino	1	0.00
Others	Various	581,442,204	17.97
Treasury Shares	Filipino	194,284,000	
Total		3,429,375,000	100.00

Insider Trading Policy

MRSGI strictly enforces an Insider Trading Policy designed to prevent the unfair advantage or use of material non-public information. Under this policy, directors, officers, and shareholders holding more than 10% of company shares are strictly prohibited from short swing profit-taking. Covered insiders are subject to mandatory trading blackout periods whenever material non-public information is obtained, extending up to two (2) full trading days following its official public disclosure.

MRSGI also requires all directors to disclose to the Compliance Officer any dealings in MRSGI's shares within three (3) business days from the date of transaction.

Code of Conduct for Directors and Senior Management

In accordance with MRSGI's Code of Conduct for Directors and Senior Management, directors, officers, and senior managers are required to act in the best interests of MRSGI and fully execute their fiduciary duties. The policy likewise mandates that they shall treat all stakeholders fairly, maintain strict confidentiality of corporate information, and actively avoid conflicts of interest.

In advocating for anti-corruption practices, MRSGI has stringent policies on curbing and penalizing involvement of directors and officers in offering, paying and receiving unreasonable gifts.

Related-party Transaction Policy

MRSGI's Audit and Risk Committee (ARC), which is primarily composed of Independent Directors, reviews all Related Party Transactions (RPT) and ensures that such transactions are executed at arm's length. These are likewise audited by the External Auditor, and are disclosed in the financial statements, providing shareholders complete assurance as to the accuracy and transparency of the reported information.

No violations of the RPT policy were recorded or observed in 2025, indicating effectiveness of governance mechanisms, which are designed to protect the interests of non-controlling shareholders.

Whistleblowing Policy

The Board adopts a Whistleblowing Policy, allowing stakeholders to communicate with MRSGI and to obtain redress for violation of their rights.

Under the oversight function of the Audit and Risk Committee, the policy encourages employees, suppliers, and customers to report any concerns, wrongdoing or malpractice of which they become aware of without fear of reprisals.

Investor Relations

MRSGI remains committed to engage with its shareholders primarily through the Investor Relations Department (IRD). The IRD ensures that relations with investors and the investing public are maintained and nurtured, and that relevant developments and information are conveyed clearly and promptly to MRSGI's stakeholders and the general public.

MRSGI regularly engages with the investing community through individual meetings, conference calls, and store visits, as well as other channels such as Regulatory Disclosures, Quarterly Analyst Briefings, Company Website, Media Releases, and Electronic Communications, among others.

Standard Operating Procedures

MRSGI establishes and implements an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile, and complexity of operations.

As the core of its Internal Control System, MRSGI's Standard Operating Procedures (SOPs) are developed, updated, and/or incorporated into MRSGI's existing policies and operating manual through the leadership of the Systems and Procedures Group. These operating standards have, likewise, become the basis of the Internal Audit Group (IAG) in reviewing compliance with MRSGI's policies and procedures.

Process Controls

MRSGI's Board and Management continues to strengthen its internal control and audit system through the implementation of process controls that ensure efficiency of operations, reliability of financial reporting, safeguarding assets, and compliance with laws and regulations.

Board Evaluation

The Board conducts an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees, to identify areas where they can function more effectively for continuous improvement. This is administered by the Corporate Secretary under the guidance of the Corporate Governance Committee.

Internal Audit

The Board establishes an independent Internal Audit Group (IAG) that provides an independent and objective assurance and consulting services designed to add value and improve MRSGI's operations.

To preserve its independence and integrity, the IAG reports functionally to the Audit and Risk Committee (ARC) and administratively to the Chairperson of the Board. The Board appoints an Internal Audit Head to spearhead the performance of the internal audit activity of the IAG.

MRSGI's IAG adopts a risk-based audit approach that focuses on key risk areas and ensures that these are managed within acceptable and controllable levels. Through a systematic and disciplined approach, the IAG provides independent and objective assurance designed to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

The IAG conducts regular audit engagements across the following clusters:
- Retail Store Operations
- Merchandising and Marketing
- Logistics
- Store Network and Development
- Design & Construction
- Procurement
- Finance & Accounting
- Information & Security
- Human Resources
- Safety and Security
- Others (i.e., Business Development, Investor Relations, Corporate Planning, ERM, Legal).

In 2025, the IAG completed key initiatives aimed at strengthening and advancing the internal audit function, including the Internal Audit Capability Benchmarking, the refresh of the Audit Universe aligned with evolving business risks and strategic priorities, and the rollout of a Data Analytics Program to enhance audit efficiency, coverage, and risk identification. For upcoming audit year, the IAG plans to further strengthen financial, operational and compliance audit across the organization, reinforcing governance and internal controls across corporate departments, warehouses, and store operations.

External Audit

The Board, upon recommendation of the Audit and Risk Committee and subject to ratification of the shareholders, appoints external auditor, duly accredited by the Securities and Exchange Commission, who undertakes an independent audit of MRSGI, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders.

In 2025, SyCip Gorres Velayo & Co. (SGV) was duly appointed as the external auditor of MRSGI for the year 2025. SGV, through its duly authorized representative, attended the Annual Stockholder's Meeting (ASM) to answer shareholders questions during the ASM.

The following table sets out the aggregate fees billed to the MRSGI and its subsidiaries for the last three (3) years for professional services rendered by the external auditor:

Audit and Audit-Related Fees*	2025	2024	2023
Total Audit Fees	2,401,000	2,286,900	2,079,000
Tax Services	473,988	400,000	1,200,000
All Other Fees	1,070,000	240,000	125,000
Total	PhP3,944,988	PhP2,926,900	PhP3,404,000

**Excluding out-of-pocket expenses and VAT*

Enterprise Risk Management

Under the watch of the Chief Risk Officer (CRO), MRSGI's Enterprise Risk Management (ERM) monitors and evaluates MRSGI's Top Enterprise Risks to sharpen its focus on potential threats that could significantly affect operations at the enterprise level.

In 2025, the prioritized risks included areas such as growth, asset efficiency, human capital development, customer and product, cost control, and information technology.

These risks are actively monitored and managed by the Board, the Audit and Risk Committee, and Management. Among the top risks are growth and asset efficiency, which are mitigated as follows:

- **Growth Risk** is continuously mitigated through rigorous site reviews, viability assessments, process improvements, and disciplined cost control.
- **Asset Integrity and Efficiency Risk** is addressed by ensuring adequate insurance coverage, alongside regular monitoring of asset productivity and performance.

MRSGI's CRO remains committed to collaborating with all stakeholders to further strengthen MRSGI's risk profile. MRSGI is currently evaluating other key risk areas in cybersecurity and business resiliency, to ensure that MRSGI is equipped to respond proactively to emerging risks.

Stakeholder Relations

MRSGI's Board and Management remain steadfast in their belief that responsible business practices require that the MRSGI's stakeholders be productively engaged and treated in a fair and just manner. In 2025, MRSGI worked closely with the following stakeholder groups through carefully developed and executed engagement programs:

Suppliers and Contractors

Through constant dialogues and joint planning sessions with suppliers and contractors, MRSGI continued with its program of improving the supplier's overall selling and payment experience, which consequently improved the general business relationship and performance of the counterparties.

Customers

Through various customer service programs such as one-on-one interviews and focus group discussions, customer satisfaction surveys, and technology-enabled customer analytics, MRSGI continuously improved its customer-oriented systems and processes to provide a pleasant and memorable customer experience that would make them return to the stores. These initiatives have resulted in having fresh and extensive assortment of products available on the shelves, fast checkouts, clean and comfortable stores, and other attributes that make MRSGI's customers continue to patronize the stores.

Community

As part of MRSGI's continuing commitment to the communities in which it operates, MRSGI has established partnership with the government and various social enterprises to provide assistance through various livelihood programs. These and other projects uplift the lives of communities by providing income to support the education of children and sustain the needs of the families. Details of the 2025 activities are elaborated under the Sustainability section of this annual report.

People Management

Diversity and Inclusion Policy

In line with its Board diversity guidelines, MRSGI considers gender diversity during the nomination and election of the members of the Board of Directors. Women currently comprise two (2) of the seven (7) seats on the MRSGI's Board, or 29% of the total Board seats.

At the workplace, MRSGI currently employs 52.59% women of its total workforces, reflecting MRSGI's active commitment to gender equality, workplace diversity, and equal opportunity across its stores.

Policy on Non-Discrimination

MRSGI is committed to building a respectful, safe, inclusive, and fair environment. In alignment with this commitment, MRSGI opens stores that are safe and accessible for children, elderly, persons with disabilities, and pregnant women.

At MRSGI, employee hiring and promotion are strictly based on fitness and qualification, without discrimination on the basis of sex, age, religion, or civil status. Marriage is neither a barrier to employment nor a ground for termination.

MRSGI ensures equal compensation and benefit structures between male and female employees. It fully implements statutory maternity benefits under the Expanded Maternity Leave Law for pregnant women. In 2025, MRSGI continued to invest in workforce development across all levels without discrimination as to preference in sex. Female employees logged an aggregate of 29,732 training hours, representing an average of 4.60 hours per employee, while male employees completed 31,521 training hours, representing an average of 5.37 hours per employee.

Under MRSGI's Code of Conduct, all employees are required to uphold high moral standards, professional decorum, and dignity both on and off duty. Discourtesy or disrespect toward customers, suppliers, or colleagues is strictly prohibited and subject to internal disciplinary measures.

Learning and Organization Development

In 2025, the Human Resources Department expanded its training offerings to seventy (70) programs across eight (8) categories. These programs directly supported the business by effectively improving workforce readiness, supporting store expansions, improving decision-making through data, reducing compliance and operational risk, controlling cost and operational efficiency, and ensuring safety, resilience, and business continuity. Notable initiatives introduced were:

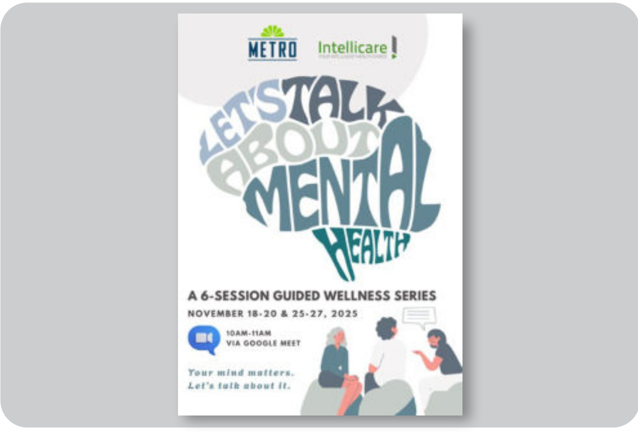
1. Conversion of training materials to e-learning;
2. Basic Financial Literacy training;
3. Cybersecurity and Data Privacy Awareness training;
4. Fundamentals of Merchandising, Merchandising Math, House Brand Book, and Concession Management Systems; and
5. Store Opening Support training for new stores opened in Dumlog, Tayud, Bais, and Mandani.

Employee Engagement

MRSGI remained committed to creating engaging and memorable experiences for its employees, cultivating a family-oriented culture, strengthening camaraderie, and supporting employee retention. Highlights of the company's engagement initiatives for 2025 are:

Annual Loyalty Award Ceremony

Founder's Day Celebration



Wellness Programs

First Friday Masses

Safety Management

Following the strong foundation established by the Safety Excellence Program and its sustained progress through succeeding years, the Safety Management Team proudly recognizes all MRSGI business units for their continued commitment to upholding safety standards in 2025.

Throughout the year, Management maintained its focus on fire prevention and workplace safety by allocating resources toward infrastructure improvements and enhancing the dependability of critical equipment. Key initiatives included the continued replacement of out-dated fire pumps and generator units, upgrades to low-voltage switchgear and circuit protection systems, and the expansion of emergency equipment inventory such as fire extinguishers, self-contained breathing apparatus (SCBA), and related response tools. These efforts demonstrate the organization's ongoing drive to strengthen operational resilience and ensure the reliability of its fire protection systems.

Notably, observations and recommendations raised by insurance companies, the Bureau of Fire Protection (BFP), and external auditors have been addressed through systematic corrective actions and sustained capital investments.

In addition, the Safety Management Team further advanced its capability-building programs by reinforcing collaboration with partner agencies: (1) the BFP which continued to support the development of fire brigade, rescue, and medical responders; (2) the City Disaster Risk Reduction and Management Office (CDRRMO) which provided specialized training to enhance the leadership and readiness of Emergency Response Teams (ERT); and (3) the Philippine Red Cross which facilitated refresher courses in first aid to strengthen emergency medical response across locations.

As a result of these combined efforts and the active engagement of store personnel, MRSGI successfully maintained a safe and secure working environment in 2025, minimizing risks and avoiding major incidents that could impact business continuity.

Looking ahead, MRSGI remains committed to further elevate its safety standards by investing in robust systems, enhancing response readiness, and cultivating a workplace culture where safety is embedded in every level of operations.

Members of the Emergency Response Team (ERT) pose for a group photo with Bureau of Fire Protection (BFP) personnel during a fire drill conducted at one of the Metro Stores in Cebu.

The Emergency Response Team (ERT), led by the Crisis Management Committee Chairman, gathers with personnel from the Bureau of Fire Protection (BFP) during a fire drill at one of the Metro Stores in Luzon.

The entire members of the Emergency Response Team (ERT) of Super Metro Antipolo participate in a fire drill exercise, demonstrating readiness and coordination in emergency response procedures.

The Bureau of Fire Protection (BFP) personnel of Carcar City are seen shortly after the briefing for their fire drill exercise, preparing to carry out the planned emergency response procedures.

The Safety Officer conducts a discussion on the contingency plan in preparation for the approaching typhoon, ensuring that all preventive measures and response procedures are clearly understood and properly implemented.

The store manager provides encouraging words and guidance to employees following the impact of the typhoon, emphasizing resilience, safety, and continued teamwork in recovery efforts.

A short briefing is conducted prior to the start of the fire drill exercise to ensure all participants are informed of the procedures, safety protocols, and assigned roles.

A member of the Mandaue City BFP demonstrates the proper handling of an injured victim in front of CPO Emergency Response Team (ERT) members, as part of emergency response training and skills enhancement.

Employees perform proper evacuation procedures during a drill while Bureau of Fire Protection (BFP) personnel observe to ensure correct implementation of safety protocols and emergency response standards.

Bureau of Fire Protection (BFP) personnel conduct a discussion during the fire prevention orientation for employees, highlighting essential safety practices, prevention measures, and proper response during fire emergencies.

A Safety Orientation is regularly conducted for all employees prior to the start of their employment to ensure they are properly informed of workplace safety policies, procedures, and emergency protocols.

Members of the CPO Emergency Response Team (ERT) demonstrate the proper use of a fire hose, showcasing correct handling techniques and coordinated response during fire suppression training.

The Philippine Red Cross conducts First Aid and Basic Life Support (BLS) training for certified first aider participants, enhancing their skills in providing immediate and life-saving emergency care.

Prior to the opening of a new store, employees undergo a Safety Awareness orientation to ensure they are equipped with essential knowledge on workplace safety practices, hazard prevention, and emergency procedures.

BOARD OF DIRECTORS & SENIOR ADVISER TO THE BOARD

SHERISA P. NUESA
Chairperson

Sherisa P. Nuesa was elected as a Non-Executive Director of the Company on October 23, 2023 and Chairperson on May 3, 2024. She brings her extensive corporate experience as a Director of other publicly listed companies as follows: Independent Director of Manila Water Company, Inc. (MWC)1, Integrated MicroElectronics Inc. (IMI) and AREIT, Inc. and a non-executive Director of Far Eastern University and FERN Realty Corporation. She is concurrently a Senior Adviser to the Board of Vicsal Development Corporation. She is a member of the board of trustees of the Financial Executives Institute (FINEX) Foundation. She is also a Board Adviser to Justice Reform Initiative Inc. (JRI) where she was the former Chairperson for ten years since its inception. On March 27, 2026, Ms. Nuesa was elected as Trustee to MW (Manila Water) Foundation.

Ms. Nuesa is a former director of Ayala Land Inc. (ALI) and ACEN Corporation. She also held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee and Fellow of the Institute of Corporate Directors (ICD) from 2012 to 2021. She also held previous positions in management operations and is an accredited lecturer of both ICD and the FINEX Academy. She was a former Managing Director of Ayala Corporation and had served in various senior positions in Ayala Corporation, ALI, MWC, and IMI. She was the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010 and was CFO of MWC from 2000 to 2008. She co-led the Initial Public Offering (IPO) teams of Ayala Land, Inc., Cebu Holdings, Inc., Manila Water, IMI, and MRSGI.

Ms. Nuesa received a Master of Business Administration degree from the Ateneo-Regis Graduate School of Business in Manila. She also attended post-graduate courses in Harvard Business School and in Stanford University. She graduated summa cum laude in 1974, with a degree of Bachelor of Science in Commerce from the Far Eastern University, which named her as one of its Outstanding University Alumni. A Certified Public Accountant, she was awarded as the ING FINEX CFO of the Year for 2008.

[1] *Until April 14, 2026; reached the 9-year Independent Director limit.*

MARGARET GAISANO ANG
Vice-Chairperson

Margaret Gaisano Ang has served as Director of the Company since August 2003 and its Corporate Secretary until July 26, 2015. She currently serves as Chairperson of Vicsal Development Corporation and Pacific Mall Corporation. She is also the Chairperson and President of Grand Holidays, Inc. Additionally, she serves as a Trustee of Vicsal Foundation, Incorporated.

Ms. Ang received a Bachelor of Science degree, major in Accounting (1974, cum laude), from the University of San Carlos, Cebu City and is a Certified Public Accountant.

JACK S. GAISANO
Director

Jack S. Gaisano has been a Director of the Company since August 2003. He currently also serves as Chairman and President of Taft Property Venture Development Corporation and Midland Development Corporation. He is also a Director of Vicsal Development Corporation.

Mr. Gaisano received a Bachelor of Science degree in Chemical Engineering from the University of San Carlos, Cebu City, in 1976 and is a board-certified chemical engineer.

JOSELITO G. ORENSE
President and Chief Operating Officer

Joselito G. Orense was elected as Director of the Company on May 9, 2025. On the same date, he was appointed as the President and Chief Operating Officer of MRSGI. Before his appointment as President and COO, he served as MRSGI's Treasurer and Chief Finance Officer for 10 years since 2015.

Prior to joining MRSGI, Mr. Orense served as Chief Financial Officer of All Value Holdings Corp. from 2012 to 2015; Chief Financial Officer of Adidas Philippines from 2004 to 2010; and Director of Accounting and Chief Financial Officer of Golden Arches Development Corporation from 1996 to 2002.

Mr. Orense is a Certified Public Accountant. He graduated cum laude from the University of the Philippines in 1987, where he received his Bachelor of Science degree in Business Administration and Accountancy. He obtained his Master's degree in Business Management from the Asian Institute of Management in 1991. He has over twenty-five (25) years of experience in the retail industry.

RICARDO NICANOR N. JACINTO
Director

Ricardo Nicanor N. Jacinto was elected as an Independent Director of the Company on July 27, 2015 and after serving for nine (9) consecutive years as Independent Director, he was elected as a Non-Executive Director on May 3, 2024. Currently, he is the Chairman of SBS Philippines Corporation and Chairman and Independent Director of Maybank Capital Philippines, Inc. and Maybank Securities Philippines, Inc. He is also a Director of SBS Holding Corporation, and Independent Director of Maybank Securities (Thailand) Public Company Limited, Etiqa Life and General Assurance Philippines, Inc., and Torre Lorenzo Development Corporation. He is a Lecturer of University of the Philippines – CE Virata School of Business.

Mr. Jacinto previously served as CEO of the Institute of Corporate Directors (2013-2017) and Managing Director of Ayala Corporation (1997-2011). During the last two years of his tenure at Ayala Corporation, he was seconded to Habitat for Humanity as its Chief Executive Officer.

Mr. Jacinto holds a Bachelor of Science degree in Business Economics from the University of the Philippines (Magna Cum Laude). He obtained his Master's Degree in Business Administration from Harvard University in 1986.

MEDEL T. NERA
Independent Director

Medel T. Nera was elected as Independent Director of the Company on October 23, 2023. He currently serves in the Boards of the House of Investments, Inc. (HOI), IPeople, Inc. (IPO), National Reinsurance Corporation of the Philippines, Inc. (NRCP), and Ionics, Inc. (ION).

Mr. Nera was the President and CEO of House of Investments, Inc. (HOI) from July 2011 to July 2019, a holding company of the Yuchengco group. HOI has more than a dozen significant subsidiaries and associates. These include EEI Corporation, iPeople, Inc. (which includes the Mapua University), and Honda and Isuzu Car dealership groups. He was formerly a Director of RCBC (Rizal Commercial Banking Corporation).

Mr. Nera was formerly a Senior Partner of SyCip Gorres Velayo and Co. (SGV & Co.), where he had about 35 years of experience in professional services. He had served as Markets leader and Financial Services Practice Head at SGV. From 2008 -2010, he served as Assurance Leader for the Financial Services Assurance practice of Ernst and Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam. Mr. Nera was a partner for 22 years and had served in various other leadership positions. He was also the Vice President and member of the Board of Governors of the Management Association of the Philippines and a member of the Ernst & Young Far East Area Advisory Council.

Mr. Nera graduated from the Far Eastern University in Manila with a degree in Bachelor of Science in Commerce. He earned his Master of Business Administration in the Stern School of Business, New York University, New York, New York, USA. He also participated in the Pacific Rim Bankers Program in the University of Washington, Seattle, Washington, USA.

DANIEL RAFAEL RAMON Z. GOMEZ III
Independent Director

Daniel Rafael Ramon Z. Gomez III was elected as Independent Director of the Company on May 3, 2024 (2 years as Independent Director). He is currently a board adviser for DBDOYC Inc. doing business as Angkas and Laborem, Inc. He is also an independent adviser for Bain & Company.

From 2008 to 2023, Mr. Gomez III was employed with Jollibee Foods Corporation rising to become its Chief Marketing Officer in 2013. Prior to joining Jollibee, he was associated with Unilever Philippines as Managing Director & National Board Member from 1999 to 2008. He was also with Sycip Gorres Velayo & Co. – Ernst & Young as a Management Consultant from 1995 to 1998.

Mr. Gomez III holds a Management degree from the Ateneo de Manila University, and a Strategic Digital Marketing Certificate from Harvard Business School.

ALJIM C. JAMANDRE
Senior Adviser to the Board

Aljim C. Jamandre is a Senior Adviser to the Board of MRSGI. He holds a B.S. Accountancy degree (Cum laude) from the University of San Carlos, MDP from the Asian Institute of Management, and a Certified Public Accountant.

Currently, Mr. Jamandre is the President of Vicsal Development Corporation; Director of Wealth Development Bank Corporation from 2003, Director of AB Capital & Investment Corporation from 2014, and Director of Pacific Mall Corporation from 2010; and a Trustee of Vicsal Foundation, Incorporated from 2006.

KEY EXECUTIVES AND SENIOR MANAGEMENT

SHERISA P. NUESA
Chairperson

MARGARET GAISANO ANG
Vice-Chairperson

JOSELITO G. ORENSE
President & Chief Operating Officer

MARCO ERIC G. ANG DE LEON
Vice President for Procurement

JOHN GASPAR A. ANTONIO
Vice President for Information Technology

JACQUELINE B. CANO
Vice President for Operations

HERMAR L. GUITERING
Vice President for Logistics

ANTONIO P. JACOMINA III
Vice President for Human Resources

ARNOLD M. LEONCIO
Vice President for Business Development & Investor Relations

LUCILLE S. MALAZARTE
Treasurer & Chief Finance Officer

BENEDICTO CLARK T. MIRANDA
Vice President for Store Network Development

KAREEN A. TABLIZO
Vice President for Corporate Planning

VINCENT E. TOMANENG
Corporate Secretary & Chief Legal Counsel

Results of Operations

The year ended December 31, 2025 compared with the year ended December 31, 2024

Revenue

Net Sales

For the year ended December 31, 2025, our net sales were PhP41,555.8 million, an increase of 4.9% compared to PhP39,617.0 million for the year ended December 31, 2024.

Total food retail business grew by 5.8% while general merchandise business grew by 2.5% over the same period last year.

Blended same store sales grew by 0.5% compared to last year as consumer spending eased despite minor disruptions from calamities during the year.

Rental Income

For the year ended December 31, 2025, our rental income was PhP395.6 million, an increase of 8.5% compared to PhP364.7 million for the year ended December 31, 2024. The increase is due to rental income from new tenants and escalation of rates from existing tenants.

Costs and Expenses

Cost of Sales

For the year ended December 31, 2025, our cost of sales was PhP32,481.4 million, an increase of 4.3% compared to PhP31,133.1 million for the year ended December 31, 2024. Cost of sales increased as sales during the period increased.

Operating Expenses

For the year ended December 31, 2025, our operating expenses were PhP8,421.8 million, an increase of 9.3% compared to PhP7,706.2 million for the year ended December 31, 2024. While the Group continued to implement cost reduction and saving measures, there were significant increases in personnel costs, depreciation, utilities and contracted services. Personnel costs and contracted services increased as a result of the opening of new sites and due to government mandated minimum wage increases. Depreciation increased as property and equipment increased due to the opening of new stores and existing stores renovation. Utilities costs increased because of increase in rate as well as increase in consumption due to the opening of new stores. Additionally, the Group suffered losses from calamities that affected Visayas stores in 2025.

Interest and Other Income

For the year ended December 31, 2025, our interest and other income was PhP369.2 million, an increase of 85.3% compared to PhP199.2 million for the year ended December 31, 2024. The increase is primarily due to the recognition of gain on lease modification/pre-termination as a result of reduction in leased space and permanent store closure as well as due to income from insurance claims on property and inventory damages resulting from a natural calamity.

Finance Costs

For the year ended December 31, 2025, our finance costs were PhP494.8 million, a net decrease of 4.8% compared to PhP519.8 million for the year ended December 31, 2024 as interest expense on the Group's bank loans decreased.

Provision for Income Tax

For the year ended December 31, 2025, our provision for income tax was PhP240.0 million, an increase of 13.0% compared to the PhP212.4 million for the year ended December 31, 2024. The increase in provision for income tax is primarily due to the increase in income before tax.

Net Income

As a result of the foregoing, for the year ended December 31, 2025, net income was PhP682.6 million, a 12.0% increase compared to the net income of PhP609.4 million for the year ended December 31, 2024.

The year ended December 31, 2024 compared with the year ended December 31, 2023

Revenue

Net Sales

For the year ended December 31, 2024, our net sales were PhP39,617.0 million, an increase of 3.5% compared to PhP38,272.1 million for the year ended December 31, 2023.

Total food retail business grew by 4.9% while general merchandise business grew by 0.2% over the same period last year.

Blended same store sales grew by 0.5% over the same period last year.

Rental Income

For the year ended December 31, 2024, our rental income was PhP364.7 million, an increase of 16.9% compared to PhP312.0 million for the year ended December 31, 2023. The increase is due to rental income from new tenants and escalation of rates from existing tenants.

Costs and Expenses

Cost of Sales

For the year ended December 31, 2024, our cost of sales was PhP31,133.1 million, an increase of 3.7% compared to PhP30,015.6 million for the year ended December 31, 2023. Cost of sales increased as sales during the period increased.

Operating Expenses

For the year ended December 31, 2024, our operating expenses were PhP7,706.2 million, an increase of 3.3% compared to PhP7,457.9 million for the year ended December 31, 2023. While the Group continued to implement cost reduction and saving measures, there were significant increases in depreciation, personnel costs and contracted services. Depreciation increased as property and equipment increased due to the opening of new stores and distribution center in Sta Rosa. Personnel costs and contracted services also increased as a result of the opening of new sites and due to government mandated minimum wage increases.

Interest and Other Income

For the year ended December 31, 2024, our interest and other income was PhP199.2 million, a decrease of 23.9% compared to PhP261.6 million for the year ended December 31, 2023. The decrease is primarily due to the decrease in interest income from cash and cash equivalents.

Finance Costs

For the year ended December 31, 2024, our finance costs were PhP519.8 million, a decrease of 3.1% compared to PhP536.7 million for the year ended December 31, 2023. The decrease is due to decreases in interest expense on the Company's bank loans and lease liabilities.

Provision for Income Tax

For the year ended December 31, 2024, our provision for income tax was PhP212.4 million, a decrease of 2.3% compared to the PhP217.5 million for the year ended December 31, 2023. The decrease in provision for income tax is primarily due to the decrease in income before tax.

Net Income

As a result of the foregoing, for the year ended December 31, 2024, net income was PhP609.4 million, a 1.4% drop compared to the net income of PhP618.0 million for the year ended December 31, 2023.

The year ended December 31, 2023 compared with the year ended December 31, 2022

Revenue

Net Sales

For the year ended December 31, 2023, our net sales were PhP38,272.1 million, an increase of 0.4% compared to PhP38,101.7 million for the year ended December 31, 2022. Despite lingering inflation pressures affecting consumer spending during the year and the high base in 2022, the Company was able to sustain its sales level ending with a flattish growth in 2023.

Total food retail business dropped by 1.2% while general merchandise business grew by 4.7% over the same period last year. General merchandise continued its upward trend from the 54.3% growth posted the previous year, while food retail slightly declined due to bulk wholesale business scaling down in 2023.

Blended same store sales dropped by 0.8% over the same period last year.

Rental Income

For the year ended December 31, 2023, our rental income was PhP312.0 million, an increase of 28.0% compared to PhP243.7 million for the year ended December 31, 2022. The increase in rental income is primarily due to the re-opening of the economy and non-essential tenants have become operational. Rental concessions that were extended to tenants who continued to operate during the pandemic times were totally discontinued in the last quarter of 2022.

Costs and Expenses

Cost of Sales

For the year ended December 31, 2023, our cost of sales was PhP30,015.6 million, a decrease of 0.1% compared to PhP30,053.2 million for the year ended December 31, 2022. There is decrease in cost of sales even with the increase in net sales as the general merchandise sales grew while the food retail sales slightly dropped. General merchandise has higher margins than supermarket.

Operating Expenses

For the year ended December 31, 2023, our operating expenses were PhP7,457.9 million, an increase of 7.2% compared to PhP6,959.8 million for the year ended December 31, 2022. While the Company continued to implement cost reduction and saving measures, there were significant increases in rent and in personnel costs. Rent increased significantly as rental concessions given during the pandemic were already discontinued. Personnel costs increased as a result of the opening of new stores and government mandated minimum wage increases.

Interest and other income

For the year ended December 31, 2023, our interest and other income was PhP261.6 million, a decrease of 38.3% compared to PhP424.0 million for the year ended December 31, 2022.

While interest income from cash and cash equivalents increased in 2023, non-recurring income recognized in 2022 which include the recognition of gain on lease modification amounting to PhP106.3 million due to revision of existing contracts with lessors as well as gain on insurance claims pertaining to recoveries and reimbursement of losses for property damages and business interruption due to Typhoon Odette in 2021 amounting to PhP53.7 million caused the significant decrease in other income.

Finance Costs

For the year ended December 31, 2023, our finance costs were PhP536.7 million, an increase of 2.5% compared to PhP523.5 million for the year ended December 31, 2022. The increase is primarily driven by the increase in interest expense related to the Company's outstanding loans payable.

Provision for Income Tax

For the year ended December 31, 2023, our provision for income tax was PhP217.5 million, a decrease of 31.0% compared to the PhP315.4 million for the year ended December 31, 2022. The decrease in provision for income tax is primarily due to the decrease in income before tax.

Net Income

As a result of the foregoing, for the year ended December 31, 2023, net income was PhP618.0 million, a 32.6% drop compared to the net income of PhP917.3 million for the year ended December 31, 2022. Excluding one-time gains such as PFRS gain on lease modification and insurance claims in 2022, net income in 2023 declined by 18.4% vs. prior year.

Financial Position

The year ended December 31, 2025 compared with the year ended December 31, 2024

As of December 31, 2025 and 2024, our net current assets, or the difference between total current assets and total current liabilities, were PhP4,227.5 million and PhP4,053.6 million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, short-term investments, receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2025 and 2024 were PhP11,176.1 million and PhP10,613.5 million, respectively. The 5.3% increase in current assets is due to increases in merchandise inventory, cash and cash equivalents, receivables and other current assets. Short-term investments, on the other hand, has decreased.

As of December 31, 2025, short-term investment amounted to PhP150.0 million, receivables totalled PhP1,397.6 million, merchandise inventories totalled PhP6,575.3 million and other current assets totalled PhP568.0 million. As of December 31, 2024, short-term investment amounted to PhP289.9 million, receivables totalled PhP1,237.9 million, merchandise inventories totalled PhP6,301.7 million and other current assets totalled PhP484.5 million.

As of December 31, 2025, cash and cash equivalents amounted to PhP2,485.1 million, an increase of 8.1% from PhP2,299.4 million as of December 31, 2024. The increase is contributed by cash generated from operating income before working capital changes of PhP2,551.1 million, availment of loans amounting to PhP2,350.0 million, and proceeds from short-term investment of PhP139.9 million, offset by acquisition of property and equipment of PhP1,426.6 million, increases in merchandise inventories of PhP367.5 million, noncurrent assets of PhP300.5 million and other current assets of PhP134.1 million, as well as payments of loans of PhP1,308.0 million, lease liabilities of PhP636.4 million, income tax of PhP219.9 million, cash dividends of PhP194.5 million and interest of PhP150.6 million, among others.

Non-current Assets

Our non-current assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total non-current assets as of December 31, 2025 and 2024 were PhP13,923.1 million and PhP13,668.5 million, respectively. The increase of 1.9% in non-current assets is primarily due to the increase in property and equipment amounting to PhP774.9 million.

Current Liabilities

Total current liabilities as of December 31, 2025 and 2024 were PhP6,948.6 million and PhP6,559.9 million, respectively. As of December 31, 2025 and 2024, trade and other payables totaled PhP5,402.4 million and PhP5,445.8 million, respectively, which consisted primarily of trade payables to our suppliers for purchases of merchandise inventory. Short-term loans payable amounted to PhP700.0 million and PhP200.0 million as of December 31, 2025 and 2024, respectively while loans payable – current portion amounted to PhP489.2 million and PhP473.6 million as of December 31, 2025 and 2024, respectively.

Non-current Liabilities

Total non-current liabilities as of December 31, 2025 and 2024 were PhP8,125.7 million and PhP8,200.6 million, respectively. The 0.9% decrease is due to decreases in lease liability of PhP592.2 million, retirement benefit obligation of PhP7.5 million and other non-current liabilities of PhP4.9 million offset by the increase in long-term loans payable of PhP529.8 million.

The year ended December 31, 2024 compared with the year ended December 31, 2023

As of December 31, 2024 and 2023, our net current assets, or the difference between total current assets and total current liabilities, were PhP4,053.6 million and PhP5,894.2 million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, short-term investments, receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2024 and 2023 were PhP10,613.5 million and PhP11,549.9 million, respectively. The 8.1% decrease in current assets is due to the decrease in cash and cash equivalents and other current assets. Short-term investments, receivables and merchandise inventory, on the other hand, have increased.

As of December 31, 2024, short-term investment amounted to PhP289.9 million, receivables totalled PhP1,237.9 million, merchandise inventories totalled PhP6,301.7 million and other current assets totalled PhP484.5 million. As of December 31, 2023, receivables totalled PhP1,043.2 million, merchandise inventories totalled PhP5,866.2 million and other current assets totalled PhP486.2 million.

As of December 31, 2024, cash and cash equivalents amounted to PhP2,299.4 million, a decrease of 44.7% from PhP4,154.4 million as of December 31, 2023. The decrease was mainly attributable to the acquisition of property and equipment amounting to PhP1,937.3 million, payment of dividends of PhP519.7 million, payments of lease liabilities, loans, interest and income tax of PhP518.5 million, PhP398.6 million, PhP160.6 million and PhP285.5 million respectively as well as increases in merchandise inventories of PhP385.7 million, short term investments of PhP289.9 million, receivables of PhP187.7 million, and other noncurrent assets of PhP173.5 million, offset by increase in trade and other payables of PhP506.4 million, proceeds from loan availment of PhP200.0 million and interest received of PhP89.1 million, among others.

Non-current Assets

Our non-current assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total non-current assets as of December 31, 2024 and 2023 were PhP13,668.5 million and PhP12,113.4 million, respectively. The increase of 12.8% in non-current assets is primarily due to the increase in property and equipment amounting to PhP1,495.4 million.

Current Liabilities

Total current liabilities as of December 31, 2024 and 2023 were PhP6,559.9 million and PhP5,655.7 million, respectively. As of December 31, 2024 and 2023, trade and other payables totalled PhP5,445.8 million and PhP4,942.2 million, respectively, which consisted primarily of trade payables to our suppliers for purchases of merchandise inventory. Short-term loans payable amounted to PhP200.0 million and nil as of December 31, 2024 and 2023, respectively while loans payable - current portion amounted to PhP473.6 million and PhP398.6 million as of December 31, 2024 and 2023, respectively.

Non-current Liabilities

Total non-current liabilities as of December 31, 2024 and 2023 were PhP8,200.6 million and PhP8,585.3 million, respectively. The 4.5% decrease is primarily due to the decrease in long-term loans payable of PhP469.6 million offset by increases in lease liability of PhP69.9 million, retirement benefit obligation of PhP13.2 million and other non-current liabilities of PhP1.7 million.

The year ended December 31, 2023 compared with the year ended December 31, 2022

As of December 31, 2023 and 2022, our net current assets, or the difference between total current assets and total current liabilities, were PhP5,894.2 million and PhP7,007.1 million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, trade and other receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2023 and 2022 were PhP11,549.9 million and PhP12,243.1 million, respectively. The decrease of 5.7% in current assets is due to the decrease in cash and cash equivalents, and other current assets. Receivables and merchandise inventory, on the other hand, have increased.

As of December 31, 2023, short-term investment amounted to nil, receivables totalled PhP1,043.2 million, merchandise inventories totalled PhP5,866.2 million and other current assets totalled PhP486.2 million. As of December 31, 2022, short-term investment totalled nil, receivables totalled PhP954.8 million, merchandise inventories totalled PhP5,495.3 million and other current assets totalled PhP630.4 million.

As of December 31, 2023, cash and cash equivalents amounted to PhP4,154.4 million, a decrease of 19.5% from PhP5,162.6 million as of December 31, 2022. The decrease is largely attributable to the acquisition of property and equipment amounting to PhP1,530.9 million, payment of dividends amounting to PhP196.1 million, payments of lease liabilities and loans payable amounting to PhP443.7 million and PhP130.2 million, respectively. This is offset by PhP1,880.1 million net cash provided by operating activities and receipt of proceeds from insurance claims of PhP53.7 million.

Non-current Assets

Our non-current assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total non-current assets as of December 31, 2023 and 2022 were PhP12,113.4 million and PhP10,495.9 million, respectively. The increase of 15.4% in non-current assets is due to the increase in property and equipment amounting to PhP1,079.2 million, increase in other non-current assets amounting to PhP283.7 million, increase in right-of-use assets amounting to PhP197.6 million, and increase in deferred tax assets – net amounting to PhP57.0 million.

Current Liabilities

Total current liabilities as of December 31, 2023 and 2022 were PhP5,655.7 million and PhP5,236.0 million, respectively. As of December 31, 2023 and 2022, trade and other payables totaled PhP4,942.2 million and PhP4,820.5 million, respectively, which consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable - current portion amounted to PhP398.6 million and PhP130.2 million as of December 31, 2023 and 2022, respectively.

Non-current Liabilities

Total non-current liabilities as of December 31, 2023 and 2022 were PhP8,585.3 million and PhP8,442.0 million, respectively. The increase of 1.7% in non-current liabilities is due to the increase in lease liability amounting to PhP474.6 million, partially offset by the decrease in loans payable amounting to PhP394.5 million.

Cash Flows

The following table sets out information from our statements of cash flows for the periods indicated.

	For the years ended December 31,		
	2025	2024	2023
		(PhP million)	
Net cash flows generated from operating activities	1,716.4	2,023.5	1,880.1
Net cash flows used in investing activities	(1,582.2)	(2,496.1)	(1,921.6)
Net cash flows provided (used in) financing activities	51.9	(1,404.5)	(984.8)
Net increase (decrease) in cash	**186.1**	**(1,877.1)**	**(1,026.3)**

Net Cash Flows from Operating Activities

Our net cash flows from operating activities for the year ended December 31, 2025 was PhP1,716.4 million, which is comprised of operating income before working capital changes of PhP2,551.1 million, adjusted for changes in working capital, interest received, income tax paid and retirement benefits paid. The changes in working capital were attributable to increases in merchandise inventories, receivables and other current assets of PhP367.5 million, PhP56.0 million and PhP134.1 million respectively, as well as decrease in trade and other payables of PhP55.1 million, and offset by the increase in contract liabilities of PhP10.8 million.

Our net cash flows from operating activities for the year ended December 31, 2024 was PhP2,023.5 million, which is comprised of operating income before working capital changes of PhP2,332.2 million, adjusted for changes in working capital, interest received, income tax paid and retirement benefits paid. The changes in working capital were attributable to the increase in merchandise inventories, receivables and other current assets of PhP385.7 million, PhP187.7 million and PhP12.3 million, respectively, and offset by the increase in trade and other payables of PhP506.4 million, among others.

Our net cash flows from operating activities for the year ended December 31, 2023 was PhP1,880.1 million, which is comprised of operating income before working capital changes of PhP2,185.4 million, adjusted for changes in working capital and interest received, partially offset by income tax and retirement benefits paid. The changes in working capital were attributable to the increase in merchandise inventory and receivables of PhP358.6 million and PhP155.2 million, respectively, and offset by the increase in trade and other payables of PhP123.5 million and decrease in other current assets of PhP133.5 million.

Net Cash Flows provided used in Investing Activities

For the year ended December 31, 2025, net cash flows used in investing activities was PhP1,582.2 million, primarily used for the acquisitions of property and equipment for the construction and fit outs of new stores and warehouses and for the improvements of existing stores totaling PhP1,426.6 million, and for the increase in other noncurrent assets of PhP300.5 million. This is partially offset by the proceeds of short-term investments of PhP139.9 million.

For the year ended December 31, 2024, net cash flows used in investing activities was PhP2,496.1 million, which is significantly due to the acquisitions of property and equipment for the construction and fit outs of new stores and warehouses and for the improvements of existing stores totaling PhP1,937.3 million, availment of short-term investments of PhP289.9 million, increase in other noncurrent assets of PhP173.5 million and availment of financial asset at FVOCI amounting to PhP100.0 million.

For the year ended December 31, 2023, net cash flows used in investing activities was PhP1,921.6 million, which is significantly due to the acquisitions of property and equipment for the construction and fit outs of new stores and warehouses and for the improvements of existing stores totaling PhP1,530.9 million and for the increase in other noncurrent assets amounting to PhP444.4 million. This is partially offset by the receipt of proceeds from insurance claims of PhP53.7 million.

Net Cash Flows provided by (used in) Financing Activities

Net cash flows generated from financing activities was PhP51.9 million for the year ended December 31, 2025. This came from proceeds from loan availment of PhP2,350.0 million, offset by payments of loans payable, lease liabilities and interest amounting to PhP1,308.0 million, PhP636.4 million and PhP150.6 million, respectively, as well as the payment of dividends of PhP194.5 million, and purchase of PhP8.6 million treasury stocks.

Net cash flows used in financing activities was PhP1,404.5 million for the year ended December 31, 2024, as a result of the payments of lease liabilities, loans payable and interest amounting to PhP518.5 million, PhP398.6 million and PhP160.6 million, respectively, as well as the payment of dividends of PhP519.7 million, and purchase of PhP7.1 million treasury stocks.

Net cash flows used in financing activities was PhP984.8 million for the year ended December 31, 2023, as a result of the payments of lease liabilities and loans payable amounting to PhP443.7 million and PhP130.2 million, respectively, as well as for the payment of dividends amounting to PhP196.1 million, payment of interest amounting to PhP167.5 million and for the purchase of PhP47.3 million treasury stocks.

Indebtedness

As of December 31, 2025 and 2024, outstanding loans payable amounted to PhP3,705.9 million and PhP2,660.4 million, respectively.

Key Performance Indicators

The Company**	2025	2024	2023
	For the years ended December 31,		
Net sales[1] (PhP million)	41,555.8	39,617.0	38,272.1
Average basket size[2] (PhP)	968*	945*	954*
Same-store sales growth[3] (%)	0.5%*	0.5%*	(0.8%)*
Number of stores	81*	71*	63*
Net selling area[4] (sqm)	278,000*	270,000*	260,000*

** excludes discontinued operations and temporary closure of stores*

*** the wholly-owned subsidiary, Apple Drugstore Corp, does not have KPIs for year 2025 as this is not yet operational during the year*

Notes:

(1) Net sales are gross sales, net of discounts and returns.

(2) Average basket size is the amount of net sales divided by the number of transactions for a given period.

(3) Same store sales growth is the comparisons of net sales between two periods generated by the relevant stores. The stores that are included in comparisons are those that have operated for at least 12 months preceding the beginning of the last month of the reporting period. The comparison for each store takes into account net sales by that store during the same period it was in operation in both the reporting period and the period of comparison. The net sales of all the relevant stores in the relevant period are then aggregated and compared.

(4) Net selling space is the area of the store where items are displayed, excluding the backroom and warehouse.

Quantitative and Qualitative Disclosure of Market Risk

Our principal financial instruments consist of cash and cash equivalent, short-term investment and receivables. The main purpose of our financial instruments is to fund our operations and capital expenditures. We do not actively engage in the trading of financial assets for speculative purposes nor do we write options. The main risks arising from our financial instruments are liquidity risk and credit risk. See Note 27 of the notes to our audited financial statements.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short-term obligations. The Company seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its operating expenses. The Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's receivables are actively monitored by its collection department to avoid significant concentrations of credit risk. The Company manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Company. The Company's policies include: setting up of exposure limits for each counterparty; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.

Trends, Events or Uncertainties that have had or that are reasonably expected to affect revenues and income

(i) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on Company's liquidity.

(ii) There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entries or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures, general purposes of such commitments, expected sources of funds for such expenditures.

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on Sales.

(vi) The Company experiences seasonal fluctuations in operations. Historically, sales peak in December of each year, thereafter it slows down in the first quarter of the year and begins to increase in the second quarter, driven by the summer season, the school break in April and May, and particularly the beginning of the school year in the month of June. This is followed by a slowdown in sales in the third quarter due to the rainy season.

AUDITED FINANCIAL STATEMENTS

COVER SHEET

for

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

CS200315877

COMPANY NAME

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

PRINCIPAL OFFICE(*No. / Street / Barangay / City / Town / Province*)

VICSAL BUILDING, CORNER OF C.D. SENO AND W.O. SENO STREETS, GUIZO, NORTH RECLAMATION AREA, MANDAUE CITY, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Group's Email Address	Group's Telephone Number	Mobile Number
vicsal.sec@metroretail.ph	**(032) 236-8390**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
25	**First Friday of May**	**December 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Lucille S. Malazarte	**Lucille.malazarte @metroretail.ph**	**(032) 236-7793**	**N/A**

CONTACT PERSON's ADDRESS

Vicsal bldg., Corner of C.D.Seno & W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu

NOTE ***1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact persondesignated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

METRO
RETAIL STORES GROUP, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Metro Retail Stores Group, Inc and Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, 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 Group's ability to continue as a 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 Group's financial reporting process.

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

Sycip Gorres Velayo and Co. (SGV), the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of the presentation upon completion of such audit.

SHERISA P. NUESA
Chairperson of the Board

JOSELITO G. ORENSE
President and Chief Operating Officer

LUCILLE S. MALAZARTE
Treasurer and Chief Financial Officer

March 19, 2026

SUBSCRIBED AND SWORN to before me this MAR 24 2026 affiants exhibiting to me their respective Philippine passports as follows:

	Passport No.	Date of Issue	Place of Issue
Sherisa P. Nuesa	P8595622A	04 SEP 2018	DFA NCR South
Joselito G. Orense	P8825848A	20 SEP 2018	DFA NCR South
Lucille S. Malazarte	P7560769A	16 JUN 2018	DFA Cebu

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Page No. 82
Book No. I
Series of 2026

ATTY. ASEZ C. ALARDE
NOTARY PUBLIC
ROLL NO. 82563
MANDAUE CITY, PHILIPPINES

ATTY. ASEZ C. ALARDE
Notary Public for and in the City of Mandaue and
Municipalities of Consolacion, Liloan, Compostela and Cordova, Cebu
Notarial Commission No. 2026-73, valid until December 31, 2027
Roll of Attorney's No. 82563
PTR No. MC2208660; December 3, 2025; Mandaue City
IBP Invoice No. [illegible], December 2, 2025; Pasig City
MCLE Compliance No. VIII - 0013915; issued on October 2, 2024;
Vicsal Bldg., corner of C.D. Seno & W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Metro Retail Stores Group, Inc. and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the 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, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2025 and 2024, and its financial performance and its cash flows for the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's 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), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audit of the consolidated financial statements of public interest entities 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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Existence and completeness of merchandise inventories

The Group's inventories comprise 26% of its total assets as at December 31, 2025. The Group operates 81 stores (consisting of department stores, supermarkets and hypermarkets) and 14 warehouses across Luzon and Visayas. We focused on this area since inventories are material to the consolidated financial statements and are located in various sites across the country.

The Group's disclosures about inventories are included in Note 7 to the consolidated financial statements.

Audit Response

We observed the conduct of inventory count at selected stores and warehouses and performed test counts. We traced the results of the test counts to the inventory compilation to determine if the inventory compilation reflects actual inventory count results. We also traced the last documents used for shipping, receiving, transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We obtained the reconciliation of the valued physical inventory compilation and compared this with the general ledger account balances and tested selected reconciling items. On a sampling basis, we tested the rollback procedures on inventory quantities from the date of inventory count to reporting date.

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, 2025, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's 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.

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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the 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.

The engagement partner on the audit resulting in this independent auditor's report is Carlo Paolo V. Manalang.

SYCIP GORRES VELAYO & CO.

Carlo Paolo V. Manalang
Partner
CPA Certificate No. 111947
Tax Identification No. 210-730-804
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 111947-SEC (Group A)
    Valid to cover audit of 2019 to 2023 financial statements,
    with extension up to audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
    Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-127-2026, January 27, 2026, valid until January 26, 2029
PTR No. 10765080, January 2, 2026, Makati City

March 19, 2026

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 27)	**₱2,485,143,661**	₱2,299,422,529
Short-term investments (Notes 5 and 27)	**150,000,000**	289,919,638
Receivables (Notes 6 and 27)	**1,397,587,185**	1,237,906,937
Merchandise inventories (Note 7)	**6,575,303,686**	6,301,745,958
Other current assets (Notes 8 and 27)	**568,033,662**	484,466,196
Total Current Assets	**11,176,068,194**	10,613,461,258
Noncurrent Assets		
Property and equipment (Note 9)	**8,643,786,538**	7,868,892,616
Right-of-use (“ROU”) assets (Note 24)	**3,840,141,521**	4,529,304,837
Deferred tax assets - net (Note 23)	**498,924,403**	486,012,545
Other noncurrent assets (Notes 10 and 27)	**940,280,628**	784,262,340
Total Noncurrent Assets	**13,923,133,090**	13,668,472,338
TOTAL ASSETS	**₱25,099,201,284**	₱24,281,933,596
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 27)	**₱5,402,370,447**	₱5,445,779,693
Contract liabilities (Note 12)	**122,667,863**	111,867,178
Income tax payable	**51,769,296**	62,159,881
Short-term loans payable (Notes 13 and 27)	**700,000,000**	200,000,000
Loans payable - current portion (Notes 13 and 27)	**489,236,111**	473,611,111
Lease liabilities - current portion (Notes 24 and 27)	**182,564,725**	266,516,739
Total Current Liabilities	**6,948,608,442**	6,559,934,602
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 24 and 27)	**5,058,478,598**	5,650,722,017
Loans payable - net of current portion (Notes 13 and 27)	**2,516,638,035**	1,986,835,274
Retirement benefit obligation (Note 21)	**535,868,507**	543,396,113
Other noncurrent liabilities (Notes 14 and 27)	**14,721,133**	19,644,282
Total Noncurrent Liabilities	**8,125,706,273**	8,200,597,686
Total Liabilities	**15,074,314,715**	14,760,532,288
Equity		
Capital stock (Note 15)	**3,429,375,000**	3,429,375,000
Additional paid-in capital (Note 15)	**2,455,542,149**	2,455,542,149
Treasury stock (Note 15)	**(270,153,426)**	(261,526,893)
Retained earnings (Note 15)	**4,288,916,965**	3,800,813,300
Share-based payment (Note 21)	**14,237,523**	11,557,101
Remeasurement gain on defined benefit obligation (Notes 15 and 21)	**106,968,358**	85,640,651
Total Equity	**10,024,886,569**	9,521,401,308
TOTAL LIABILITIES AND EQUITY	**₱25,099,201,284**	₱24,281,933,596

See accompanying Notes to consolidated Financial Statements.

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2025	2024	2023
REVENUE			
Net sales (Note 16)	**₱41,555,845,813**	₱39,616,955,669	₱38,272,076,708
Rentals (Notes 22 and 24)	**395,556,811**	364,721,382	312,049,979
	41,951,402,624	39,981,677,051	38,584,126,687
COSTS AND EXPENSES			
Cost of sales (Note 18)	**32,481,387,449**	31,133,055,176	30,015,630,191
Operating expenses (Note 19)	**8,421,754,770**	7,706,192,301	7,457,877,507
	40,903,142,219	38,839,247,477	37,473,507,698
OPERATING INCOME	**1,048,260,405**	1,142,429,574	1,110,618,989
OTHER INCOME (CHARGES) (Note 17)			
Interest and other income - net	**369,232,696**	199,209,601	261,603,422
Finance costs	**(494,830,189)**	(519,843,981)	(536,661,670)
	(125,597,493)	(320,634,380)	(275,058,248)
INCOME BEFORE INCOME TAX	**922,662,912**	821,795,194	835,560,741
PROVISION FOR INCOME TAX (Note 23)			
Current	**260,044,440**	251,088,767	268,462,787
Deferred	**(20,021,093)**	(38,715,835)	(50,921,750)
	240,023,347	212,372,932	217,541,037
NET INCOME	**682,639,565**	609,422,262	618,019,704
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 21)	**28,436,943**	13,184,504	(24,393,890)
Income tax effect (Note 23)	**(7,109,236)**	(3,296,126)	6,098,473
	21,327,707	9,888,378	(18,295,417)
TOTAL COMPREHENSIVE INCOME	**₱703,967,272**	₱619,310,640	₱599,724,287
Basic/Diluted Earnings Per Share (Note 25)	**₱0.21**	₱0.19	₱0.19

See accompanying Notes to consolidated Financial Statements.

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2025, 2024 and 2023

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Treasury Stock (Note 15)	Retained Earnings (Note 15)	Share-based Equity (Notes 15 and 21)	Remeasurement Gain (Loss) on Retirement Benefit Obligation (Note 21)	Total
At January 1, 2025	**₱3,429,375,000**	**₱2,455,542,149**	**(261,526,893)**	**₱3,800,813,300**	**₱11,557,101**	**₱85,640,651**	**₱9,521,401,308**
Net income for the year	–	–	–	**682,639,565**	–	–	**682,639,565**
Other comprehensive income	–	–	–	–	–	**21,327,707**	**21,327,707**
Total comprehensive income	–	–	–	**682,639,565**	–	**21,327,707**	**703,967,272**
Declaration of dividends (Note 15)	–	–	–	**(194,535,900)**	–	–	**(194,535,900)**
Acquisition of treasury stock (Note 15)	–	–	**(8,626,533)**	–	–	–	**(8,626,533)**
Stock option compensation (Notes 15 and 21)	–	–	–	–	**2,680,422**	–	**2,680,422**
At December 31, 2025	**₱3,429,375,000**	**₱2,455,542,149**	**(270,153,426)**	**₱4,288,916,965**	**₱14,237,523**	**₱106,968,358**	**₱10,024,886,569**
At January 1, 2024	₱3,429,375,000	₱2,455,542,149	(₱254,419,975)	₱3,711,054,879	₱5,001,736	₱75,752,273	₱9,422,306,062
Net income for the year	–	–	–	609,422,262	–	–	609,422,262
Other comprehensive income	–	–	–	–	–	9,888,378	9,888,378
Total comprehensive income	–	–	–	609,422,262	–	9,888,378	619,310,640
Declaration of dividends (Note 15)	–	–	–	(519,663,841)	–	–	(519,663,841)
Acquisition of treasury stock (Note 15)	–	–	(7,106,918)	–	–	–	(7,106,918)
Stock option compensation (Notes 15 and 21)	–	–	–	–	6,555,365	–	6,555,365
At December 31, 2024	₱3,429,375,000	₱2,455,542,149	(261,526,893)	₱3,800,813,300	₱11,557,101	₱85,640,651	₱9,521,401,308
At January 1, 2023	₱3,429,375,000	₱2,455,542,149	(₱207,150,258)	₱3,289,176,015	₱–	₱94,047,690	₱9,060,990,596
Net income for the year	–	–	–	618,019,704	–	–	618,019,704
Other comprehensive loss	–	–	–	–	–	(18,295,417)	(18,295,417)
Total comprehensive income	–	–	–	618,019,704	–	(18,295,417)	599,724,287
Declaration of dividends (Note 15)	–	–	–	(196,140,840)	–	–	(196,140,840)
Acquisition of treasury stock (Note 15)	–	–	(47,269,717)	–	–	–	(47,269,717)
Stock option compensation (Notes 15 and 21)	–	–	–	–	5,001,736	–	5,001,736
At December 31, 2023	₱3,429,375,000	₱2,455,542,149	(₱254,419,975)	₱3,711,054,879	₱5,001,736	₱75,752,273	₱9,422,306,062

See accompanying Notes to Consolidated Financial Statements.

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱922,662,912**	₱821,795,194	₱835,560,741
Adjustments for:			
Depreciation and amortization of property and equipment (Note 9)	**799,969,168**	715,217,933	611,908,962
Finance costs (Note 17)	**494,830,189**	519,843,981	536,661,670
Amortization of ROU assets - net (Note 24)	**436,581,135**	370,322,235	327,944,683
Gain on lease modification/pre-termination (Notes 17 and 24)	**(161,935,756)**	–	(29,107,167)
Loss due to calamities (Notes 7, 9 and 19)	**118,797,463**	–	–
Gain on insurance claim (Note 17)	**(111,035,604)**	–	–
Retirement benefits costs (Note 21)	**68,086,466**	65,912,361	62,802,363
Interest income (Note 17)	**(29,793,652)**	(89,834,120)	(145,306,737)
Amortization of leasehold rights (Note 10)	**4,659,094**	–	–
Provision for (reversal of) expected credit losses (Notes 6 and 19)	**3,211,591**	(11,000,566)	4,998,705
Share-based compensation (Note 15 and 21)	**2,680,422**	6,555,365	5,001,736
Provision (reversal) for shrinkage and decline in inventories values (Note 7)	**1,204,549**	(49,800,972)	(12,327,115)
Loss (gain) on retirement/disposal of fixed assets (Note 9)	**815,231**	282,563	432,275
Unrealized foreign currency exchange gains (loss) - net (Note 17)	**321,730**	(22,115,260)	(18,061,150)
Write-off of assets (Notes 6)	**30,000**	5,032,863	4,874,091
Operating income before working capital changes	**2,551,084,938**	2,332,211,577	2,185,383,057
Decrease (increase) in:			
Merchandise inventories	**(367,547,818)**	(385,719,156)	(358,565,935)
Receivables	**(56,003,918)**	(187,652,524)	(155,174,839)
Other current assets	**(134,078,764)**	(12,262,837)	133,484,425
Increase (decrease) in:			
Trade and other payables	**(55,056,449)**	506,391,100	123,476,369
Contract liabilities	**10,800,685**	4,720,451	2,317,914
Other noncurrent liabilities	**(4,923,150)**	1,713,817	3,456,489
Cash flows generated from operations	**1,944,275,524**	2,259,402,428	1,934,377,480
Interest received	**29,208,642**	89,067,119	148,577,790
Income tax paid	**(219,923,726)**	(285,456,944)	(175,411,263)
Retirement benefits paid - net of contribution (Note 21)	**(37,177,129)**	(39,486,788)	(27,458,728)
Net cash provided by operating activities	**1,716,383,311**	2,023,525,815	1,880,085,279

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 9)	**(1,426,617,520)**	(1,937,280,528)	(1,530,886,708)
Proceeds from (availment of) short-term investments (Note 5)	**139,919,638**	(289,919,638)	–
Increase in other noncurrent assets	**(300,452,796)**	(173,549,675)	(444,352,980)
Interest from financial asset at FVOCI (Notes 10 and 17)	**6,250,000**	4,687,500	–
Investment in subsidiary - net of cash acquired from acquisition	**(1,298,942)**	–	–
Availment of financial assets at FVOCI (Note 10)	**–**	(100,000,000)	–
Proceeds from insurance claims	**–**	–	53,681,402
Net cash provided by (used in) investing activities	**(1,582,199,620)**	(2,496,062,341)	(1,921,558,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment (Note 13)	**2,350,000,000**	200,000,000	–
Payments of:			
Loans payable (Note 13)	**(1,307,986,111)**	(398,611,111)	(130,208,333)
Lease liabilities (Note 24)	**(636,362,735)**	(518,511,533)	(443,695,421)
Interest	**(150,629,550)**	(160,626,218)	(167,493,418)
Cash dividends (Note 15)	**(194,535,900)**	(519,663,841)	(196,140,840)
Purchase of treasury stock (Note 15)	**(8,626,533)**	(7,106,918)	(47,269,717)
Net cash provided by (used in) financing activities	**51,859,171**	(1,404,519,621)	(984,807,729)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**186,042,862**	(1,877,056,147)	(1,026,280,736)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	**(321,730)**	22,115,260	18,061,150
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,299,422,529**	4,154,363,416	5,162,583,002
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,485,143,661**	₱2,299,422,529	₱4,154,363,416

See accompanying Notes to consolidated Financial Statements.

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Approval of the Consolidated Financial Statements**

Corporate Information

Metro Retail Stores Group, Inc. (MRSGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (the SEC) on August 28, 2003 in the Republic of the Philippines. The Parent Company is 81.24%-owned by Vicsal Development, Corporation (VDC), the immediate parent, 0.77%-owned by Valueshop Stores, Inc., and the rest by the public. Its primary purpose is to buy, sell and trade, goods, wares and merchandise of every kind and description and in general to carry on the businesses of a supermarket, hypermarket and department store operator. The Parent Company began commercial operations on November 19, 2004.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on November 24, 2015 (see Note 15).

The Parent Company's principal place of business is located at Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo North Reclamation Area, Mandaue City, Cebu.

Closure of Money Changer/Foreign Exchange Dealer business (MC/FXD)

On November 6, 2024, the Group's BOD approved the permanent closure of the MC/FXD business of the Group. On February 1, 2025, the Group formally notified the Bangko Sentral ng Pilipinas (BSP) of the permanent closure of the MC/FXD business effective end of business hours of April 1, 2025. The BSP acknowledged the notification on July 29, 2025.

Acquisition of Apple Drugstore Corp.

On April 4, 2025, the Board of Directors of the Parent Company approved the acquisition of Apple Drugstore Corp. (ADC) through sale of 2,500 common shares held by Vicsal Development Corporation for a total consideration of ₱5.00 million representing full ownership of the acquired subsidiary.

ADC is a domestic corporation organized and existing under and by virtue of the laws of the Republic of the Philippines. ADC was registered with the SEC on September 11, 2003 with the primary purpose of buying, selling, trading, importing, exporting and otherwise dealing in any and all kinds of pharmaceutical products, medicines, foodstuffs, groceries, and in general, carrying on the business of a retailer and wholesaler of goods. The registered office address and place of business of ADC is at Super Metro Mandaue, Ibabao Estancia, Mandaue City. ADC commenced its commercial operations in February 2026.

Approval of the consolidated financial statements

The consolidated financial statements of the Group as of December 31, 2025 and 2024 and for each of the three years in the year ended December 31, 2025 were approved and authorized for issue by the Board of Directors (BOD) on March 19, 2026.

2. **Basis of Preparation, Statement of Compliance, Principles of Consolidation and Summary of Material Accounting Policies**

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is the Group's functional currency. Amounts are rounded off to the nearest Philippine Peso, except where otherwise indicated.

These consolidated financial statements as of and for the year December 31, 2025 are the first consolidated financial statements the Group has prepared following the acquisition of Apple Drugstore Corp.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Principles of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the wholly owned subsidiary mentioned in Note 1. The financial statements of the subsidiary is prepared for the same reporting year as the Parent Company using consistent accounting policies.

The subsidiary is consolidated from the date control is transferred to the Parent Company and cease to be consolidated from the date control is transferred out of the Parent Company. Control is established when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All intercompany balances, income and expenses, and profits and losses resulting from intercompany transactions are eliminated in full.

Business Combinations Involving Entities under Common Control
The Group elected to account for its common control business combination using acquisition method and this is applied consistently for similar transactions. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity. Common control business combination without commercial substance is accounted using "pooling of interests" method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination and adjustments made are only those adjustments to harmonize accounting policies. No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. Unless otherwise indicated, adoption of this new standard did not have an impact on the consolidated financial statements.

- Amendments to PAS 21, Lack of exchangeability

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

Standards and Interpretation Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, Disclosures about Uncertainties in the Financial Statements

  The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

  The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation.

  The illustrative examples are not an integral part of PFRS Accounting Standards and, as such, do not have an effective date or transition requirements. However, an entity is expected to be entitled to sufficient time to implement any changes to align the information disclosed in its financial statements with the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any changes on a timely basis.

- Amendments to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments

  The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

- Annual Improvements to PFRS Accounting Standards - Volume 11

  The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved.

  - Amendments to PFRS 1, Hedge Accounting by a First-time Adopter
  - Amendments to PFRS 7, Gain or Loss on Derecognition
  - Amendments to PFRS 9
    - Lessee Derecognition of Lease Liabilities
    - Transaction Price
  - Amendments to PFRS 10, Determination of a 'De Facto Agent'
  - Amendments to PAS 7, Cost Method

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

  The standard replaces PAS 1 *Presentation of financial statements* and responds to investors' demand for better information about companies' financial performance. The new requirements include:
  - Required totals, subtotals and new categories in the statement of profit or loss
  - Disclosure of management-defined performance measures
  - Guidance on aggregation and disaggregation

- PFRS 19, *Subsidiaries without Public Accountability*

  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Material Accounting Policy Information

The following accounting policies were applied in the preparation of the Group's consolidated financial statements:

Current and Noncurrent Classification

The Group presents assets and liabilities in the statement of financial position based on current / noncurrent classification.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents

Cash pertains to cash on hand and in banks. Cash in banks represent cash funds that are deposited in various bank accounts of the Group. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of changes in value.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a FVPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

As of December 31, 2025 and 2024, the Group's financial assets pertain to financial assets at amortized cost (debt instruments) and fair value through other comprehensive income (FVOCI).

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset 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 (EIR) method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, trade receivables, rentals and receivable from related parties, accrued interest receivable and security deposits under "Other current assets" and lodged in "Deposits" under "Other noncurrent assets".

Financial assets at FVOCI
For financial assets at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2025, the Group acquired retail bonds, which were classified as financial assets at fair value through OCI (see Note 10).

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when the rights to receive cash flows from the asset have expired.

<u>Impairment of Financial Assets</u>
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at

an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and rental receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings of the banks to assess whether the financial instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Significant Increase in Credit Risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Definition of Default
The Group considers that default has occurred when a financial asset is more than 90 days past due and when an internally developed information indicate that the debtor is unlikely to pay the Group in full unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off Policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and Recognition of Expected Credit Losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16, *Leases*.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognizes gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>Financial Liabilities</u>
Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowing, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables (excluding statutory payables), loans payable, lease liabilities and other noncurrent liabilities.

Subsequent Measurement - Financial Liabilities at Amortized Cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rates (EIR) method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Fair Value Measurement
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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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

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 as disclosed in Note 27 to the consolidated financial statements.

Merchandise Inventories
Merchandise inventories are stated at the lower of cost and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the weighted average cost (WAC) method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The Group provides for estimated inventory losses based on the Group's experience on obsolescence, damage and shrinkage. The provision is adjusted periodically to reflect the changes in assumptions due to obsolescence, damage and shrinkage.

Other Assets

Deposits
Deposits include payments to lessors for rental and to utility companies for meter deposits which will be either refunded or applied against the Group's outstanding balance at the end of the contract term which is beyond one year from the reporting date.

Advances to Suppliers
These are recognized based on the amount paid at the transaction date and are applied when the goods are received or services are rendered.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Deferred Input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding one million pesos before January 1, 2022. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Property and Equipment
Items of property and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including any capitalized borrowing cost. Expenditures incurred after the property and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period in which they are incurred. The cost of an item of property and equipment include costs incurred relating to leases of assets that are used to construct an item of property and equipment, such as depreciation of right-of-use assets. In situations where it can be clearly demonstrated that the expenditures would result in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of such property and equipment.

Construction-in-progress are carried at cost and transferred to the related property and equipment account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization is calculated on a straight-line method over the estimated useful lives (EUL) of the property and equipment, except for leasehold improvements, which are amortized over the term of the lease or the EUL of the improvements, whichever is shorter.

	Years
Machinery and equipment	10 to 15
Store and office equipment	3 to 10
Computer equipment	3 to 5
Transportation equipment	3 to 5
Building and leasehold improvements	3 to 30 or the lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

The assets' useful lives and methods of depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date.

Intangible Assets

The Group's intangible assets pertain to leasehold rights.

Intangible assets acquired separately are measured on initial recognition at costs. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized over the economic useful life of 30 years and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Borrowing Costs

Borrowing costs are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "property and equipment" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest expense from lease liabilities.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessee

Right-of-Use Assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Years
Land	2 to 41
Building	2 to 30

The carrying amounts of right-of-use assets are adjusted for any remeasurement of lease liabilities. It is decreased to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. For all other lease modifications, the Group makes a corresponding adjustment to the right-of-use asset.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments. PFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

Short-term Leases and Leases of Low-value Assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those 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., lease of office equipment below ₱250,000) recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as Lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that other current assets (excluding security deposits), property and equipment, right-of-use assets and other noncurrent assets (excluding security deposits -noncurrent) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in profit or loss 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation 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.

Retirement Benefit Obligation
The Group has a funded, non-contributory defined benefit retirement plan covering substantially all of its employees. The Group's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Pension cost comprises the following:

- service cost;
- interest on the pension liability; and
- remeasurements of pension liability.

Service costs which include current service costs, past service cost and gains and losses on non-routine settlements are recognized in expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated annually by independent qualified actuaries.

Interest on the Group's pension liability is the change during the period in the pension liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Interest on the Group's pension liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Equity

Capital Stock and Additional Paid-in Capital
The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issuance of new capital stock are shown in equity as a deduction from additional paid-in capital. Contribution in excess of par value is accounted for as an additional paid-in capital.

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. 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 deducted 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.

Retained Earnings
The amount included in retained earnings includes accumulated profit (loss) less dividends declared. Dividends are recognized as a liability and deducted from equity when they are approved by the BOD.

Share-based Payments
The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting data"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The exercise of the options will result in the issuance of the corresponding number of common shares with an increase in "Paid-in capital" and a decrease in "Share-based payments" accounts.

Revenue from Contracts with Customers
The Group recognized revenue from sale of goods to retail customers, including sales related to the loyalty program. Sale of goods includes food, beverage, grocery items, fashion items (e.g., shoes, bags, clothing, cosmetics), household items, home improvement products, consumer electronics and appliances, toys, and prescription and over-the-counter pharmaceutical products. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group recognizes revenue when it transfers control of a product or service to a customer.

Sale of Goods
The Group sells goods directly to customers through its own stores.

For sale of goods through stores, revenue is recognized when the control of the goods has transferred to the customer, being at the point the customer purchases the goods at the store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Sale of Loyalty Points, Gift Checks and Stored Value Cards.
The Group operates a loyalty program where retail customers accumulate points for purchases made at the Group's stores that can be redeemed against any future purchases at any of the Group's stores, subject to a minimum number of points obtained. The Group also sells gift checks and stored value cards which can be used to redeem goods.

The Group allocates a portion of the consideration received to loyalty points, gift checks and stored value cards. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. The amount allocated to these items is deferred and is recognized as revenue when redeemed or the likelihood of the customer redeeming becomes remote. The deferred revenue is included in contract liabilities.

Rental
Rental income is recognized in profit or loss on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Interest Income
Interest income pertains to income recognized as the interest accrues using the effective interest method.

Other Income
Other income (e.g., scrap sales) is recognized upon completion of the earning process and the collectability of the amount is reasonably assured.

<u>Contract Balances</u>

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

<u>Expenses</u>
Expenses are generally recognized when the service is rendered or the expense is incurred.

Cost of Sales
Cost of sales consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase, costs of conversion and other costs incurred, net of all related discounts, in bringing the inventories to their present location and condition.

Operating Expenses
Operating expenses constitute costs of administering the business and selling and marketing expenses associated with the development and execution of marketing promotion activities.

Income Taxes

Current Income Tax
Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carry-forward benefits of excess MCIT and NOLCO can be utilized.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period 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 offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Segment Reporting
The Group's store operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources. Information on reporting segment is represented in Note 26 to the consolidated financial statements.

Earnings Per Share (EPS)
Basic EPS is computed by dividing consolidated net income of the Group by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS amounts are calculated by dividing the consolidated net income attributable to the Group (after deducting interest on the convertible preferred shares, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the closing rate of exchange prevailing at the reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations. Nonmonetary items that are denominated in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated Financial Statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events after the Reporting Date
Events after the reporting date that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standards requires the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change.

The effects of any change in accounting estimates are reflected in the Group's consolidated financial statements as they become reasonably determinable. Accounting assumptions, estimates and judgments 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.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effects on the amounts recognized in the consolidated financial statements:

Recognition of insurance recovery
The Group has recognized insurance recovery from its insurance claim. For the amount recognized, the Group has determined that the likelihood of receiving insurance recovery is virtually certain and its recognition in the period is appropriate considering the following:

- There is a valid insurance policy for the incident;
- The status of the Group's discussion with the adjuster and insurers regarding the claim; and
- The subsequent information that confirm the status of the claim as of the reporting date.

Determination of Lease Term of Contracts with Renewal and Termination Options - Group as a 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 and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for some leases of land and building with shorter non-cancellable period. It is reasonably certain that the Group will exercise its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Determining whether the Loyalty Points, Gift Checks and Stored Value Cards provide Material Rights to Customers
The Group has a loyalty points program which allows customers to accumulate points that can be redeemed for future purchases at any of the Group's stores, subject to a minimum number of points obtained. The Group has assessed that the customer has a material right since the loyalty points, upon meeting redemption requirements, give the customer the option to exchange the loyalty points for goods or services or future reduction in purchase price. The loyalty points give rise to a separate performance since they provide a material right to the customer. Transaction price is allocated to these items issued to customers based on relative stand-alone selling price and recognized as a contract liability until these are redeemed. Revenue is recognized upon redemption of products by the customer.

The Group also has gift checks and stored value cards which can be redeemed for future purchases at any of the Group's stores.

Contingencies
The Group in the ordinary course of business is a party to various legal proceedings and is subject to certain claims and exposures. The assessment of the probability of the outcome of these claims and exposures has been developed in consultation with the Group's counsels and is based upon an analysis of potential results. The Group's management and counsels believe that the eventual liabilities under these lawsuits, claims or exposures, if any, will not have a material effect on its consolidated financial statements.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Assessing NRV of Inventories
NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. In the event that NRV is lower than cost, the decline is recognized as an expense.

Allowance for shrinkage and decline in inventory values amounted to ₱39.79 million and ₱38.58 million as of December 31, 2025 and 2024, respectively (see Note 7). Merchandise inventories amounted to ₱6,575.30 million and ₱6,301.75 million as of December 31, 2025 and 2024, respectively (see Note 7).

Provision for expected credit losses of trade receivables, rentals and security deposits
The Group uses a provision matrix to calculate ECLs for trade receivables, rentals and security deposits. The provision rates are based on days past due for groupings of customer segment that have similar loss patterns (i.e., customer type and guarantor).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group recognized provision for expected credit losses on receivables amounting to ₱3.21 million in 2025 and ₱5.00 million in 2023 while in 2024, the Group derecognized allowance for expected credit losses on receivables amounting to ₱11.00 million.

Allowance for impairment losses on security deposit amounted to ₱2.55 million as of December 31, 2025 and December 31, 2024. The carrying amount of security deposit, net of impairment losses, amounted to ₱293.70 million and ₱236.80 million as of December 31, 2025 and 2024, respectively (see Notes 8 and 10).

Evaluation of Impairment of Nonfinancial Assets
The Group reviews other current assets (excluding security deposits), property and equipment, right-of-use assets and other noncurrent assets (excluding security deposits - noncurrent) with definite lives for impairment of value.

The impairment evaluation for nonfinancial assets includes considering certain indications of impairment such as significant changes in asset usage, significant decline in asset's market value, obsolescence, or physical damage of an asset, significant underperformance relative to expected historical or projected operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect the above-mentioned nonfinancial assets. For property and equipment and right-of-use assets, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value-in-use of the CGU to which the property and equipment and right-of-use assets pertains to. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

The significant assumptions used in the valuation are discount rates of 11.1% and 11.9% in 2025 and 2024 with an average growth rate of 3.5%.

As of December 31, 2025 and 2024, the carrying value of the Group's nonfinancial assets are as follows:

	2025	2024
Property and equipment (Note 9)	**₱8,643,786,538**	₱7,868,892,616
Right-of-use assets (Note 24)	**3,840,141,521**	4,529,304,837
Other current assets* (Note 8)	**478,307,014**	389,949,486
Other noncurrent assets** (Note 10)	**472,310,956**	413,368,900

**Excluding security deposits, net of allowance*
***Excluding security deposits, financial assets at fair value through OCI, deposit to utility companies and net of allowance*

No provision for impairment loss is recognized in 2025 and 2024.

Leases - Estimating the Incremental Borrowing Rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR 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 IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

The Group's lease liabilities amounted to ₱5,241.04 million and ₱5,917.24 million as of December 31, 2025 and 2024, respectively (see Note 24).

Estimating Retirement Benefits Obligation
The determination of the Group's obligation and cost of pension is dependent on the selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 21 of the consolidated financial statements and include, among others, discount rates and future salary increase rates.

Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expenses and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the Group's retirement benefits obligation.

4. Cash and Cash Equivalents

	2025	2024
Cash on hand	**₱82,908,328**	₱116,376,542
Cash in banks	**1,761,963,237**	1,948,335,770
Cash equivalents	**640,272,096**	234,710,217
	₱2,485,143,661	₱2,299,422,529

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term rates that range from 0.10%–5.75% in 2025, 0.10%–5.50% in 2024 and 0.10%–6.50% in 2023.

Interest income earned from cash in banks and cash equivalents amounted to ₱18.78 million, ₱70.97 million and ₱145.31 million in 2025, 2024 and 2023, respectively (see Note 17).

5. Short-term Investments

This account pertains to money market placements made for varying periods of up to one year depending on the immediate cash requirement of the Group and earn annual interest at the respective short-term investment rates that range from 2.80% to 3.15% in 2025 and 3.30% to 6.25% in 2024.

Short-term investments amounted to ₱150.00 million and ₱289.92 million as of December 31, 2025 and 2024, respectively.

Interest income earned from short-term investments amounted to ₱4.76 million, ₱11.65 million and nil in 2025, 2024 and 2023, respectively (see Note 17).

6. **Receivables**

	2025	2024
Trade		
Third parties	**₱948,751,346**	₱1,005,970,063
Rentals	**132,902,450**	141,867,972
	1,081,653,796	1,147,838,035
Less allowance for expected credit losses	**(36,136,725)**	(32,925,134)
	1,045,517,071	1,114,912,901
Nontrade		
Receivable from insurance	**111,035,604**	–
Related parties (Note 22)	**107,686,028**	54,700,864
Accrued interest receivable	**3,689,930**	3,104,920
Others	**129,658,552**	65,188,252
	₱1,397,587,185	₱1,237,906,937

Trade receivables from third parties pertain to credit sales mainly from the Group's credit account holders and credit card companies. These are noninterest-bearing and are generally collectible within 30–90 days.

Rentals pertain to receivables from tenants that lease spaces in the Group's stores. These are noninterest-bearing and are collectible within 15 days.

Receivable from insurance consists of claims of the Group against insurance coverage for damaged assets and recoverable extra expenses incurred as a result of a strong earthquake.

Others consist of, among others, advances to employees, construction cash bond for store fit-outs and receivable from Social Security System (SSS) on maternity loans proceeds which are collectible within the year.

Movements in the allowance for expected credit losses for individually and collectively impaired trade and rentals from third parties follow:

	2025	2024	2023
At January 1	**₱32,925,134**	₱43,925,700	₱38,926,995
Provisions (Note 19)	**3,211,591**	–	4,998,705
Reversal (Note 19)	**–**	(11,000,566)	–
At December 31	**₱36,136,725**	₱32,925,134	₱43,925,700

The Group has directly written-off receivables which are deemed uncollectible amounting to nil, ₱5.03 million and ₱4.87 million in 2025, 2024 and 2023, respectively (see Note 19).

7. **Merchandise Inventories**

The rollforward analysis of this account follows:

	2025	2024	2023
Beginning inventory	**₱6,301,745,958**	₱5,866,225,830	₱5,495,332,780
Add purchases - net	**32,841,797,623**	31,561,213,590	30,442,504,361
Cost of goods available for sale	**39,143,543,581**	37,427,439,420	35,937,837,141
Less cost of merchandise sold (Note 18)	**(32,435,668,746)**	(31,087,112,403)	(29,983,229,280)
Less inventory loss due to calamities (Note 6)	**(92,785,541)**	–	–
	6,615,089,294	6,340,327,017	5,954,607,861
Less allowance for shrinkage and decline in inventory values (Note 3)			
Beginning balance	**(38,581,059)**	(88,382,031)	(100,709,146)
Provision	**(1,204,549)**	–	(17,049,701)
Reversal (Note 18)	**–**	49,800,972	29,376,816
	(39,785,608)	(38,581,059)	(88,382,031)
Ending inventory	**₱6,575,303,686**	₱6,301,745,958	₱5,866,225,830

Net purchases include cost of inventory, freight charges, insurance and customs duties.

The inventories carried at NRV, which is the lower of cost or NRV, amounted to ₱52.20 million and ₱29.32 million as of December 31, 2025 and 2024, respectively. The related costs of the inventories carried at NRV amounted to ₱91.99 million and ₱67.90 million as of December 31, 2025 and 2024, respectively.

The Group recognized provision for shrinkage and decline in inventory values amounting to ₱1.20 million, nil and ₱17.05 million in 2025, 2024 and 2023, respectively. The Group recognized reversal of provision on sold inventories amounting to nil, ₱49.80 million and ₱29.38 million in 2025, 2024 and 2023, respectively.

The inventory loss due to calamities amounting to ₱92.78 million includes ₱7.76 million of inventory damaged during a typhoon that were not recovered through insurance.

No inventories have been used or pledged as security for the Group's obligations in 2025 and 2024. The Group does not have any purchase commitments as of December 31, 2025 and 2024.

8. **Other Current Assets**

	2025	2024
Advances to trade suppliers		
Related parties (Note 22)	**₱220,879,822**	₱201,989,951
Third parties	**8,512,412**	6,713,395
Prepayments		
Third parties	**145,348,343**	121,223,907
Related parties (Note 22)	**58,125,542**	14,851,624
Security deposits - current	**92,276,648**	97,066,710
Supplies	**45,439,618**	42,788,388
Deferred input VAT - current	**1,277**	2,382,221
	570,583,662	487,016,196
Allowance for impairment losses	**(2,550,000)**	(2,550,000)
	₱568,033,662	₱484,466,196

Advances to suppliers pertain to down payments made to suppliers for purchases of merchandise inventories, supplies and other services.

Prepayments consist of prepaid insurance and advance rental payments on short-term leases.

Security deposits - current pertains to lease deposits with remaining lease period of one year or less from reporting period.

Input VAT pertains to taxes imposed on purchase of goods and services. These are expected to be applied against output VAT within one year.

Supplies pertain to office and store supplies purchased by the Group for general and administrative purposes. These are recognized at cost.

Allowance for impairment losses pertains to estimated unrecoverable security deposits and long-outstanding advances to third party trade suppliers. There is no movement in the allowance for impairment losses on other current assets.

The Group has directly written off security deposits identified to be unrecoverable amounting to nil, ₱2.23 million and nil in 2025, 2024 and 2023, respectively. This is recognized under “Other income (charges)” in the consolidated statements of comprehensive income (see Note 17).

9. Property and Equipment

2025

	Land	Machinery and Equipment	Store and Office Equipment	Computer Equipment	Transportation Equipment	Building and Leasehold Improvements	Construction-in-Progress	Total
Cost:								
At January 1	₱231,957,199	₱2,176,686,014	₱2,419,107,975	₱1,650,237,125	₱1,358,661	₱6,172,291,229	₱652,506,045	₱13,304,144,248
Additions	–	190,621,623	169,574,982	59,977,857	3,770,939	667,353,944	643,519,725	1,734,819,070
Retirements/Disposals	–	(15,568,353)	(53,289,470)	(35,002,476)	–	(40,611,765)	(55,293)	(144,527,357)
Reclassifications (Note 10)	–	123,351,308	25,982,391	55,815,606	–	259,216,874	(604,138,989)	(139,772,810)
At December 31	231,957,199	2,475,090,592	2,561,375,878	1,731,028,112	5,129,600	7,058,250,282	691,831,488	14,754,663,151
Less Accumulated Depreciation and Amortization:								
At January 1	–	707,657,113	1,963,029,027	1,434,615,834	219,165	1,329,730,493	–	5,435,251,632
Depreciation and amortization (Notes 18 and 19)	–	207,123,390	151,798,961	98,089,367	465,358	342,492,092	–	799,969,168
Retirements/Disposals	–	(9,870,174)	(47,950,318)	(33,853,785)	–	(30,728,621)	–	(122,402,898)
Reclassifications (Note 10)	–	–	–	–	–	(1,941,289)	–	(1,941,289)
At December 31	–	904,910,329	2,066,877,670	1,498,851,416	684,523	1,639,552,675	–	6,110,876,613
Net Book Value	₱231,957,199	₱1,570,180,263	₱494,498,208	₱232,176,696	₱4,445,077	₱5,418,697,607	₱691,831,488	₱8,643,786,538

2024

	Land	Machinery and Equipment	Store and Office Equipment	Computer Equipment	Transportation Equipment	Building and Leasehold Improvements	Construction-in-Progress	Total
Cost:								
At January 1	₱231,957,199	₱1,762,026,616	₱2,221,477,858	₱1,562,504,175	₱65,804	₱4,730,574,248	₱638,705,779	₱11,147,311,679
Additions	–	232,137,765	201,796,612	66,594,437	1,292,857	62,497,945	1,646,543,259	2,210,862,875
Retirements/Disposals	–	(3,628,871)	(35,329,473)	(10,724,287)	–	(4,347,675)	–	(54,030,306)
Reclassifications	–	186,150,504	31,162,978	31,862,800	–	1,383,566,711	(1,632,742,993)	–
At December 31	231,957,199	2,176,686,014	2,419,107,975	1,650,237,125	1,358,661	6,172,291,229	652,506,045	13,304,144,248
Less Accumulated Depreciation and Amortization:								
At January 1	–	536,584,090	1,834,347,907	1,336,829,118	5,484	1,066,014,843	–	4,773,781,442
Depreciation and amortization (Notes 18 and 19)	–	174,610,864	163,863,273	108,466,792	213,681	268,063,323	–	715,217,933
Retirements/Disposals	–	(3,537,841)	(35,182,153)	(10,680,076)	–	(4,347,673)	–	(53,747,743)
At December 31	–	707,657,113	1,963,029,027	1,434,615,834	219,165	1,329,730,493	–	5,435,251,632
Net Book Value	₱231,957,199	₱1,469,028,901	₱456,078,948	₱215,621,291	₱1,139,496	₱4,842,560,736	₱652,506,045	₱7,868,892,616

Construction-in-progress pertains to ongoing construction of building and leasehold improvement on stores, installation and related activities of certain leasehold improvements or other equipment necessary to prepare it for use. These are located in various locations and are transferred to the related property and equipment account once construction is completed and is ready for service. Contractual purchase commitments related to construction-in-progress amounted to ₱626.47 million and ₱862.24 million as of December 31, 2025 and 2024 respectively.

In September 2025, a department store and supermarket of the Group were seriously damaged by a strong earthquake. The net book value of the damaged property and equipment amounted to ₱21.31 million.

Borrowing costs capitalized to construction in progress amounted to ₱36.80 million and nil for the years ended 2025 and 2024, respectively. The capitalization rate used is 5.33% in 2025.

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2025 and 2024.

10. **Other Noncurrent Assets**

	2025	2024
Deposits	**₱378,771,836**	₱342,251,685
Advances to nontrade suppliers		
Third parties	**320,467,054**	339,148,020
Related parties (Note 22)	**11,851,154**	1,387,928
Leasehold rights - net	**133,172,427**	–
Financial assets at fair value through other comprehensive income (FVOCI)	**100,000,000**	100,000,000
Deferred input VAT	**8,414,849**	13,920,399
Others	**49,000**	–
	952,726,320	796,708,032
Less allowance for impairment loss (Note 19)	**(12,445,692)**	(12,445,692)
	₱940,280,628	₱784,262,340

Deposits consist of the following:

	2025	2024
Security deposits	**₱245,516,358**	₱142,286,279
Deposit to utility companies*	**122,453,314**	128,607,161
Others	**10,802,164**	71,358,245
	₱378,771,836	₱342,251,685

**Deposit to utility companies is presented at cost since the timing and amounts of future cash flows are linked to the termination of the contract which cannot be reasonably and reliably estimated.*

Accretions of the security deposits amounted ₱10.76 million, ₱2.53 million and ₱3.38 million in 2025, 2024 and 2023, respectively and are presented under “Interest and other income - net” of “Other income (charges)” section in the consolidated statements of comprehensive income (see Note 17).

Financial assets at FVOCI pertains to a retail bond with 5-year term, and earns interest 6.25% per annum. Interest income arising from these investments amounted to ₱6.25 million, ₱4.69 million and nil in 2025, 2024 and 2023 respectively (see Note 17).

Advances to nontrade suppliers pertain to advance payments made for the acquisition of property and equipment and are to be delivered up to six months.

Deferred input VAT arises from purchases of capital goods above ₱1.00 million prior to 2022. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter.

Leasehold rights represent the construction cost for facilities on a property owned by the lessor. The agreement to construct the facilities and development on the property is part of the condition of the lease. The rollforward analysis of leasehold rights follow:

	2025	2024
Cost		
Reclassifications (Note 9)	**₱139,772,810**	₱–
Accumulated Amortization		
Reclassifications (Note 9)	**1,941,289**	–
Amortization (Note 19)	**4,659,094**	–
	6,600,383	–
	₱133,172,427	₱–

Others under “Deposits” pertain to payments made in relation to a lease agreement that has not yet commenced.

Allowance for impairment losses pertains to long outstanding advances to nontrade suppliers. There is no movement in the allowance for impairment losses on advances to supplier.

11. Trade and Other Payables

	2025	2024
Trade		
Third parties	**₱3,318,268,101**	₱3,621,883,647
Related parties (Note 22)	**55,871,298**	13,724,505
Nontrade		
Third parties	**695,906,759**	651,106,286
Related parties (Note 22)	**65,226,450**	59,564,899
Accrued expenses	**536,041,530**	511,940,326
Credit cash bonds	**223,802,981**	229,269,079
Output VAT - net	**236,161,481**	110,387,818
Taxes payable	**64,435,500**	66,335,730
Others	**206,656,347**	181,567,403
	₱5,402,370,447	₱5,445,779,693

Trade payables pertain to payables to third parties and related parties arising mainly from purchases of merchandise inventories. These are generally noninterest-bearing and are normally settled in 30 days.

Nontrade payables consist of purchases of supplies, property and equipment and other services and retention payables to contractors for the Group’s store equipment, leasehold improvements and liabilities in line with the Group’s operating expenses. These are normally settled within twelve months.

Accrued expenses consist of:

	2025	2024
Short-term rentals	**₱152,413,448**	₱118,599,099
Utilities	**138,480,863**	123,772,767
Suppliers and contractors	**137,036,599**	158,026,613
Professional fees	**38,812,536**	20,032,976
Marketing-related cost	**24,730,198**	21,060,423
Other accruals	**44,567,886**	70,448,448
	₱536,041,530	₱511,940,326

Other accruals pertain to, among others, government remittances and other operating related expenses.

Credit cash bonds pertain to cash bonds received by the Group as security for the unpaid balances of the receivables from credit account holders. This will be refunded if the account holder no longer wants to avail of the Group's credit line. These bonds earn interest annually at a fixed rate ranging from 0.5% - 5.0% based on accumulated cash bond and purchases volume. Finance cost included in profit or loss pertaining to cash bonds amounted to ₱8.08 million, ₱8.53 million and ₱8.36 million in 2025, 2024 and 2023, respectively. Interest incurred from cash bonds are settled through deduction from the Group's receivables from these credit account holders (see Note 17).

Taxes payable pertains to amount of taxes withheld by the Group on income payments yet to be remitted to the government.

Others include amounts payable to government agencies for mandatory contributions and payments to the SSS, Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF), current portion of tenants deposits which pertains to security deposits from tenants for the lease of space in the Group's stores with remaining lease period of one year or less from reporting period and other sundry payables.

12. **Contract Liabilities**

	2025	2024
Gift check outstanding	**₱52,983,022**	₱47,346,228
Stored value cards	**40,852,260**	36,405,295
Accrued customer loyalty reward	**28,832,581**	28,115,655
	₱122,667,863	₱111,867,178

These can only be redeemed from the Group's own stores and are recognized as revenue upon redemption. These are expected to be redeemed within twelve months. The rollforward analysis of this account follows:

	2025	2024
At January 1	**₱111,867,178**	₱107,146,727
Deferred during the year	**1,865,325,292**	2,032,032,524
Recognized as revenue during the year	**(1,854,524,607)**	(2,027,312,073)
At December 31	**₱122,667,863**	₱111,867,178

13. Loans Payable

Short-term bank loans

The Group availed of short-term loans payable from local banks in an aggregate amount of ₱1,350.00 million and ₱200.00 million in 2025 and 2024, respectively, with interest rates ranging from 4.75% - 6.00% per annum. These are payable within twelve months after the reporting date and were availed for additional working capital requirements. The Group paid short-term loans in 2025 amounting to ₱850.00 million.

Outstanding balance of short-term bank loans amounted to ₱700.00 million and ₱200.00 million as of December 31, 2025 and 2024, respectively.

Long-term bank loans

	2025	2024
Long-term bank loans with nominal interest rates ranging from 4.0% - 6.9% per annum	**₱3,013,194,444**	₱2,471,180,555
Less current portion of loans payable and unamortized debt issue cost	**(489,236,111)**	(473,611,111)
	2,523,958,333	1,997,569,444
Less noncurrent portion and unamortized debt issue cost	**(7,320,298)**	(10,734,170)
Noncurrent portion of loans payable	**₱2,516,638,035**	₱1,986,835,274

On March 30, 2021, the Group availed an unsecured long-term loan of ₱500.00 million payable in thirty-two equal quarterly installments of ₱15.63 million commencing on June 30, 2023 to March 28, 2031. The loan bears a nominal interest rate of 4.0% per annum.

On March 3, 2022, the Group availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 5.70%-6.9% per annum.

On March 17, 2022, the Group availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 5.70%-6.9% per annum.

On March 24, 2022, the Group availed an unsecured long-term loan of ₱1,500.00 million payable in twenty equal quarterly installments of ₱75.00 million commencing on June 24, 2024 to March 23, 2029. The loan bears a nominal interest rate of 5.09% per annum.

On February 27, 2025, the Group availed an unsecured long-term loan of ₱100.00 million payable in thirty-two equal quarterly installments of ₱3.12 million commencing on May 27, 2027 to February 27, 2035. The loan bears a nominal interest rate of 5.50% - 6.00% per annum.

On November 13, 2025, the Group availed an unsecured long-term loan of ₱900.00 million payable in thirty-two equal quarterly installments of ₱28.12 million commencing on February 14, 2028 to November 13, 2035. The loan bears a nominal interest rate of 5.00% per annum.

The Group has no negative covenants and no prepayment options for its loans payable outstanding as of December 31, 2025 and 2024.

Interest expense from bank loans amounted to ₱148.86 million, ₱153.34 million and ₱161.45 million in 2025, 2024 and 2023, respectively (see Note 17). This includes the amortization of unamortized debt issue cost amounting to ₱3.41 million, ₱4.02 million and ₱4.16 million in 2025, 2024 and 2023, respectively.

Borrowing costs from loans payable capitalized to construction in progress amounted to ₱36.80 million and nil in 2025 and 2024, respectively (see Note 9).

The movement of the unamortized debt issue cost follows:

	2025	2024
At January 1	**₱10,734,170**	₱14,755,105
Amortization	**(3,413,872)**	(4,020,935)
At December 31	**₱7,320,298**	₱10,734,170

The repayment schedule of Group's long-term debt is as follows:

	2025	2024
2025	**₱–**	₱473,611,111
2026	**489,236,111**	473,611,111
2027	**482,986,111**	473,611,111
2028-2032	**2,040,972,222**	1,050,347,222
	₱3,013,194,444	₱2,471,180,555

14. Other Noncurrent Liabilities

This account pertains to security deposits from tenants for the lease of space in the Group's stores, with remaining lease period of more than one year from the reporting period. These security deposits are refundable to the tenants upon termination of contract.

15. Equity

Capital Stock

The Group's common stock consists of:

	2025		2024	
	No. of shares	**Amount**	No. of shares	Amount
Common stock - ₱1.00 par value				
Authorized	**10,000,000,000**	**₱10,000,000,000**	10,000,000,000	₱10,000,000,000
Issued	**3,429,375,000**	**3,429,375,000**	3,429,375,000	3,429,375,000
Outstanding, beginning of year	**3,242,438,000**	**3,167,848,107**	3,248,183,000	3,174,955,025
Treasury shares acquired during the year	**(7,347,000)**	**(8,626,533)**	(5,745,000)	(7,106,918)
Outstanding, end of year	**3,235,091,000**	**₱3,159,221,574**	3,242,438,000	₱3,167,848,107

The Group was listed on the Main Board of the PSE on November 24, 2015 wherein it offered 905,375,000 shares at an offer price of ₱3.99 per share.

As of December 31, 2025 and 2024, the Group has 25 and 23 existing shareholders, respectively.

Additional Paid-in Capital
The Group recorded additional paid-in capital amounting to ₱2,455.54 million, net of transaction costs. The Group incurred transaction costs incidental to the IPO amounting to ₱251.53 million charged against “Additional paid-in capital” in the consolidated statements of financial position.

Treasury Shares
On January 22, 2021, the BOD of the Parent Company approved the implementation of a share buyback program of up to ₱300.00 million worth of the Parent Company’s common shares to be taken from the Group’s existing cash (without using the IPO proceeds) and supported by the unrestricted retained earnings.

In 2025 and 2024, the Group bought back from the market 7,347,000 shares and 5,745,000 shares or ₱8.63 million and ₱7.11 million, respectively. As of December 31, 2025 and 2024, the Group repurchased a total of 194,284,000 shares and 186,937,000 shares, respectively, for a total amount of ₱270.15 million and ₱261.53 million, respectively. These treasury shares are recorded at cost.

Stock Option Plan
The BOD and stockholders of the Parent Company have adopted resolutions on July 27, 2015 approving the establishment of a stock option plan to offer up to 103,320,000 shares out of its unissued capital stock to key personnel.

On December 23, 2022, the BOD approved the MRSGI Executive Stock Option Plan or MESOP. The Parent Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP.

In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI ratified the MESOP. An application for the approval of the MESOP was submitted to the Securities and Exchange Commission on February 17, 2023 and this was approved by the Commission on May 29, 2023.

Further information regarding the MESOP is provided in Note 21 to the consolidated financial statements.

Retained Earnings
On March 19, 2026, the BOD approved the declaration of regular cash dividends amounting to ₱194.09 million or ₱0.06 per share out of the Parent Company’s retained earnings as of December 31, 2025 to stockholders of record as of April 8, 2026.

On April 4, 2025, the BOD approved the declaration of regular cash dividends amounting to ₱194.54 million or ₱0.06 per share out of the Parent Company’s retained earnings as of December 31, 2024 to stockholders of record as of April 24, 2025 and paid on May 21, 2025.

On April 2, 2024, the BOD approved the declaration of regular cash dividends amounting to ₱194.87 million or ₱0.06 per share and special cash dividends amounting to ₱324.79 million or ₱0.10 per share, out of the Parent Company's retained earnings as of December 31, 2023 to stockholders of record as of April 22,2024 and paid on May 3, 2024.

On March 31, 2023, the BOD approved the declaration of cash dividends amounting to ₱196.14 million or ₱0.06 per share, out of the Parent Company's retained earnings as of December 31, 2022 to stockholders of record as of April 19, 2023 and paid on May 4, 2023.

The balance of retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2025 and 2024. The Group considers equity as capital excluding remeasurement effects on defined benefit obligation. The Group is not subject to externally imposed capital requirements.

The Group considers the following as capital:

	2025	2024
Capital stock	**₱3,429,375,000**	₱3,429,375,000
Additional paid-in capital	**2,455,542,149**	2,455,542,149
Retained earnings	**4,288,916,965**	3,800,813,300
Treasury stock	**(270,153,426)**	(261,526,893)
	₱9,903,680,688	₱9,424,203,556

16. Revenue from Contracts with Customers

All of the Group's net sales and portion of other income are revenue from contracts with customers recognized at a point in time or when it transfers control of a product to a customer. These are presented in the consolidated statements of comprehensive as follows:

	2025	2024	2023
Net sales	**₱41,555,845,813**	₱39,616,955,669	₱38,272,076,708
Other income (Note 17)			
Scrap sales	**11,590,514**	12,119,383	10,421,850
Others	**56,014,131**	75,423,401	59,138,793
	₱41,623,450,458	₱39,704,498,453	₱38,341,637,351

The following table disaggregates the Group's net sales by geographical markets and major goods or service lines for the years ended December 31, 2025, 2024 and 2023:

	2025	2024	2023
Geographical markets:			
Luzon	**₱11,127,002,133**	₱11,326,834,345	₱11,532,369,857
Visayas	**30,428,843,680**	28,290,121,324	26,739,706,851
Total revenue from contracts with customers from net sales	**₱41,555,845,813**	₱39,616,955,669	₱38,272,076,708
Major goods/service lines:			
Food retail	**₱30,223,752,711**	₱28,561,634,249	₱27,238,221,231
General merchandise	**11,332,093,102**	11,055,321,420	11,033,855,477
Total revenue from contracts with customers from net sales	**₱41,555,845,813**	₱39,616,955,669	₱38,272,076,708

17. **Other Income (Charges)**

Interest and other income - net

	2025	2024	2023
Gain on lease modification/pre-termination (Note 24)	**₱161,935,756**	₱–	₱29,107,167
Gain on insurance claims (Note 6)	**111,035,604**	–	–
Interest income (Notes 4, 5 and 10)	**29,793,652**	89,834,120	145,306,737
Scrap sales (Note 16)	**11,590,514**	12,119,383	10,421,850
Foreign currency exchange gain (loss)	**(321,730)**	22,115,260	18,061,150
Loss on retirement and disposal of fixed assets (Note 9)	**(815,231)**	(282,563)	(432,275)
Others (Note 16)	**56,014,131**	75,423,401	59,138,793
	₱369,232,696	₱199,209,601	₱261,603,422

Interest income pertains to the interest earned from deposits in banks, cash placements, financial assets at FVOCI and interest earned from short-term installment receivables from guarantors and employees. Scrap sales pertain to the sale of non-reusable cartons, sacks, containers, and other scrap items from the Group's stores (see Note 16).

The Group recognized gain on modification/pre-termination of lease contract amounting to ₱161.94 million and ₱29.11 million in 2025 and 2024 respectively, as a result of reduction in leased space and permanent store closure (see Note 24).

Others include income from various sources such as parking income, lotto operations, penalties and others.

Finance costs

	2025	2024	2023
Finance cost on lease liabilities (Note 24)	**₱374,685,239**	₱357,975,450	₱366,847,009
Interest expense from bank loans (Note 13)	**112,065,083**	153,341,470	161,452,342
Interest expense on cash bond (Note 11)	**8,079,867**	8,527,061	8,362,319
	₱494,830,189	₱519,843,981	₱536,661,670

18. Cost of Sales

	2025	2024	2023
Cost of merchandise sold (Note 7)	**₱32,435,668,746**	₱31,087,112,403	₱29,983,229,280
Others - net (Notes 9 and 20)	**45,718,703**	45,942,773	32,400,911
	₱32,481,387,449	₱31,133,055,176	₱30,015,630,191

Others - net pertain to direct labor, other overhead costs and depreciation and amortization.

Depreciation and amortization charged to cost of sales amounted to ₱0.07 million in 2025 and ₱0.04 million in 2024 and 2023 (see Note 9).

19. Operating Expenses

	2025	2024	2023
Personnel cost (Note 20)	**₱2,053,512,425**	₱1,889,570,045	₱1,865,772,504
Rental (Notes 22 and 24)	**1,488,741,083**	1,497,163,088	1,491,791,377
Light, water and communication	**1,132,249,637**	1,007,231,191	1,056,515,764
Depreciation and amortization of property and equipment and leasehold rights (Notes 9 and 10)	**804,556,323**	715,176,133	611,869,701
Contracted services (Note 22)	**657,707,230**	553,147,371	398,470,441
Taxes and licenses	**444,359,509**	421,453,912	421,332,013
Depreciation and amortization of right-of-use assets - net (Note 24)	**436,581,135**	370,322,235	327,944,683
Repairs and maintenance	**324,685,546**	316,503,428	303,953,531
Advertising	**195,598,629**	195,025,428	185,547,333
Commission	**190,033,772**	167,483,648	143,533,208
Supplies	**175,926,482**	178,434,524	161,152,843
Subscriptions	**121,351,150**	119,647,398	140,016,170
Loss due to calamities (Notes 7 and 9)	**118,797,463**	–	–
Insurance	**97,698,923**	105,799,057	112,528,139

(Forward)

	2025	2024	2023
Professional fees	**₱70,551,717**	₱75,492,017	₱122,894,752
Transportation and travel	**57,048,982**	57,824,107	60,181,645
Representation and entertainment	**41,380,306**	34,786,422	38,540,064
Provision for (reversal of) ECL (Note 6)	**3,211,591**	(11,000,566)	4,998,705
Write-off of assets (see Note 6)	**30,000**	5,032,863	4,874,091
Others	**7,732,867**	7,100,000	5,960,543
	₱8,421,754,770	₱7,706,192,301	₱7,457,877,507

Depreciation and amortization of right-of-use assets recorded in the consolidated statements of comprehensive income is net of the recognized effect of waived rentals for rent concessions amounting to ₱18.21 million, ₱29.06 million and ₱26.48 million in 2025, 2024 and 2023, respectively (see Note 24).

Write-off of assets pertains to receivables, unrecoverable security deposits and advances to suppliers where there is no reasonable expectation of recovery and have been long outstanding.

Loss due to calamities pertains to cost of damaged inventories, net book value of property and equipment and expenses from the earthquake and typhoon that hit Visayas stores totaling ₱118.80 million.

20. Personnel Cost

	2025	2024	2023
Salaries and wages	**₱1,687,180,821**	₱1,580,517,964	₱1,532,599,891
Retirement benefits costs (Note 21)	**68,086,466**	65,912,361	62,802,363
Other employee benefits	**348,233,874**	295,041,302	324,122,776
	₱2,103,501,161	₱1,941,471,627	₱1,919,525,030

Personnel cost that were recognized as cost of sales amounted to ₱29.28 million, ₱28.33 million and ₱27.54 million in 2025, 2024 and 2023, respectively (see Note 18).

Personnel cost that were capitalized as part of construction-in-progress amounted to ₱20.71 million, ₱23.57 million and ₱26.21 million in 2025, 2024 and 2023, respectively (see Note 9).

Other employee benefits consist of the required employer contributions to SSS, PHIC and HDMF, 13th month pay and other incentives.

21. Retirement Benefit Obligation and Executive Stock Option Plan

Retirement Benefit Obligation

The Group maintains a funded, noncontributory defined benefit retirement plan covering qualified employees. The Group's retirement plan is registered with the Bureau of Internal Revenue.

The accounting method and actuarial assumptions used were in accordance with the provisions of Revised PAS 19. Actuarial valuation by an independent actuary was made based on employee data as of valuation dates.

The following tables summarize the components of the retirement benefit costs and the retirement benefit obligation recognized in the statements of financial position for the Group's retirement plan.

The components of net retirement benefit expense (included in "Personnel cost" under "Operating expenses") in the statements of comprehensive income are as follows:

	2025	2024	2023
Interest cost	**₱33,147,163**	₱32,339,458	₱34,340,479
Current service cost	**34,939,303**	33,572,903	28,461,884
	₱68,086,466	₱65,912,361	₱62,802,363

The remeasurement effects recognized in other comprehensive income (included in "Equity" under "Remeasurement (losses) gains on defined benefit obligation") in the consolidated statements of financial position are as follows:

	2025	2024	2023
Remeasurement (loss) gain due to:			
Experience adjustments	**₱6,778,114**	₱13,184,504	₱28,544,742
Changes in financial assumptions	**19,993,546**	–	(52,938,632)
Return on plan assets	**1,665,283**	–	–
	₱28,436,943	₱13,184,504	(₱24,393,890)

Changes in the fair value of plan assets as of December 31, 2025 are as follows:

	2025	2024
At January 1	**₱–**	₱–
Contribution	**48,393,591**	39,486,788
Benefits paid	**(37,177,129)**	(39,486,788)
Return on plan assets	**448,821**	–
At December 31	**₱11,665,283**	₱–

The Group expects to contribute to the retirement funds in 2026.

The rollforward analysis of the defined benefit obligation follows:

	2025	2024
At January 1	**₱543,396,113**	₱530,155,044
Pension cost	**68,086,466**	65,912,361
Benefits paid	**(37,177,129)**	(39,486,788)
Remeasurement gain due to:		
Changes in financial assumptions	**(19,993,546)**	–
Experience adjustments	**(6,778,114)**	(13,184,504)
At December 31	**₱547,533,790**	₱543,396,113

The benefits paid include payments in connection with the Group's workforce rationalization and rightsizing program.

The changes in retirement benefit obligation are as follows:

	2025	2024
At January 1	**₱543,396,113**	₱530,155,044
Current service cost	**34,939,303**	33,572,903
Interest cost	**33,147,163**	32,339,458
Benefits paid	**(37,177,129)**	(39,486,788)
Contributions	**(11,665,283)**	
Remeasurement gain due to:	**–**	–
Changes in financial assumptions	**(19,993,546)**	–
Experience adjustments	**(6,778,114)**	(13,184,504)
At December 31	**₱535,868,507**	₱543,396,113

The principal actuarial assumptions used in determining retirement obligations are as follows:

	2025	2024	2023
Salary increase rate	**4.00%**	4.00%	4.00%
Discount rate	**6.50%**	6.10%	6.10%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the valuation date are open to subjectivity, assuming if all other assumptions were held constant and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	2025		2024	
	Increase (decrease)	**Net retirement benefit liability**	Increase (decrease)	Net retirement benefit liability
Discount Rates	**+1.0%**	**(44,768,425)**	+1.0%	(₱45,382,751)
	–1.0%	**52,546,330**	–1.0%	53,427,920
Salary increase rate	**+1.0%**	**50,391,685**	+1.0%	51,058,865
	–1.0%	**(43,658,260)**	–1.0%	(44,127,222)

The Group maintains a fund for its plan assets invested in financial assets at amortized cost by the fund manager.

Shown below is the maturity analysis of the benefit payments as of December 31:

	2025	2024
Less than one year to 5 years	**₱227,767,910**	₱216,863,724
More than 5 years to 10 years	**330,375,694**	320,757,688
More than 10 years to 15 years	**290,515,015**	292,234,424
More than 15 years	**2,425,137,464**	2,319,578,220
	₱3,273,796,083	₱3,149,434,056

The weighted average duration of the defined benefit obligation is 9 years in 2025 and 2024.

Executive Stock Option Plan
The Group has stock option plans covering 1% of the Group's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a defined period of time.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Group.

In 2023, 28,028,562 stock options were granted. Likewise, there were no exercise or cancellation of stock options in 2023 and 2024. In 2025, there were cancellations of 9,534,822 stock options following the resignations of some executive grantees prior to the exercise or completion of the service condition.

The options have a contractual term of 3 years. As of December 31, 2023, the weighted average remaining contractual life of options outstanding is 3 years and the exercise price is ₱1.18. As of December 31, 2025, the remaining stock options is 18,493,740.

The assumptions used to determine the fair value of the stock options follows:

Weighted average share price	₱1.42
Exercise price	1.18
Expected volatility	33%
Expected dividends	4%
Risk-free interest rate	6%

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group.

Total expense arising from share-based payments recognized by the Group amounted to ₱2.68 million, ₱6.56 million and ₱5.00 million in 2025, 2024 and 2023 respectively. This is recognized as part of "Personnel cost" under Operating expenses section of the consolidated statement of comprehensive income.

22. Related Party Transactions

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 maybe individuals or corporate entities.

The significant related party transactions and outstanding balances as of and for the years ended December 31, 2025 and 2024 are as follows:

December 31, 2025

	Amount/Volume	Outstanding Balance	Terms and Conditions
Immediate Parent (VDC)			
Advances (Note 6; a)	**₱86,304,887**	**₱69,832,635**	**Noninterest-bearing, unsecured, not impaired**
Prepayment on rentals (Note 8; b)	**1,010,321,715**	**53,576,190**	**Noninterest-bearing, unsecured, not impaired**
Entities Under Common Control			
Advances and rental income (Note 6; c, d and f)	**139,294,180**	**37,853,393**	**Noninterest-bearing, unsecured, not impaired**
Prepayment on rentals (Note 8; b)	**29,798,255**	**4,549,352**	**Noninterest-bearing, unsecured, not impaired**
Advances to suppliers (Notes 8 and 10; d)	**1,034,234,912**	**232,730,976**	**Noninterest-bearing, unsecured, not impaired**
Due from related parties		**₱398,542,546**	

	Amount/Volume	Outstanding	Terms and Conditions
Immediate Parent (VDC)			
Management fee (Note 11; e)	**₱23,055,592**	**₱–**	**Noninterest-bearing and payable in 30 days, unsecured**
Purchases of services and rent expense (Note 11; c and d)	**13,684,946**	**–**	**Noninterest-bearing and payable in 30 days, unsecured**
Entities Under Common Control			
Lease liabilities (Note 24; b)	**81,030,021**	**(95,866,330)**	**Noninterest-bearing and payable in 30 days, unsecured**
Purchase of goods (Note 11; d)	**163,071,999**	**(55,871,298)**	**Noninterest-bearing and payable in 30 days, unsecured**
Purchases of services and rent expense (see Note 11; c and d)	**304,052,357**	**(65,226,450)**	**Noninterest-bearing and payable in 30 days, unsecured**
Due to related parties		**(₱216,964,078)**	

December 31, 2024

	Amount/Volume	Outstanding Balance	Terms and Conditions
Immediate Parent (VDC)			
Advances (Note 6; a)	₱18,965,911	₱1,415,310	Noninterest-bearing, unsecured, not impaired
Prepayment on rentals (Note 8; b)	940,360,590	14,851,624	Noninterest-bearing, unsecured, not impaired
Entities Under Common Control			
Advances and rental income (Note 6; c, d and f)	140,049,455	53,285,554	Noninterest-bearing, unsecured, not impaired
Advances to suppliers (Notes 8 and 10; d)	1,074,469,523	203,377,879	Noninterest-bearing, unsecured, not impaired
Due from related parties		₱272,930,367	

	Amount/Volume	Outstanding	Terms and Conditions
Immediate Parent (VDC)			
Lease liabilities (Note 24; b)	₱115,747	₱–	Noninterest-bearing and payable in 30 days, unsecured
Management fee (Note 11; e)	26,111,821	–	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (Note 11; c and d)	1,216,552	(1,216,552)	Noninterest-bearing and payable in 30 days, unsecured
Entities Under Common Control			
Lease liabilities (Note 24; b)	53,564,681	(44,238,509)	Noninterest-bearing and payable in 30 days, unsecured
Purchase of goods (Note 11; d)	159,937,919	(21,787,649)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (Note 11; c and d)	194,932,808	(50,285,203)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(₱117,527,913)	

The Group, in the normal course of business, entered into the following transactions with related parties:

a. Advances to VDC pertain to expenses paid by the Group on behalf of VDC and vice versa.
b. Rentals from leases for the Group's store spaces, offices and warehouses. The Group recognized "Lease liabilities" for fixed rent and "Prepayments" under Other Current Assets representing advance payments to the lessor to be applied to the subsequent billing and "Trade and other payables" for variable rent.
c. The Group has receivables and payables pertaining to rental transactions in the Group's stores. These are noninterest-bearing and are collectible within 30 days.

d. The Group has short-term noninterest-bearing receivables and payables in the normal course of business pertaining to the recovery of expenses, sales and purchases of goods and services.
e. The Group entered into an agreement with VDC for legal and other services. Management fee is lodged in “Professional fees” under “Operating expenses” in the consolidated statements of comprehensive income.

The Group has an approval requirement and limits on the amount and extent on any related party transactions which is 10% or higher of the Group’s total assets based on its latest audited consolidated financial statements.

Cash placements and bank accounts with Wealth Development Bank Corporation (an entity under common control) amounted to ₱448.36 million and ₱656.45 million in 2025 and 2024, respectively, which earn interest based on prevailing market interest rates amounting to ₱7.04 million and ₱19.80 million in 2025 and 2024, respectively.

Compensation of the Group’s key management personnel by benefit type follows:

	2025	2024	2023
Short-term employee benefits	**₱114,860,051**	₱119,476,412	₱122,189,559
Post-employment benefits	**5,833,390**	6,255,857	6,251,032
	₱120,693,441	₱125,732,269	₱128,440,591

There are no amounts due to or due from members of key management as of December 31, 2025 and 2024.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at terms agreed by the parties. Outstanding balances at year end are unsecured, noninterest-bearing and settled in cash usually within one year. There have been no guarantees or collaterals provided or received for any related party receivables or payables.

The Group has not recognized any impairment losses on amounts due from related parties in 2025 and 2024. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

23. Income Tax

Provision for income tax consists of:

	2025	2024	2023
Current			
RCIT	**₱255,017,583**	₱238,987,252	₱242,549,969
Final	**5,026,857**	12,101,515	25,912,818
	260,044,440	251,088,767	268,462,787
Deferred	**(20,021,093)**	(38,715,835)	(50,921,750)
	₱240,023,347	₱212,372,932	₱217,541,037

The Group's provision for current income tax in 2025, 2024 and 2023 represents regular corporate income tax.

The components of the Group's net deferred tax assets (liabilities) are as follows:

	2025	2024
Recognized in profit or loss:		
Lease liabilities (Note 24)	**₱1,310,260,831**	₱1,479,309,689
Right-of-use assets, including provision for impairment losses (Note 24)	**(953,606,958)**	(1,132,326,209)
Retirement benefit obligation (Note 21)	**172,123,246**	164,395,912
Provision for decline in value of inventories (Note 7)	**5,343,675**	9,645,265
Unrealized foreign exchange gain	**(21,268,327)**	(25,680,081)
Contract liability from customer loyalty program (Note 12)	**7,208,145**	7,028,914
Allowance for ECL (Note 6)	**9,041,681**	8,231,284
Unamortized debt issuance cost (Note 13)	**(1,830,075)**	(2,683,543)
Equity-based compensation not yet exercised	**3,559,381**	2,889,275
Allowance for impairment of advances to suppliers (Note 10)	**3,748,923**	3,748,923
	534,580,522	514,559,429
Recognized in other comprehensive income:		
Remeasurement gain on defined benefit obligation	**(35,656,119)**	(28,546,884)
	₱498,924,403	₱486,012,545

The reconciliation of statutory income tax to effective income tax follows:

	2025	2024	2023
Provision for income tax computed at statutory rate	**₱231,987,896**	₱205,448,799	₱208,890,185
Tax effects of:			
Nondeductible expenses	**9,960,139**	16,669,340	18,114,716
Income subjected to final tax	**(1,895,782)**	(9,745,207)	(9,463,864)
Others	**(28,906)**	–	–
	₱240,023,347	₱212,372,932	₱217,541,037

24. **Lease Commitments**

Group as a lessee

The Group enters into lease agreements with third parties and related parties for stores, warehouses and corporate office space. The Group also entered into lease arrangements covering various computer equipment used in the operations of the Group. These leases have terms ranging from one to forty-one years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Certain leases include a clause to enable upward revision on the rental charge based on prevailing market conditions.

The Group's obligations under its leases are subject to interest and penalty in cases of default of payment. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of equipment and staff-houses with lease terms of 12 months or less and leases of equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

December 31, 2025

	Land	**Building**	**Total**
Cost			
At January 1, 2025	**₱1,929,493,200**	**₱5,512,200,049**	**₱7,441,693,249**
Additions	**279,896,091**	**628,260,593**	**908,156,684**
Lease modification	**–**	**(1,164,254,082)**	**(1,164,254,082)**
Lease termination	**–**	**(192,837,696)**	**(192,837,696)**
At December 31, 2025	**2,209,389,291**	**4,783,368,864**	**6,992,758,155**
Accumulated depreciation			
At January 1, 2025	**956,289,903**	**1,877,703,752**	**2,833,993,655**
Amortization	**74,959,877**	**379,829,081**	**454,788,958**
Lease modification	**–**	**(102,038,456)**	**(102,038,456)**
Lease termination	**–**	**(66,018,694)**	**(66,018,694)**
At December 31, 2025	**1,031,249,780**	**2,089,475,683**	**3,120,725,463**
Less allowance for impairment losses			
At January 1	**–**	**78,394,757**	**78,394,757**
Write-off	**–**	**(46,503,586)**	**(46,503,586)**
At December 31, 2025	**–**	**31,891,171**	**31,891,171**
Net Book Value	**₱1,178,139,511**	**₱2,662,002,010**	**₱3,840,141,521**

December 31, 2024

	Land	Building	Total
Cost			
At January 1, 2024	₱1,925,909,844	₱5,092,389,138	₱7,018,298,982
Additions	3,583,356	419,810,911	423,394,267
At December 31, 2024	1,929,493,200	5,512,200,049	7,441,693,249
Accumulated depreciation			
At January 1, 2024	913,183,595	1,521,425,338	2,434,608,933
Amortization	43,106,308	356,278,414	399,384,722
At December 31, 2024	956,289,903	1,877,703,752	2,833,993,655
Less allowance for impairment losses			
At December 31, 2024	–	78,394,757	78,394,757
Net Book Value	₱973,203,297	₱3,556,101,540	₱4,529,304,837

In 2025, the Group derecognized right-of-use assets and lease liabilities amounting to ₱126.82 million and ₱164.71 million respectively due to pre-termination of lease of a store closed due to a strong earthquake resulting to a recognition of gain on lease termination amounting to ₱37.89 million (see Note 17).

Also in 2025, the Group entered into an agreement to revise an existing lease contract with its lessor which was accounted for by the Group as lease modifications resulting to a gain amounting to ₱124.05 million (see Note 17).

The following are the amounts recognized in the consolidated statement of income:

	2025	2024	2023
Variable lease payments (Note 19)*	**₱1,264,362,553**	₱1,213,914,184	₱1,205,782,932
Finance cost on lease liabilities (Note 17)	**374,685,239**	357,975,450	366,847,009
Amortization expense of right-of-use assets - net (Note 19)	**436,581,135**	370,322,235	327,944,683
Expenses relating to short-term leases and lease of low-value assets (Note 19)*	**224,378,530**	283,248,905	286,008,445
Gain on modification/pre-termination of lease (Note 17)	**(161,935,756)**	–	(29,107,167)

**Included in "Rental" under "Operating Expenses" in the consolidated statement of comprehensive income*

The rollforward analysis of lease liabilities follows:

	2025	2024
At January 1	**₱5,917,238,756**	₱5,683,179,367
Additions	**908,156,684**	423,657,960
Finance cost (Note 17)	**374,685,239**	357,975,450
Payments	**(636,362,735)**	(518,511,533)
Waived rentals	**(18,207,822)**	(29,062,488)
Lease modification and termination	**(1,304,466,799)**	–
At December 31	**₱5,241,043,323**	₱5,917,238,756

Classification of lease liabilities follows:

	2025	2024
Current portion	**₱182,564,725**	₱266,516,739
Noncurrent portion	**5,058,478,598**	5,650,722,017
	₱5,241,043,323	₱5,917,238,756

The Group was granted waived rentals from its lessors amounting to ₱18.21 million and ₱29.06 million in 2025 and 2024, respectively (see Note 19). The waived rentals were deducted from outstanding lease liabilities.

Shown below is the maturity analysis of the undiscounted lease payments:

	2025	2024
Within one year	**₱491,579,917**	₱603,737,938
More than one year but not more than five years	**1,870,339,304**	2,021,439,632
More than five years	**7,112,241,860**	7,727,741,072
	₱9,474,161,081	₱10,352,918,642

In January 2026, the Group revised its existing contract with a lessor surrendering certain mall spaces. The transaction was treated as a lease modification.

Group as lessor
The Group entered into lease agreements with tenants for the use of space in the Group's stores. These lease agreements have terms ranging from one to four years. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market rate conditions.

Tenants are required to pay for security deposits, subject to adjustment if minimum rent increases; refundable at the end of the lease term, after deducting the amount of damages to the leased premises and unpaid charges, if any. Security deposits amounted to ₱123.14 million and ₱128.39 million as of December 31, 2025 and 2024, respectively (see Notes 11 and 14). Rental income amounted to ₱395.56 million, ₱364.72 million and ₱312.05 million in 2025, 2024 and 2023, respectively.

Shown below is the maturity analysis of the undiscounted lease payments to be received:

	2025	2024
Within one year	**₱33,469,988**	₱69,842,372
More than one year but not more than five years	**160,856,011**	237,283,816
More than five years	**20,010,577**	10,275,650
	₱214,336,576	₱317,401,838

25. **Earnings Per Share**

The following table presents information necessary to calculate EPS on net income:

	2025	2024	2023
Net income	**₱682,639,565**	₱609,422,262	₱618,019,704
Weighted-average number of common shares for basic EPS	**3,239,419,962**	3,246,206,109	3,259,957,836
Add: Dilutive shares arising from stock options (Note 21)	**18,493,740**	28,028,562	28,028,562
Adjusted weighted average number of common shares for diluted EPS	**3,257,913,702**	3,274,234,671	3,287,986,398
Basic/Diluted Earnings Per Share	**₱0.21**	₱0.19	₱0.19

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Group by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Group by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

26. **Segment Reporting**

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8.

The Group's store operation is its only income generating activity and such is the measure used by the CODM in allocating resources.

The Group conducts its operations through the following store formats:

Department Stores
Department stores are engaged in the business of trading goods, commodities, wares and merchandise of any kind, such as clothes, bags, accessories, toys, and household goods.

Supermarket
Supermarkets offer a wide selection of meats, seafoods, fruits and vegetables and organic produce. This format also offers ancillary services such as pharmacy, bakeshop, café and fastfood outlets. A supermarket maybe a stand-alone supermarket or opened together with a department store.

Hypermarkets
Hypermarkets consist of "superstores" which is a combination of supermarket and department store which offer a wide range of product including full grocery lines and general merchandise.

The Group does not report its results based on geographical segments. The Group has no significant customer which contributes 10% or more to the revenues of the Group.

27. **Financial Instruments**

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Financial Assets
Due to the short-term nature of the transaction, the fair values of cash and cash equivalents, short-term investments, trade receivables, rentals and receivable from related parties, accrued interest receivable and security deposits under "Other current assets" approximate the carrying values at yearend.

The following tables set forth the carrying values and estimated fair values of the Group's financial assets recognized as of December 31, 2025 and 2024:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Security deposit, net of allowance for impairment losses (Note 10)	**₱367,969,672**	**307,245,775**	₱270,893,440	₱198,898,306
Financial assets at FVOCI	**100,000,000**	**98,089,478**	100,000,000	87,071,096

The fair value of security deposits lodged in "Deposits" under "Other noncurrent assets" were based on the discounted value of future cash flow using applicable interest rates ranging from 5.09%–6.43% for 2025 and 5.99%–6.17% for 2024. The fair value of security deposits lodged in "Deposits" and financial assets at FVOCI under "Other noncurrent assets" is classified under Level 3 and Level 1 in the fair value hierarchy, respectively.

<u>Financial Liabilities</u>
Due to the short-term nature of trade and other payables (excluding statutory payables), loans payable - current portion, current portions of lease liabilities, their carrying values approximate fair value.

The fair value of long-term loans payable and tenant's deposits under "Other noncurrent liabilities" is disclosed below and is classified as Level 3 in the fair value hierarchy:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Noncurrent portion of long-term loans payable (Note 13)	**₱2,516,638,035**	**₱3,475,602,874**	₱1,986,835,274	₱1,882,774,602
Other noncurrent liabilities (Note 14)	**14,721,133**	**27,588,544**	19,644,282	35,100,171

The fair value of loans payable were determined by discounting future cash flows using the applicable rate of 5.09% to 6.04% for 2025 and of 6.05% to 6.15% for 2024.

There were no transfers between levels 1, 2 and 3.

<u>Financial Risk Management Objectives and Policies</u>
The main purpose of the Group's financial instruments is to fund its operations and capital expenditures. The main risks arising from the Group's financial instruments are liquidity risk and credit risk. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term obligations.

The Group seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its operating expenses. The Group has a total available credit line of up to

₱15,500.00 million and ₱12,550.00 million with various local banks as of December 31, 2025 and 2024, respectively.

The Group maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial liabilities of the Group as of December 31, 2025 and 2024 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

December 31, 2025

	On Demand	Within One (1) Year	More than One (1) Year	Total
Trade and other payables				
Trade				
Third parties	**₱–**	**₱3,318,268,101**	**₱–**	**₱3,318,268,101**
Related parties	**–**	**55,871,298**	**–**	**55,871,298**
Nontrade				
Third parties	**–**	**695,906,759**	**–**	**695,906,759**
Related parties	**–**	**65,226,450**	**–**	**65,226,450**
Accrued expenses	**–**	**536,041,530**	**–**	**536,041,530**
Credit cash bonds	**–**	**223,802,981**	**–**	**223,802,981**
Others*	**–**	**195,349,652**	**–**	**195,349,652**
Long-term bank loans:				
Principal	**–**	**489,236,111**	**2,523,958,333**	**3,013,194,444**
Future interest payments	**–**	**159,765,673**	**447,680,351**	**607,446,024**
Short-term bank loans**	**–**	**715,562,500**	**–**	**715,562,500**
Lease liabilities	**–**	**491,579,917**	**8,982,581,164**	**9,474,161,081**
Other noncurrent liabilities	**–**	**–**	**14,721,133**	**14,721,133**
	₱–	**₱6,946,610,972**	**₱11,968,940,981**	**₱18,915,551,953**

**Excluding statutory payables*
***Including future interest amounted to ₱15,562,500*

December 31, 2024

	On Demand	Within One (1) Year	More than One (1) Year	Total
Trade and other payables				
Trade				
Third parties	₱–	₱3,621,883,647	₱–	₱3,621,883,647
Related parties	–	13,724,505	–	13,724,505
Nontrade				
Third parties	–	651,106,286	–	651,106,286
Related parties	–	59,564,899	–	59,564,899
Accrued expenses	–	511,940,326	–	511,940,326
Credit cash bonds	–	229,269,079	–	229,269,079
Others*	–	174,958,901	–	174,958,901
Long-term bank loans:				
Principal	–	473,611,111	1,997,569,444	2,471,180,555
Future interest payments	–	104,420,537	213,309,684	317,730,221
Short-term bank loans**	–	202,967,300	–	202,967,300
Lease liabilities	–	603,737,938	9,749,180,704	10,352,918,642
Other noncurrent liabilities	–	–	19,644,282	19,644,282
	₱–	₱6,647,184,529	₱11,979,704,114	₱18,626,888,643

**Excluding statutory payables*
***Including future interest amounted to ₱2,967,300*

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's receivables are actively monitored by its collection department to avoid significant concentrations of credit risk.

The Group manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include: setting up of exposure limits for each counterparty; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment. The table below shows the exposure of the Group to credit risk:

		2025		
	Maximum exposure to credit risk	**Fair value of collaterals or credit enhancements**	**Net exposure**	**Financial effect of collaterals or credit enhancements**
Receivables				
Trade:				
Third parties	**₱948,751,346**	**₱223,802,981**	**₱724,948,365**	**₱223,802,981**
Rentals	**132,902,450**	**109,109,211**	**23,793,239**	**109,109,211**
Nontrade:				
Receivable from insurance	**111,035,604**	**–**	**111,035,604**	**–**
Related parties	**107,686,028**	**–**	**107,686,028**	**–**
Accrued interest receivable	**3,689,930**	**–**	**3,689,930**	**–**
Others	**129,658,552**	**–**	**129,658,552**	**–**
	₱1,433,723,910	**₱332,912,192**	**₱1,100,811,718**	**₱332,912,192**

		2024		
	Maximum exposure to credit risk	Fair value of collaterals or credit enhancements	Net exposure	Financial effect of collaterals or credit enhancements
Receivables				
Trade:				
Third parties	₱1,005,970,063	₱229,269,079	₱776,700,984	₱229,269,079
Rentals	141,867,972	108,461,757	33,406,215	108,461,757
Nontrade:				
Related parties	54,700,864	–	54,700,864	–
Accrued interest receivable	3,104,920	–	3,104,920	–
Others	65,188,252	–	65,188,252	–
	₱1,270,832,071	₱337,730,836	₱933,101,235	₱337,730,836

Cash and cash equivalents have minimal credit risk. Cash in collaterals or credit enhancements pertain to cash bonds posted by credit account holders to secure payment of credit purchases through the Group's credit facilities. These also pertain to tenants' security deposits which shall be applied against the tenants' last billing.

Other than those disclosed above, the carrying amount of the financial assets represent the maximum exposure of the Group to credit risk.

Impairment of financial assets
The Group has the following financial assets that are subject to the expected credit loss model:

- trade receivables from third party and related parties for sales of inventory;
- rent receivables from third party and related parties for rental of spaces;
- other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include cash and cash equivalents, accrued interest receivables, security deposits and receivable from insurance. These are also subject to the impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Trade and rent receivables
The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and rent receivables. To measure the expected credit losses, trade and rent receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade and rent receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the country in which it sells its goods and accordingly adjusts the historical loss rates based on expected changes in these factors.

Below is the information about the credit risk exposure on the Group's trade receivables and rental using a provision matrix as of December 31, 2025 and 2024:

December 31, 2025

	Current Stage 1 (12-month ECL)	**Credit-impaired Stage 3**	**Total**
Average expected credit loss rates	**0.69%**	**81.54%**	
Gross carrying amount	**₱1,046,177,499**	**₱35,476,297**	**₱1,081,653,796**
ECL	**7,209,730**	**28,926,995**	**36,136,725**

December 31, 2024

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Average expected credit loss rates	0.36%	78.63%	
Gross carrying amount	₱1,111,049,621	₱36,788,414	₱1,147,838,035
ECL	3,998,139	28,926,995	32,925,134

The Group recognized provision for impairment loss on trade receivables and rentals amounting to ₱3.21 million, nil and ₱5.00 million in 2025, 2024 and 2023, respectively (see Note 6). In 2024, the Group derecognized allowance for impairment loss on trade receivables and rentals amounting to ₱11.00 million (see Note 6).

Trade receivables are written off when there is no reasonable expectation of recovery. All of the indicators that there is no reasonable expectation of recovery should be present prior to write off which include, among others, the failure of a debtor to engage in a repayment plan with the Group, debtor is experiencing significant financial difficulties, and a failure to make contractual payments for a period of greater than 90 days past due. Provisions are measured using Stage 3 ECL where receivables are considered credit impaired.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are presented as "Recoveries of expected credit losses" in the consolidated statement of comprehensive income.

28. Note to Statements of Cash Flows

The following are the cash flow movements of the Group's financing activities in 2025, 2024 and 2023:

			2025		
	January 1	**Net cash flows**	**Accretion of interest**	**Others**	**December 31**
Lease liabilities	**₱5,917,238,756**	**(₱636,362,735)**	**₱374,685,239**	**(₱414,517,937)**	**₱5,241,043,323**
Loans payable:					
Short-term bank loans	**200,000,000**	**500,000,000**	**–**	**–**	**700,000,000**
Long-term bank loans	**2,460,446,385**	**542,013,889**	**3,413,872**	**–**	**3,005,874,146**

			2024		
	January 1	Net cash flows	Accretion of interest	Others	December 31
Lease liabilities	₱5,683,179,367	(₱518,511,533)	₱357,975,450	₱394,595,472	₱5,917,238,756
Loans payable:					
Short-term bank loans	–	200,000,000	–	–	200,000,000
Long-term bank loans	2,855,036,561	(398,611,111)	4,020,935	–	2,460,446,385

			2023		
	January 1	Net cash flows	Accretion of interest	Others	December 31
Lease liabilities	₱5,262,952,178	(₱443,695,421)	₱366,847,009	₱497,075,601	₱5,683,179,367
Loans payable:					
Long-term bank loans	2,981,086,507	(130,208,334)	4,158,388	–	2,855,036,561

Others include the effect of the additional lease liabilities, waived rentals and lease modification affecting lease liabilities account.

The Group's noncash activities are as follows:

a) The Group entered into agreement to revise existing lease contract with its lessor which was accounted for by the Group as lease modifications resulting to a gain amounting to ₱124.05 million in 2025 and nil in 2024 and 2023. The Group also recognized a gain on lease termination for its pre-terminated leases in 2025, 2024 and 2023 amounting to ₱37.89 million, nil and ₱29.11 million, respectively, presented under "Other Income (Charges)" (see Note 17).

b) Transfers from other noncurrent assets (advances to suppliers) to property and equipment amounted to ₱133.57 million, ₱273.58 million and ₱160.63 million for 2025, 2024 and 2023, respectively.

c) Transfers from property and equipment to leasehold rights amounted to ₱139.77 million in 2025.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Metro Retail Stores Group, Inc. and its subsidiary (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated March 19, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Carlo Paolo V. Manalang

Carlo Paolo V. Manalang
Partner
CPA Certificate No. 111947
Tax Identification No. 210-730-804
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 111947-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements,
with extension up to audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-127-2026, January 27, 2026, valid until January 26, 2029
PTR No. 10765080, January 2, 2026, Makati City

March 19, 2026

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Metro Retail Stores Group, Inc. and its subsidiary (the Group) as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated March 19, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these consolidated financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Carlo Paolo V. Manalang

Carlo Paolo V. Manalang
Partner
CPA Certificate No. 111947
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March 19, 2026

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SCHEDULE A

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2025

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash and cash equivalents			
Bank of the Philippine Islands	₱571,900,925	₱571,900,925	–
Philippine National Bank	363,953,544	363,953,544	–
Land Bank of the Philippines	312,424,526	312,424,526	–
Bank of Commerce	299,650,228	299,650,228	–
Wealth Development Bank	298,357,536	298,357,536	–
Chinabank	235,181,371	235,181,371	–
Security Bank	224,684,155	224,684,155	–
Others	178,991,376	178,991,376	–
	2,485,143,661	2,485,143,661	₱18,780,245
Short-term Investment	150,000,000	150,000,000	–
	150,000,000	150,000,000	4,763,407
Receivables			
Third parties	948,751,346	948,751,346	–
Rentals	132,902,450	132,902,450	–
Receivable from insurance	111,035,604	111,035,604	–
Related parties	107,686,028	107,686,028	–
Others	133,348,482	133,348,482	–
	1,433,723,910	1,433,723,910	–
Financial assets at FVOCI	100,000,000	100,000,000	–
	100,000,000	100,000,000	6,250,000
	₱4,168,867,571	₱4,168,867,571	₱29,793,652

SCHEDULE B

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2025

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
N/A	N/A	N/A	N/A	N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

	Receivable Balance	Payable Balance	Current Portion
Total Eliminated Receivables/Payables	₱823,849	–	₱823,849

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2025

Long-term Debt			
Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
Term Loan	₱4,000,000,000	₱489,236,111	₱2,516,638,035

SCHEDULE E

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2025

Indebtedness to related parties (Long-term loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

SCHEDULE F

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2025

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2025

			Capital Stock			
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights*	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	10,000,000,000	3,235,091,000	194,284,000	2,663,074,978	10,124,108	–
Preferred Shares	–	–	–	–	–	–
	10,000,000,000	3,235,091,000	194,284,000	2,663,074,978	10,124,108	–

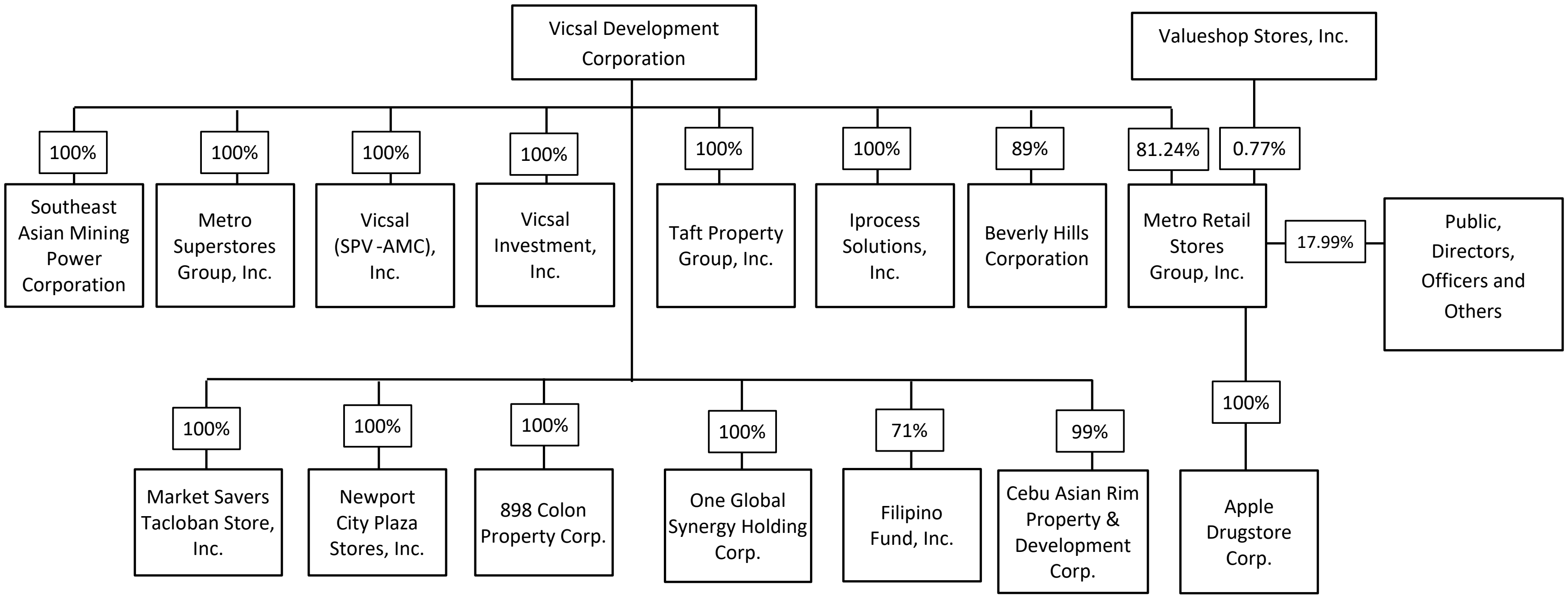
**Including treasury shares*

SCHEDULE H

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT GROUP AND CO-SUBSIDIARIES

DECEMBER 31, 2025



SCHEDULE I

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2025

Unappropriated Retained Earnings, beginning of reporting period		**₱2,996,363,354**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation	₱–	
Effects of restatements or prior-period adjustments	–	
Others	–	
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(194,535,900)	
Retained earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	
Deferred tax assets that reduced the amount of income tax expense		**(194,535,900)**
Unappropriated retained earnings, adjusted to available for dividend declaration, beginning		**2,801,827,454**
Add/Less: Net Income for the current year		**684,922,493**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value adjustment on gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal		**3,486,749,947**
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Realized fair value adjustment (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Realized fair value adjustment gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal		**–**

SCHEDULE I

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2025

Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting periods (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of other unrealized fair value adjustment gain of Investment Property	–	
Reversal of other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	–	
Subtotal		–
Adjusted Net Income		
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	
Subtotal		–
Add/less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Other	–	
Subtotal		–
Add/less: Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	(8,626,533)	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	2,023,757	
Net movement in the deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up right of use of asset and lease liability, set up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(9,670,392)	
Adjustment due to deviation from PFRS/GAAP – gain (loss)		
Other	–	
Subtotal		**(16,273,168)**
Unappropriated Retained Earnings, as adjusted, ending		**₱3,470,476,779**

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2025

Ratio	Formula	2025	2024
Current Ratio	Total current assets divided by total current liabilities Total current assets ₱11,176,068,194 Total current liabilities 6,948,608,442 Current ratio 1.61	**1.61**	1.62
Acid test ratio	Quick assets (total current assets less merchandise inventories and other current assets) divided by total current liabilities Total current assets ₱11,176,068,194 Merchandise inventories 6,575,303,686 Other current assets 568,033,662 Quick assets 4,032,730,846 Total current liabilities 6,948,608,442 Acid test ratio 0.58	**0.58**	0.58
Debt-to-equity ratio	Total net debt (debt less cash and cash equivalents) divided by total equity Debt ₱3,705,874,146 Cash and cash equivalents 2,485,143,661 Net debt 1,220,730,485 Total equity 10,024,886,569 Debt-to-equity ratio 0.12	**0.12**	0.04
Asset-to-equity ratio	Total assets divided by total equity Total assets ₱25,099,201,284 Total equity 10,024,886,569 Asset-to-equity ratio 2.50	**2.50**	2.55

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2025

Ratio	Formula		2025	2024
Interest rate coverage ratio	EBITDA divided by finance cost		**5.31**	4.50
	Net income	₱682,639,565		
	Provision for income tax	240,023,347		
	Interest and other financing charges	494,830,189		
		1,417,493,101		
	Interest Income	(29,793,652)		
	EBIT	1,387,699,449		
	Depreciation and amortization	1,241,137,459		
	EBITDA	2,628,836,908		
	Finance costs	494,830,189		
	Interest rate coverage ratio	5.31		
Return on equity	Net income divided by average total equity		**6.98%**	6.43%
	Net income	₱682,639,565		
	Total equity CY	10,024,886,569		
	Total equity PY	9,521,401,308		
	Average total equity	9,773,143,939		
	Return on equity	6.98%		
Return on assets	Net income divided by average total assets		**2.76%**	2.54%
	Net income	₱682,639,565		
	Total assets CY	25,099,201,284		
	Total assets PY	24,281,933,596		
	Average total assets	24,690,567,440		
	Return on assets	2.76%		
Net profit margin	Net income divided by revenue		**1.63%**	1.54%
	Net income	₱682,639,565		
	Revenue	41,951,402,624		
	Net profit margin	1.63%		

METRO RETAIL STORES GROUP, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
DECEMBER 31, 2025

	2025	2024
Total Audit Fees	**₱2,401,000**	₱2,286,900
Non-audit services fees:		
Tax services	**473,988**	400,000
All other services	**1,070,000**	240,000
Total Non-audit Fees	**1,543,988**	640,000
Total Audit and Non-audit Fees*	**₱3,944,988**	₱2,926,900

**Excluding out-of-pocket expenses and VAT*

SUSTAINABILTY
REPORT

SUSTAINABILITY REPORT

2025

Company Details	
Name of Organization	Metro Retail Stores Group, Inc. (MRSGI)
Location of Headquarters	Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu, Philippines
Location of Operations	Various location across Luzon and Visayas
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Limited to Metro Retail Stores Group, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	To buy, sell, trade, deal in and deal with goods, wares and merchandise of every kind and description, and to carry on such business as wholesalers, retailers, importers and exporters; to acquire all such merchandise, supplies, materials, and other articles as shall be necessary in the conduct or to carry on the business of a supermarket and department store operator.
Reporting Period	2025
Highest Ranking Person responsible for this report	VP for Business Development and Investor Relations

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
MRSGI's primary operation is retail operations through its Metro Department Stores, Metro Supermarket, Super Metro Hypermarket, and Metro Value Mart brand. Materiality is limited to operational matters which have actual and relevant impact on environment, social, and community. Economic, environmental, and social impacts that influence the decision of stakeholders were considered in identifying material topics.

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	41,951,402,624	PhP
Direct economic value distributed:		
a. Operating costs	5,916,582,836	PhP
b. Employee wages and benefits	2,053,512,425	PhP
c. Payments to suppliers, other operating costs	32,841,797,623	Php
d. Dividends given to stockholders and interest payments to loan providers	343,396,598	PhP
e. Taxes given to government	664,283,235	PhP
f. Investments to community (e.g. donations, CSR)	7,300,000	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations; Impact is caused by the Company's business relationship	Employees, Customers, Suppliers, and Government	The Company always strives to provide quality products and customer experience through its stores. MRSGI also aims to be a responsible corporate citizen by providing career development to our employees, mutually beneficial relationship with our suppliers, and compliant corporate entity.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Risk of loss of business due to competition	Employees, Customers, Suppliers, and Government	The Company's internal policies ensure that our stores are efficiently run, prices of goods remain competitive, and agreements & requirements are met/fulfilled.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to provide better Customer and Partner Experience	Employees, Customers, Suppliers, and Government	The Company's Management team regularly conducts internal assessments on how to improve corporate & in-store experience as well as our relationship with suppliers and regulators.

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
A sound ERM framework is in place for possible threats to operational and financial viability and effectively manage key business risks where key areas and performance indicators are identified. Proactive implementation of business continuity program in response to any severe weather disturbance such as supertyphoons.	Typhoons, earthquakes, flooding, and fire are the key business risks that impact the stores operations. The identified climate-related risks include power outages and the high-intensity typhoons and flooding which can affect the supply chain due to delays in supply deliveries and restocking, thereby disrupting store operations and can lead to decreased customer traffic, or total loss of opportunity that the stores have to close early and open late. Use of internet technology in monitoring the threat of severe weather events.	The MRSGI Board, together with the management executives and all in-house technical experts, holds avenues for identifying the potential climate related events and the risks they pose for the Company. Through these, the Management is also able to identify the appropriate risk-mitigation measures to ensure that the Company continues to achieve its strategic business objectives. Implementation of disaster preparedness program such as advance trainings of ERT personnel, reinforcement of weak outdoor structures and maintenance of fire protection system.	MRSGI recognizes that natural or other catastrophes, including severe weather conditions, may materially disrupt its operations and financial condition. While it has no specific metrics and targets to assess and manage climate-related risks and opportunities, MRSGI continually adopts a sound risk management that will make the most of the business opportunities and reduce adverse results of risks. 100% Training and development of ERT Leaders and members thru BFP, Red Cross, and NDRRMC 100% implementation of maintenance program to fire protection system 100% refresher training for business continuity planning
Recommended Disclosures			
Not applicable.	*Not applicable.*	*Not applicable.*	*Not applicable.*

Note: The Company currently does not have sufficient information to fully assess its climate-related risks and opportunities. The Company have yet to implement an integrated program that will monitor and measure climate-related risks and opportunities through a pre-agreed set of metrics and milestones.

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	90.94%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MRSGI's suppliers' base is diversified between local suppliers and multinational corporations.	Suppliers	Maintain its close relationship with its concessionaires and suppliers to ensure continuous offering of broad range of products.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No risk identified.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Product offering will not be limited.	Customers	Non-dependency on single supplier.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	Nil	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	Nil	%
Percentage of directors and management that have received anti-corruption training	Nil	%
Percentage of employees that have received anti-corruption training	Nil	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	Nil	#
Number of incidents in which employees were dismissed or disciplined for corruption	Nil	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	11,445.15	GJ
Energy consumption (gasoline)	134.98	GJ
Energy consumption (LPG)	4,684.32	GJ
Energy consumption (diesel)	33,835.81	GJ
Energy consumption (electricity)	111,589,724.24	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	42.84	GJ
Energy reduction (LPG)	566.74	GJ
Energy reduction (diesel)	24,016.19	GJ
Energy reduction (electricity)	(3,381,441.70)	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The increase in electricity energy consumptions for the year 2025 was brought about by the addition of eight (8) small formats that are newly opened stores, (4) in Visayas region and (4) in Luzon; The increase of the use of diesel, is due to our main transformer issue in Legaspi store, that we resorted to using our generator to continue the business while the restoration works is in process until January. The reduction of the Billing is brought by the energization of the eight rooftop solar PV systems.	All Stores	The MRSGI management is now involved in the energy monitoring and audit mandated by RA 11285, better known as the Energy Efficiency and Conservation Law. Our initiatives are as follows: 1. We are progressively replacing fluorescent lights into LED's, 2. Gradually replacing conventional/wye delta controllers into VSD, 3. Installation of the Phase 3 rooftop solar power generation, and 4. Utilization of efficient equipment (refrigeration and aircon)

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
High electricity cost	All Stores	1. Replacement or rehabilitation of all aging equipment with deteriorating performance and adherence to the recommendations of the energy audit conducted by the third party accredited by DOE as part of the energy conservation measures. 2. Acquire 3rd party maintenance for our rooftop solar PV system to maintain its maximum yield 3. Use of energy efficient equipment
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Conduct of energy efficiency and conservation audit	All Stores	Adherence to RA 11285 and RA 9135, and implementation of energy management plans

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	275,852	m^3
Water consumption	1,326,490	m^3
Water recycled and reused	1,221	m^3

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The increase is attributed by the increase of stores from water district and deepwell. Utilization of water intensive equipment on Aircon and Refrigeration	MRSGI have built water recycling source from stores in Angeles, Colon, Lapu Lapu, Mambaling, Mandaue, Junquera in Colon also, with more stores in pursuit of the same project as part of strategic plans.	Implement recycling with purification process to re-use of those in-store water sources like AHU condense water, Cooling Blowdown, rainwater and even STP effluent across store

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Penalty of undeclared/unregistered deepwells. Soil Subsidence	S2-S3-H5-W4	Deepwell registration and soil protection
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Water consumption cost savings	All Stores	Lower water OPEX in using alternatives excluding deepwells

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	1,220.96	kg/liters
• Non-renewable	1,326,490.25	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	*0.0920%*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	Ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

[3] International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	3,927.25	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	43,689.45	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	10,804.11	Tonnes CO_2e

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Utilization of green energy options like our solar PV and availment of power provider with renewable on its energy mix.	Solar PV energized facilities are Mandaue, Legaspi, Angeles, Alabang, Maasin, Cavite, Mambaling, Antipolo. Incoming projects area: Alangalang, Banawa, Hilongos, Catablogan, Bais, Naval, Hinigaran, Tayud, Tacloban and Sum-ag Power provider: All Stores	Reduce air pollution and incorporate environmental protection through RA 8739, or better known as Philippine Clean Air Act of 1999. Availment of carbon credits
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Global warning and climate change	All Stores	Reduce air pollution and incorporate environmental protection through RA 8739, or better known as Philippine Clean Air Act of 1999. Adherence to applicable provision under RA 9513,

		Renewable energy Act. Utilization of equipment with low Global Warming Potential, GWP
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Rooftop Solar Implementation and choosing supplier with mix/blend on renewable energy	All MSRGI stores.	Reduce air pollution and incorporate environmental protection through RA 8739, or better known as Philippine Clean Air Act of 1999.

Air pollutants

Disclosure	Quantity	Units
NO_x	0.003270	kg
SO_x	0.000150	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	0.011870	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The reduction of the pollutants are attributed by implementation of required and regular PMS such as change oil, filters, engine tune up and valve lash prior to emission test	All stores equipped with genset units.	Regular adherence of the clean air water act RA 8749
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Air pollution, environment and health hazard, Penalty imposition on parameter exceedance	All stores equipped with genset units.	Regular adherence of the clean air water act RA 8749
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
After-sales availability of accredited vendor and expertise	All stores equipped with genset units.	3rd party Maintenance and emergency response agreement. Block tendering of emission test contractors

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	3,679,470.85	kg
Reusable	3,830.42	kg
Recyclable	1,975,860.64	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	1,670,361.84	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The increase is attributed by the additional new stores open	All Stores	Adherence to Solid waste Management Act, RA 9003 and Extended Producer Responsibility, EPR under RA 11898 and compliance to LGU conditions
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Water and Soil Pollution, Health Hazard and penalty imposition	All Stores	Adherence to Solid waste Management Act, RA 9003 and Extended Producer Responsibility, EPR under RA 11898
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Scrap sales, non-imposition of penalties and fines, improved ambiance	All Stores	Implement pertinent mandates under Adherence to Solid waste Management Act, RA 9003 and Extended Producer Responsibility, EPR under RA 11898

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	30,434	Kg
Total weight of hazardous waste transported	25,890	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The increase is attributed by the additional new stores open. This waste is called hazardous because its properties are dangerous to human health and environment. The organization's involvement or TSD	All stores that generates Hazardous waste.	Adherence to Hazardous and nuclear waste management act, RA 6969

(Treater, Storage and Disposal, TSD) to dispose the hazardous waste with valid accredited from DENR		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Water and Soil Pollution, health hazard if mismanaged	All stores that generates Hazardous waste.	Adherence to Hazardous and nuclear waste management act, RA 6969
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Availment of 3rd party Treatment, Storage and Disposal (TSD) facilities	All stores that generates hazardous waste.	Adherence to Hazardous and nuclear waste management act, RA 6969

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	294,614	m^3
Percent of wastewater recycled	*0.00%*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Treated water are discharge according to the water class the store is located. It can be a seawater or freshwater body	All stores equipped with STP and those that are inter-connected to the other STP facilities.	Adherence to Clean water act or RA 9275
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Water body pollution and imposition of penalties of failed parameters	All stores equipped with STP and those that are inter-connected to the other STP facilities.	Adherence to Clean water act or RA 9275
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Involvement of 3rd STP designer and after sales contractors to ensure daily operation complied the conditions under Discharge Permit. Enroute the untreated water to the lessor for compliant water disposal	All stores equipped with STP and those that are inter-connected to the other STP facilities.	Adherence to Clean water act or RA 9275 and lessor wastewater interconnection

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	55,937	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	5	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The increased of penalties is attributed on the non-submission of reports and operation of STP without a valid discharge permit	F21, S20 and S17	Availability and employment of an Accredited managing head and PCO during construction and operation. Compliance to other environmental laws from DENR EMB and LGU
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Imposition of penalties, environment damage	All stores	Full adherence to pertinent environmental laws
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Compliance to various environmental permits in position	All Stores	Full adherence to pertinent environmental laws

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	6,766	#
a. Number of female employees	3,558	#
b. Number of male employees	3,208	#
Attrition rate[5]	*17.17%*	rate
Ratio of lowest paid employee against minimum wage	Lowest paid is at min. wage; no lower than that.	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	*52.59%*	*47.41%*
PhilHealth	Y	*52.59%*	*47.41%*
Pag-ibig	Y	*52.59%*	*47.41%*
Parental leaves	Y	*0.62%*	*0.59%*
Vacation leaves	Y	*35.83%*	*47.89%*
Sick leaves	Y	*35.83%*	*47.89%*
Medical benefits (aside from PhilHealth)	Y	*41.31%*	*38.38%*
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	Y	*0.10%*	*0.00%*
Further education support	Y	*14.56%*	*12.00%*
Company stock options	Y	*0.00%*	*0.00%*
Telecommuting	N		
Flexible-working Hours	Y	*6.99%*	*3.53%*
(Others)	N		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	29,732	hours
b. Male employees	31,521	hours
Average training hours provided to employees		
a. Female employees	4.60	hours/employee
b. Male employees	5.37	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The learning & development initiatives improved the overall capability of employees at the core, functional and behavioral levels. Training resources support (e.g. budget, training logistics, etc.)	A combination of in-person and online instruction. Prioritizing leadership development, functional training for store operations, and compliance training.
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	*Not applicable.*	%
Number of consultations conducted with employees concerning employee-related policies	*Not applicable.*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	52.59%	%
% of male workers in the workforce	47.41%	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	18,607,567	Man-hours
No. of work-related injuries	19	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	72	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The increase in safe man-hours indicates enhanced operational activity and workforce engagement; however, the rise in work-related injuries highlights areas where safety measures may need reinforcement. These incidents primarily occur at operational sites where employees perform routine tasks, handling equipment or materials. The organization is directly involved in the impact by being responsible for maintaining a safe working environment, implementing safety protocols, investigating incidents, and providing corrective actions and training to prevent recurrence. Despite the injuries, the absence of fatalities or work-related ill-health demonstrates that existing controls mitigate the most severe risks, but continuous improvement is needed.	Management adopts a proactive and structured approach to address the increase in work-related injuries. This includes reinforcing safety protocols, conducting regular risk assessments, providing targeted training, and promoting a safety-first culture among all employees. Incidents are thoroughly investigated to identify root causes, and corrective and preventive actions are implemented to avoid recurrence. Management also monitors safety performance metrics to ensure continuous improvement, aiming to reduce injuries while maintaining high operational productivity.

What are the Risk/s Identified?	Management Approach
The key risks identified from the situation include an increased likelihood of work-related injuries, which highlights gaps in safety measures or compliance, and potential operational disruptions due to reduced workforce availability affecting productivity. There is also reputational risk, as frequent injuries may impact employee morale and the organization's image as a safe employer. Additionally, regulatory and compliance risks arise from repeated incidents, which could attract scrutiny from authorities, while financial risks emerge from medical costs, compensation, and potential increases in insurance premiums.	Management addresses the identified risks through a proactive and systematic approach. This includes reinforcing safety protocols, conducting regular risk assessments, and providing targeted training to ensure compliance and awareness. All incidents are thoroughly investigated to identify root causes, with corrective and preventive actions implemented to prevent recurrence. Management also monitors safety performance metrics, promotes a strong safety culture among employees, and ensures alignment with regulatory requirements to mitigate operational, reputational, and financial impacts while maintaining workforce productivity.
What are the Opportunity/ies Identified?	**Management Approach**
The opportunities identified from the situation include strengthening the organization's safety culture, enhancing employee awareness and engagement in safe work practices, and improving risk management processes. There is also an opportunity to optimize training programs, implement more effective safety controls, and use incident data to prevent future injuries. Additionally, proactively addressing these risks can reinforce the organization's reputation as a responsible and safety-conscious employer, while supporting continuous improvement in operational efficiency and workforce well-being.	Management proactively fostering a strong safety culture and promoting employee engagement in safe work practices. This includes enhancing training programs, implementing improved safety controls, and leveraging incident data to prevent future injuries. Continuous monitoring and evaluation of safety performance are conducted to identify areas for improvement, while leadership actively encourages compliance and accountability. Through these measures, management aims to strengthen operational efficiency, protect workforce well-being, and reinforce the organization's reputation as a responsible and safety-conscious employer.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	Nil	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
Yes. Kindly see the Annex 1 of 2025 Sustainability Report.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	Procurement Policy, No-Gift Policy, among others set out by MRSGI's Standard Operating Procedures

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not applicable.	*Not applicable.*	*Not applicable.*	*Not applicable.*	*Not applicable.*	*Not applicable.*

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: Not applicable.

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	10	#
No. of complaints addressed	10	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In 2025, the number of substantiated complaints related to product and service health and safety increased from 6 incidents in 2024 to 10 incidents in 2025, with most cases occurring in the supermarket areas where customer interaction with goods and services is highest. This rise presents potential operational, financial, and reputational impacts, as recurring complaints may affect customer trust and overall brand perception. In response, the organization has taken full accountability by strengthening quality control measures, enhancing in-store safety inspections, reinforcing staff training on product handling and customer service, and utilizing digital monitoring systems to track incidents, determine root causes, and implement corrective and preventive actions. The Company remains committed to maintaining high health and safety standards while continuously improving the overall customer experience.	All customer accidents and complaints are promptly and effectively managed by highly trained Emergency Response Team (ERT) members, especially in First Aid response. Stores strictly adhere to regulations regarding health, food, and cosmetic products, and the majority of outlets have been awarded the Safety Excellence Award, demonstrating compliance and commitment to safety. By identifying root causes of incidents and providing immediate resolutions, the organization mitigates risks, maintains high customer satisfaction, fosters loyalty and repeat business, and encourages positive word-of-mouth.

What are the Risk/s Identified?	Management Approach
The organization continues to monitor reputational risks associated with customer accidents, particularly those resulting in hospitalization. Such incidents, if not handled properly, could escalate and impact the company's public image. To mitigate this risk, management is committed to covering all hospitalization costs for affected customers. Furthermore, all products sold comply with health, food, and cosmetic regulations, minimizing the likelihood of harm and safeguarding the company's reputation.	Reputational risks from customer accidents are managed with immediacy and priority to prevent escalation or negative media exposure. The organization ensures prompt assistance, effective incident management, and full support for affected customers, demonstrating a strong commitment to safety, compliance, and customer trust.
What are the Opportunity/ies Identified?	**Management Approach**
The organization continues to leverage the opportunity to enhance customer safety awareness by actively reminding customers through public announcement systems and safety signages that highlight safety practices. This approach not only helps prevent accidents but also reinforces the company's commitment to the well-being of its customers. Although reputational risk remains when accidents result in hospitalization, management mitigates this by covering all hospitalization costs, safeguarding the company's reputation.	Customer safety is managed proactively through consistent reminders across all available communication channels. The organization also conducts regular customer service orientations and employee training sessions to ensure staff are well-prepared to respond to customer needs. Structured procedures are in place to address inquiries efficiently, provide timely assistance, and maintain high satisfaction, while customer care plans are developed to strengthen long-term relationships and trust.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	Nil	#
No. of complaints addressed	Nil	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	Nil	#
No. of complaints addressed	Nil	#
No. of customers, users and account holders whose information is used for secondary purposes	Nil	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Metro Department Stores Metro Supermarket Super Metro Hypermarket Metro Value Mart Ancillary Businesses	Poverty Reduction Decent and economic growth Sustainable Cities and Communities Reduced inequalities Good health and wellbeing	Possibility of missed opportunities to serve the needs of communities	MRSGI continuous to expand into areas where it can serve the needs of far-flung communities and sustain its development
MRSGI CSR Programs	Partnerships for the goals	Possibility of being unable to serve the needs of the more vulnerable sector	MRSGI, through its Corporate Affairs Department, implements various community-related programs.

METRO RETAIL STORES GROUP, INC	E – BUSINESS SUITE (EBS) GUIDELINES MANUAL GENERAL LOSS PREVENTION	Document No.	GM-EBS-PCS-005
		Date Released	July 14, 2017
		Revision No.	000
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Section	**Procurement**		
Subject	**Supplier Accreditation**		

1.0 **Objectives**

To provide policies and operating guidelines in accrediting a supplier.

2.0 **Scope**

This module covers the end to end process of accrediting a supplier

3.0 **Acronyms/ Definitions**

NVIS - **New Vendor Information Slip**

D & B - **Dun And BradStreet**

4.0 **General Guidelines**

4.1 New Supplier shall be introduce to D & B. No D&B accreditation NO MRSGI accreditation.

Note: All suppliers shall required to register and pass through Dun and BradStreet for accreditation.

Suppliers shall pay the accreditation pay and other required fees directly to D&B.

4.2 D&B will forward the results of their evaluation to MRSGI. See Exhibit 5 – D&B Result Indicators.

Note: D & B Vendor Information Report shall include but not limited to:

(a) Composite Rating based on Criteria for vendor accreditation
(b) Risk Assessment
(c) Current Investigation Findings
(d) Financial Information & Related Metrics
(e) Bank Related Information (if any)
(f) Trade Payment Summary
(g) Accounts Referred for Collection (if any)
(h) Company Registration History
(i) Principals: Stockholders, Director and Executives
(j) Registered Charges (if any)
(k) Operations Related Information
(l) Corporate Linkage (if any)

METRO RETAIL STORES GROUP, INC.	E – BUSINESS SUITE (EBS) **GUIDELINES MANUAL** GENERAL LOSS PREVENTION	Document No.	**GM-EBS-PCS-005**
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Subject	**Supplier Accreditation**		

4.3 Supplier with a remarks falling to [redacted] shall be assessed by - Trade : Chief Financial Officer and Chief Merchandising Officer/ Deputy CMO, Non-Trade: Chief Financial Officer and VP – Supply Chain, if the supplier is qualified to be accredited.

Note: [redacted] evaluation result falls in the [redacted] See *Exhibit 5*

4.4 Enrollment in Oracle EBS shall only commence when complete required documents is submitted as an attachment to the accomplished NVIS.Enrollment in Oracle EBS shall only commence when complete required documents is submitted as an attachment to the accomplished NVIS

CEBU PRINCIPAL OFFICE

Vicsal Building corner of C.D. Seno and W.O. Seno Streets,
Barangay Guizo, North Reclamation Area, Mandaue City,
Cebu City, Philippines 6014
Trunkline No.: (+6332) 326-3030

MANILA CORPORATE OFFICE

6F Metro Market! Market! McKinley Parkway,
Bonifacio Global City, Taguig City,
Metro Manila, Philippines 1634
Trunkline Nos.: (+632) 7908-198
(+632) 7908-1981
(+632) 7908-1982

https://www.metroretail.com.ph/