

COVER SHEET

1	2	3	9	7				
---	---	---	---	---	--	--	--	--

S.E.C. Registration Number

P	H	I	N	M	A														

(Company's Full Name)

L	E	V	E	L		1	2	-	P	H	I	N	M	A		P	L	A	Z	A		3	9		P	L	A	Z	A	
D	R	I	V	E	,				R	O	C	K	W	E	L		C	E	N	T	E	R			M	A	K	A	T	I

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

A	N	N	A	B	E	L	L	E		G	U	Z	M	A	N
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

Contact Person

8	8	7	0	0	1	0	0
---	---	---	---	---	---	---	---

Company Telephone Number

<table border="1"><tr><td>1</td><td>2</td></tr></table> Month	1	2	<table border="1"><tr><td>3</td><td>1</td></tr></table> Day	3	1
1	2				
3	1				
Calendar Year					

S	E	C		1	7	-	Q
---	---	---	--	---	---	---	---

FORM TYPE

<table border="1"><tr><td>0</td><td>8</td></tr></table> Month	0	8	<table border="1"><tr><td>1</td><td>4</td></tr></table> Day	1	4	<table border="1"><tr><td>2</td><td>3</td></tr></table> Year	2	3
0	8							
1	4							
2	3							

--

Secondary License Type, If Applicable

--	--	--	--

Dept. Requiring this Doc.

--	--	--	--	--	--	--	--	--	--

Amended Articles Number/Section

--	--	--	--	--

Total No. of Stockholders

Total Amount of Borrowings			
<table border="1" style="width: 100%;"><tr><td></td></tr></table> Domestic		<table border="1" style="width: 100%;"><tr><td></td></tr></table> Foreign	

To be accomplished by SEC Personnel concerned

<table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> File Number								_____ LCU

<table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> Document I. D.								_____ Cashier

STAMPS

Certification

I, ANNABELLE S. GUZMAN, Vice President - Controller of PHINMA CORPORATION with SEC registration number 12397 with principal office at Level 12, PHINMA Plaza, 39 Plaza Drive, Rockwell Center Makati City, on oath state:

- 1) That on behalf of PHINMA Corporation, I have caused this SEC Form 17 – Q (Quarterly Report) as of June 30, 2023 to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That PHINMA Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of August, 2023.


ANNABELLE S. GUZMAN
Vice President - Controller

SUBSCRIBED AND SWORN to before me this AUG 14 2023 day of August, 2023 in Makati City, affiant exhibited her Driver's License No. N01-01-266669 with expiration date April 15, 2024.

Doc. No. 367
Page No. 25
Book No. 27
Series No. 2023



NOTARY PUBLIC
ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376
MCLE COMPLIANCE NO. 0001393, Jan. 03, 2023 Until Apr. 14, 2028
PTR NO. 9563564 / JAN.03.2023/MAKATI CITY
IBP NO. 261994 / JAN.03.2023 / PASIG CITY
1107 D BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1 Financial Statement

Unaudited Consolidated Statements of Financial Position June 30, 2023 and December 31, 2022	5 - 6
Unaudited Consolidated Statements of Income Quarter ended June 30, 2023 and 2022	7
Unaudited Consolidated Statements of Comprehensive Income Quarter ended June 30, 2023 and 2022	8
Statement of Changes in Equity June 30, 2023 and 2022	9 - 10
Consolidated Statement of Cash Flows Quarter ended June 30, 2023 and 2022	11 -12
Notes to Consolidated Financial Statements	13 -56

Item 2 Management's Discussion and Analysis of Financial Condition And Results of Operations	57 -64
---	---------------

SIGNATURES	65
-------------------	-----------

PHINMA CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION****JUNE 30, 2023****(With Comparative Audited Figures as at December 31, 2022)****(Amounts in Thousands)**

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 27 and 28)	₱4,085,794	₱3,421,578
Investments held for trading (Notes 6, 27 and 28)	380,809	654,316
Trade and other receivables (Notes 7, 27 and 28)	5,098,008	5,631,456
Inventories (Note 8)	2,161,478	2,376,008
Input value-added taxes and other current assets (Note 27)	546,931	629,517
Total Current Assets	12,273,020	12,712,875
Noncurrent Assets		
Investment in and advances to associates and joint ventures (Note 9)	1,609,401	1,412,637
Financial assets at fair value through profit and loss (Notes 10 and 28)	2,187,098	2,209,088
Financial assets at fair value through other comprehensive income (Notes 11 and 28)	126,258	122,959
Property, plant and equipment (Note 12)	12,536,428	11,582,387
Investment properties (Note 13)	626,994	627,291
Intangible assets (Note 14)	1,919,023	1,853,725
Right-of-use assets (Note 29)	280,809	315,031
Deferred tax assets - net (Note 25)	156,285	127,736
Derivative asset (Notes 27 and 28)	641,665	648,117
Other noncurrent assets (Notes 15 and 27)	477,165	399,179
Total Noncurrent Assets	20,561,126	19,298,150
	₱32,834,146	₱32,011,025
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 16, 27 and 28)	₱3,577,415	₱2,779,103
Trade and other payables (Notes 17, 27 and 28)	2,681,726	2,150,350
Contract liabilities (Note 18 and 27)	230,936	1,416,637
Trust receipts payable (Notes 27 and 28)	266,668	128,249
Derivative liability (Notes 27 and 28)	1,097	371
Income and other taxes payable	136,660	49,151
Current portion of:		
Long-term debt (Notes 19, 27 and 28)	630,828	652,399
Lease liabilities (Note 29)	94,007	102,676
Due to related parties (Notes 24, 27 and 28)	189,621	155,595
Total Current Liabilities	7,808,958	7,434,531
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 27 and 28)	10,663,815	10,282,347
Non-controlling interest put liability (Note 28)	2,379,469	2,188,320
Deferred tax liabilities - net (Note 25)	403,530	426,529
Pension and other post-employment benefits (Note 26)	299,731	275,600
Lease liabilities - net of current portion (Note 29)	183,823	211,452
Other noncurrent liabilities	49,402	49,577
Total Noncurrent Liabilities	13,979,770	13,433,825
Total Liabilities	21,788,728	20,868,356

(Forward)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 20)	₱2,863,312	₱2,863,312
Additional paid-in capital	396,845	396,845
Treasury shares (Note 20)	(182)	(182)
Exchange differences on translation of foreign operations	(839)	(933)
Equity reserves	(446,421)	(299,535)
Other comprehensive income	53,690	50,920
Share in other comprehensive income of associates	9,608	9,809
Retained earnings (Note 20)	5,397,848	5,360,643
Equity Attributable to Equity Holders of the Parent	8,273,861	8,380,879
Non-controlling Interests	2,771,557	2,761,790
Total Equity	11,045,418	11,142,669
	₱32,834,146	₱32,011,025

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended June 30		Six -Month Periods Ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
REVENUES				
Revenue from contracts with customers				
Sale of goods	P3,425,231	P3,712,094	P6,723,396	P7,163,276
Tuition, school fees and other services	487,477	274,606	1,790,679	1,184,438
Hospital routine services	47,081	45,739	102,858	79,419
Consultancy services	25,153	12,583	45,679	23,652
Installation services	11,893	10,293	21,372	26,640
Rental income	22,437	19,522	42,087	36,959
Investment income	84,529	62,998	160,862	117,468
	4,103,801	4,137,835	8,886,933	8,631,852
COSTS AND EXPENSES				
Cost of sales (Note 21)	3,032,322	3,172,845	5,791,597	6,029,071
Cost of educational, installation, hospital and consultancy services (Note 21)	415,303	312,715	947,256	707,619
General and administrative expenses (Note 22)	486,462	364,645	1,037,984	860,184
Selling expenses (Note 23)	85,268	116,245	266,835	270,891
	4,019,355	3,966,450	8,043,672	7,867,765
OTHER INCOME (EXPENSES)				
Interest expense and other financing charges	(164,528)	(167,481)	(338,390)	(338,760)
Equity in net earnings (losses) of associates and joint ventures (Note 9)	(42,045)	(1,424)	(79,035)	16,278
Gain (loss) on change in fair value of financial assets at FVPL	34,054	64,625	(21,990)	95,214
Gain (loss) on derivatives – net	9,171	14,382	(7,272)	15,928
Foreign exchange gains - net	5,375	50,291	3,930	63,481
Gain on sale of property, plant and equipment – net	100	66	1,231	125
Others – net	10,846	15,486	18,659	22,591
	(147,027)	(24,055)	(422,867)	(125,143)
INCOME (LOSS) BEFORE INCOME TAX	(62,581)	147,330	420,394	638,944
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)				
Current	5,201	25,024	17,324	24,619
Deferred	(39,974)	(23,303)	(53,684)	(24,747)
	(34,773)	1,721	(36,360)	(128)
NET INCOME (LOSS)	(P27,808)	P145,609	P456,754	P639,072
Attributable to:				
Equity holders of the Parent	(P18,606)	P114,778	P208,762	P406,833
Non-controlling interests	(9,202)	30,831	247,992	232,239
Net income (loss)	(P27,808)	P145,609	P456,754	P639,072
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 31)				
	(P0.06)	P0.42	P0.73	P1.50

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(Amounts in Thousands)

	Three-Month Periods Ended June 30		Six-Month Periods Ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
NET INCOME (LOSS)	(P27,808)	P145,609	P456,754	P639,072
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Re-measurement gain (loss) on defined benefit obligation	(13,674)	6,746	(20,927)	6,746
Unrealized gain on change in fair value of financial assets at fair value through other comprehensive income	49	99	3,549	1,400
Share in unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income and defined benefit obligation of associates and joint ventures	(310)	65	(201)	(1,620)
Income tax effect	—	(38)	(525)	(195)
	(13,935)	6,872	(18,104)	6,331
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	(26)	(292)	128	(358)
Total other comprehensive income (loss)	(13,961)	6,580	(17,976)	5,973
TOTAL COMPREHENSIVE INCOME	(P41,769)	P152,189	P438,778	P645,045
Attributable to:				
Equity holders of the Parent	(P14,040)	P118,710	P211,663	P410,089
Non-controlling interests	(27,729)	33,479	227,115	234,956
Total comprehensive income	(P41,769)	P152,189	P438,778	P645,045

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										Non-controlling Interests	Total Equity
	Capital Stock (Note 20)	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income of Associates	Retained Earnings (Note 20)		Subtotal		
								Appropriated	Unappropriated			
Balance, December 31, 2022 (Audited)	₱2,863,312	₱396,845	(₱182)	(₱933)	(₱299,535)	₱50,920	₱9,809	₱1,765,500	₱3,595,143	₱8,380,879	₱2,761,790	₱11,142,669
Net income	-	-	-	-	-	-	-	-	208,762	208,762	247,992	456,754
Other comprehensive income (loss)	-	-	-	94	-	3,008	(201)	-	-	2,901	(20,877)	(17,976)
Total comprehensive income	-	-	-	94	-	3,008	(201)	-	208,762	211,663	227,115	438,778
Cash dividends (Note 20)	-	-	-	-	-	-	-	-	(171,795)	(171,795)	(173,085)	(344,880)
Realized gain on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(238)	-	-	238	-	-	-
Put option over non-controlling interests (Note 20)	-	-	-	-	(146,886)	-	-	-	-	(146,886)	(44,263)	(191,149)
Reversal of appropriation (Note 20)	-	-	-	-	-	-	-	(1,765,500)	1,765,500	-	-	-
Appropriation of retained earnings (Note 20)	-	-	-	-	-	-	-	1,600,000	(1,600,000)	-	-	-
								₱1,600,000				
Balance, June 30, 2023 (Unaudited)	₱2,863,312	₱396,845	(₱182)	(₱839)	(₱446,421)	₱53,690	₱9,608		₱3,797,848	₱8,273,861	₱2,771,557	₱11,045,418

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income (Loss) of Associates	Retained Earnings		Subtotal	Non-controlling Interests	Total Equity
								Appropriated	Unappropriated			
Balance, December 31, 2021 (Audited)	₱2,863,312	₱259,248	(₱143,574)	(₱581)	(₱95,484)	₱38,167	₱11,538	₱1,765,500	₱2,769,021	₱7,467,147	₱2,465,914	₱9,933,061
Net income	-	-	-	-	-	-	-	-	406,833	406,833	232,239	639,072
Other comprehensive income (loss)	-	-	-	(290)	-	1,140	(1,620)	-	4,026	3,256	2,717	5,973
Total comprehensive income	-	-	-	(290)	-	1,140	(1,620)	-	410,859	410,089	234,956	645,045
Cash dividends (Note 20)	-	-	-	-	-	-	-	-	(135,930)	(135,930)	(167,615)	(303,545)
Put option over non-controlling interests	-	-	-	-	(151,361)	-	-	-	-	(151,361)	(11,360)	(162,721)
Buyback of shares	-	-	(459)	-	-	-	-	-	-	(459)	-	(459)
Balance, June 30, 2022 (Unaudited)	₱2,863,312	₱259,248	(₱144,033)	(₱871)	(₱246,845)	₱39,307	₱9,918	₱1,765,500	₱3,043,950	₱7,589,486	₱2,521,895	₱10,111,381

See accompanying Notes to Interim Condensed Consolidated Financial Statements

PHINMA CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in Thousands)**

	Six-Month Periods Ended June 30	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱420,394	₱638,944
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 21, 22 and 23)	339,114	301,171
Interest expense and other financing charges	338,390	338,760
Interest income	(154,007)	(114,345)
Equity in net losses of associates and joint ventures (Note 9)	79,035	(16,278)
Pension and other employee benefits expense	54,952	43,300
Unrealized loss (gain) on change in fair value of investment	21,990	(95,214)
Net loss (gain) on derivatives	7,272	(15,928)
Gain on investments held for trading – net	(6,706)	(3,013)
Unrealized foreign exchange loss (gain) – net	(3,930)	(63,481)
Gain on sale of property, plant and equipment - net	(1,231)	(125)
Dividend income	(149)	(111)
Operating income before working capital changes	1,095,124	1,013,680
Decrease (increase) in:		
Trade and other receivables	640,809	518,869
Inventories	214,530	(153,535)
Input value-added taxes and other current assets	220,857	(83,914)
Increase (decrease) in:		
Trade and other payables	480,632	(224,987)
Trust receipts payables	138,419	(878,878)
Contract liabilities	(1,185,701)	(997,924)
Net cash provided by (used in) operations	1,604,670	(806,689)
Interest paid	(321,582)	(365,926)
Income tax paid	(66,475)	(36,480)
Contributions to the pension fund and benefits paid from operating fund	(51,748)	(35,891)
Interest received	46,646	25,246
Net cash provided by (used in) operating activities	1,211,511	(1,219,739)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment held for trading	(99,483)	(1,142,169)
Financial assets at fair value through profit and loss		
Property, plant and equipment	(1,317,403)	(611,127)
Investment in and advances to associates	(276,000)	-
Intangible assets	(7,813)	(72)
Proceeds from sale of:		
Investment held for trading	379,696	680,628
Investment properties	-	3,929
Property, plant and equipment	2,513	297
Financial assets at FVOCI	250	-
Increase in other noncurrent assets	(77,986)	(12,632)
Dividends received	149	111
Net cash used in investing activities	(1,396,077)	(1,081,035)

	Six-Month Periods Ended June 30	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Notes payable	(751,997)	(1,086,718)
Long-term debt	(365,868)	(774,179)
Cash dividends	(282,223)	(3,774)
Lease liability	(44,561)	(60,299)
Treasury shares	-	(459)
Proceeds from availments of:		
Notes payable	1,550,000	2,800,396
Long-term debt	705,650	1,069,322
Increase (decrease) in due to related parties	34,026	(47,879)
Increase (decrease) in other noncurrent liabilities	(175)	1,323
Net cash provided by financing activities	844,852	1,897,733
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,930	63,481
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	664,216	(339,560)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,421,578	3,695,914
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱4,085,794	₱3,356,354

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

PHINMA Corporation (PHN or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 12, 1957.

The Parent Company is listed in the Philippine Stock Exchange (PSE) since August 15, 1958.

On August 2, 2006, the Philippine SEC approved the extension of the Parent Company's corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the Parent Company's corporate name from Bacnotan Consolidated Industries, Inc. to PHINMA Corporation. Its principal activity is holding investments in shares in various subsidiaries, associates and investees and other financial instruments.

Following are the subsidiaries of the Parent Company and the nature of their principal business activities:

Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	June 30, 2023			December 31, 2022		
			PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	98.01	–	98.01	98.01	–	98.01
PHINMA Solar Energy Corporation (PHINMA Solar) ^(g)	Solar rooftop	December 31	–	100.00	98.01	–	100.00	98.01
PHINMA Education Holdings, Inc. (PEHI) ^(a and b)	Holding company	March 31	67.18	–	67.18	67.18	–	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU) ^(a)	Educational institution	March 31	–	97.57	65.55	–	97.57	65.55
Cagayan de Oro College, Inc. (COC) ^(a)	Educational institution	March 31	–	91.27	61.32	–	91.27	61.32
University of Iloilo (UI) ^(a)	Educational institution	March 31	–	69.23	46.51	–	69.23	46.51
University of Pangasinan (UPANG) and Subsidiary ^(a)	Educational institution	March 31	–	69.33	46.58	–	69.33	46.58
Southwestern University (SWU) ^(a)	Educational institution	March 31	–	84.34	56.66	–	84.34	56.66
St. Jude College, Inc. (SJCI)	Educational institution	December 31	–	98.30	66.04	–	98.30	66.04
Republican College, Inc. (RCI) ^(c)	Educational institution	December 31	–	98.41	66.11	–	98.41	66.11
Rizal College of Laguna (RCL) ^(a and d)	Educational institution	April 30	–	90.00	60.46	–	90.00	60.46
Union College of Laguna (UCL) ^(a and e)	Educational institution	May 31	–	80.91	54.36	–	80.91	54.36
Career Academy Asia, Inc. (CAA) ^(f)	Educational Institution	March 31	90.00	–	90.00	90.00	–	90.00
Philcement Corporation (Philcement)	Manufacturing and distribution of cement products	December 31	60.00	–	60.00	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	60.00	–	60.00	60.00	–	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	57.62	–	57.62	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary ^(b)	Business process outsourcing - animation services	December 31	80.00	–	80.00	80.00	–	80.00

^(a) Balances as at and for the period/year ended June 30 and December 31, respectively, of these subsidiaries were used for consolidation purposes.

^(b) CAA ceased its operations on March 31, 2019.

^(c) OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.

The Parent Company and its subsidiaries (collectively referred to as “the Company”) were all incorporated in the Philippines, except for OAL which was incorporated in Hong Kong. The Company’s ultimate parent company is Philippine Investment-Management (PHINMA), Inc. (PHINMA Inc.), which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 32 to the consolidated financial statements.

The registered office address of the Parent Company is 12th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on August 8, 2023.

2. **Basis of Preparation and Consolidation and Statement of Compliance**

Basis of Preparation

The interim condensed consolidated financial statements of the Company have been prepared on a historical cost basis, except for investments held for trading classified as financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value.

The interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The BOD considers that there are no material uncertainties that may cast significant doubt over this assumption. The BOD has formed a judgment that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. The interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s audited consolidated financial statements as at December 31, 2022. These interim condensed consolidated financial statements have been prepared for inclusion in the Prospectus to be prepared by the Company for its planned offering transaction.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at June 30, 2023, there were no significant changes in the Parent Company’s ownership interest in its subsidiaries.

3. Changes in Accounting Policies and Disclosures

Current Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2023. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the consolidated financial statements of the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. The amendments had no impact on the Company’s interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Company’s annual consolidated financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

The amendments had no impact on the Company’s interim condensed consolidated financial statements.

Future Changes in Accounting Policies and Disclosures

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively with early adoption permitted.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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 FRSC 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.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the interim condensed consolidated financial statements. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets or liabilities in the future.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Cash on hand and in banks	₱2,294,335	₱1,727,119	₱2,246,044
Short-term deposits	1,791,459	1,694,459	1,110,310
	₱4,085,794	₱3,421,578	3,356,354

Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

6. Investments Held for Trading

This account consists of investments in:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Unit Investment Trust Funds (UITFs)	₱374,208	₱647,383
Marketable equity securities	6,601	6,933
	₱380,809	₱ 654,316

7. Trade and Other Receivables

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Receivables from customers	₱3,499,896	₱4,384,912
Advances to suppliers and contractors	1,881,115	1,759,992
Advances to officers and employees	44,884	56,148
Rent receivables	101,722	95,761
Due from related parties (see Note 24)	30,597	28,918
Loans receivable	4,634	4,417
Accrued interest receivables	445,907	338,546
Others	432,904	340,181
	6,441,659	7,008,875
Less allowance for expected credit losses (ECLs)	1,343,651	1,377,419
	₱5,098,008	₱5,631,456

Movements in the allowance for ECLs are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱1,377,419	₱1,198,614
Provisions (see Note 22)	49,103	178,805
Reversals (see Note 22)	(82,871)	—
	₱1,343,651	₱1,377,419

The changes in the gross carrying amount of receivables during the period and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

8. Inventories

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At cost:		
Finished goods	₱1,701,618	₱1,942,001
Raw materials	228,055	186,259
Other inventories	123,591	149,607
At net realizable value:		
Spare parts and others	58,296	90,345
Other inventories	49,918	7,796
	₱2,161,478	₱2,376,008

9. Investment in and advances to Associates and Joint Ventures

This account consist of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Investment in associates	₱986,700	735,117
Investment in joint ventures	346,701	349,410
Advances to associates	276,000	328,110
	₱1,609,401	₱1,412,637

The Company's associates and joint ventures consist of the following:

	Percentage of Ownership			
	2023		2022	
	Direct	Effective	Direct	Effective
Investment in associates:				
PHINMA Property Holdings Corporation (PPHC) ^(a)	40.10	48.86	35.42	42.71
ABCIC Property Holdings, Inc. (APHI) ^(b)	26.51	28.15	26.51	28.15
Coral Way City Hotel Corporation (Coral Way) ^(c)	23.75	29.27	23.75	29.27
PHINMA Hospitality, Inc (PHI) ^(d)	–	20.88	–	20.88
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) ^(e)	–	35.92	–	35.92
PT Ind Phil Managemen (IPM) ^(e)	–	46.17	–	46.17

(a) Indirect ownership through API and APHI

(b) Indirect ownership through UGC.

(c) Indirect ownership through PHI.

(d) Formerly Microtel Development Corporation (MDC). Indirect ownership through API.

(e) Indirect ownership through PEHI.

Investment in and advances to Associates

The detailed carrying values of investments in associates (accounted for under the equity method) are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
PPHC	₱885,371	₱694,647
APHI	172,649	173,191
PHI	136,801	132,476
Coral Way	67,879	62,913
	₱1,262,700	₱1,063,227

The movements and details of the investments in associates are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Acquisition cost:		
Balance at beginning of period	₱1,535,212	₱1,535,212
Conversion of advances to investment	328,110	–
Balance at end of period	1,863,322	1,535,212
Accumulated equity in net losses:		
Balance at beginning of period	(825,859)	(883,407)
Equity in net earnings (losses)	(76,326)	57,548
Balance at end of period	(902,185)	(825,859)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of period	25,764	27,493
Share in other comprehensive loss	(201)	(1,729)
Balance at end of period	25,563	25,764
	₱986,700	=735,117

The movement in advances to associate is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	₱328,110	₱328,110
Advances during period	276,000	–
Conversion to investment in associate	(328,110)	–
Balance at end of year	₱276,000	₱328,110

On January 18, 2023, the Company advanced the amount of ₱276.0 million to PPHC for future subscription in common shares.

Pursuant to the deeds of assignment dated December 28, 2018, the Company and APHI transferred real properties in exchange for PPHC shares. PPHC issued 65,622 shares to the Company at par value of ₱5,000.00 per share in exchange for the real property with appraised value of ₱328.1 million,

costing ₱20.0 million. In 2018, the Company and APHI applied for a tax-free exchange pursuant to Section 40(C) of the Tax Code, as amended.

On April 13, 2023, the request for increase in capital stock of PPHC with SEC was approved. The Company's advances to PPHC amounting to ₱328.1 million was converted to investment in PPHC and this resulted to change in ownership interest from 35.42% to 40.10%.

Interests in Joint Ventures

This account consist of investment in IPM, accounted for under equity method. The movements and details of the investments in joint ventures are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<u>Acquisition costs:</u>		
Balance at beginning of period	₱344,769	₱235,503
Additions	-	109,266
Balance at end of period	344,769	344,769
<u>Accumulated equity in net earnings (losses):</u>		
Balance at beginning of period	4,641	4,175
Equity in net earnings (losses)	(2,709)	466
Balance at end of period	1,932	4,641
	₱346,701	₱349,410

10. Financial Assets at FVPL

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Investment in preferred shares	₱2,187,098	₱2,209,088

On September 18, 2019, the Parent Company executed a Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Manh Truong (Sponsor) for the investment of US\$50.0 million via preferred shares in Song Lam. Song Lam manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of Philcement, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Parent Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the Parent Company's subscription of the new preferred shares of Song Lam. An advance payment of 10% equivalent to US\$5.0 million was made on November 26, 2019 and the 90% balance or US\$45.0 million was paid on May 18, 2021. The total US\$50.0 million investment has an equivalent peso amount of ₱2.39 billion on May 18, 2021.

The preferred shares are entitled to receive an annual fixed cumulative dividends of 7.5%, independent of Song Lam's business outcome and regardless of operating business results of Song Lam and the existence of retained earnings. The preferred shares shall be convertible to common shares after two (2) years from issuance thereof. The Parent Company may convert the preferred shares between the last day of the second (2nd) year after issuance thereof until the end of the seventh (7th) year following said issuance.

The Parent Company has the option to sell the preferred shares or converted shares to Vissai, the Sponsor or Song Lam at a price equivalent to seventy-five million US Dollars (US\$75,000,000.00), less the amount of preferred dividends received by the Parent Company. The put option may be exercised by the Parent Company after five (5) years from closing and until the end of the seventh (7th) year from said closing.

11. Financial Assets at FVOCI

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Investment in club shares	₱44,250	₱41,000
Non-listed equity securities	82,008	81,959
	₱126,258	₱122,959

Investment in equity investments pertain to shares of stock and club shares which are not held for trading. The Company has irrevocably designated the equity instruments at FVOCI, as the Company considers these investments to be strategic in nature.

12. Property, Plant and Equipment

This account consists of:

	January 1, 2023	Additions	Disposals	Reclassifications	June 30, 2023 (Unaudited)
Cost					
Land	₱3,271,394	₱270,381	₱-	₱-	₱3,541,775
Plant site improvements	3,472,872	-	-	-	3,472,872
Buildings and improvements	4,549,537	568,236	-	-	5,117,773
Machinery and equipment	2,495,712	134,727	-	-	2,630,439
Transportation and other equipment	602,384	41,710	(1,709)	-	642,385
	14,391,899	1,015,054	(1,709)	-	15,405,244
Less Accumulated Depreciation					
Plant site improvements	375,831	163,364	-	-	539,195
Buildings and improvements	1,592,772	70,836	-	-	1,663,608
Machinery and equipment	1,842,164	45,457	-	-	1,887,621
Transportation and other equipment	404,896	13,834	(427)	-	418,303
	4,215,663	293,491	(427)	-	4,508,727
	10,176,236	721,563	(1,282)	-	10,896,517
Construction in progress	1,406,151	302,349	-	(68,589)	1,639,911
Net Book Value	₱11,582,387	₱1,023,912	(₱1,282)	(₱68,589)	₱12,536,428

	January 1, 2022	Additions	Disposals	Reclassifications	December 31, 2022 (Audited)
Cost					
Land	₱3,141,322	₱130,072	₱-	₱-	₱3,271,394
Plant site improvements	3,473,015	-	(10,884)	10,741	3,472,872
Buildings and improvements	4,147,397	408,070	(5,930)	-	4,549,537
Machinery and equipment	2,271,102	224,610	-	-	2,495,712
Transportation and other equipment	560,501	46,622	(4,739)	-	602,384
	13,593,337	809,374	(21,553)	10,741	14,391,899
Less Accumulated Depreciation					
Plant site improvements	246,493	140,222	(10,884)	-	375,831
Buildings and improvements	1,460,651	138,051	(5,930)	-	1,592,772
Machinery and equipment	1,633,050	209,114	-	-	1,842,164
Transportation and other equipment	366,988	41,082	(3,174)	-	404,896
	3,707,182	528,469	(19,988)	-	4,215,663
	9,886,155	280,905	(1,565)	10,741	10,176,236
Construction in progress	779,711	637,181	-	(10,741)	1,406,151
Net Book Value	₱10,665,866	₱918,086	(₱1,565)	₱-	₱11,582,387

Interest capitalized as part of “Construction in progress” account amounted to nil and ₱42.6 million at capitalization rate ranging from 3.07% to 7.1% as at June 30, 2023 and as at December 31, 2022 respectively.

Certain property and equipment of AU, COC, UI, UPANG, Philcement and UGC with aggregate amount of ₱4,863.1 million and ₱4,922.4 million as at June 30, 2023 and December 31, 2022, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 19).

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

13. Investment Properties

This account consists of

	January 1, 2023	Additions	Disposal	June 30, 2023 (Unaudited)
Cost:				
Land	₱614,504	₱–	₱–	₱614,504
Buildings for lease	85,625	–	–	85,625
	700,129	–	–	700,129
Less accumulated depreciation -				
Buildings for lease	72,838	297	–	73,135
	₱627,291	(₱297)	–	₱626,994

	January 1, 2022	Additions	Disposal	December 30, 2022 (Unaudited)
Cost:				
Land	₱610,724	₱3,780	–	₱614,504
Buildings for lease	95,625	–	(10,000)	85,625
	706,349	3,780	(10,000)	700,129
Less accumulated depreciation -				
Buildings for lease	78,911	760	(6,833)	72,838
	₱627,438	₱3,020	(₱3,167)	₱627,291

As at June 30, 2023 and December 31, 2022, the fair values of the investment properties amounted to ₱2,919.4 million, respectively, based on valuations performed by accredited independent appraisers on various dates from 2019 to 2022. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱165,000–₱255,000

The fair value disclosure is categorized under Level 3..

PSHC's land amounting to ₱220.0 million as at June 30, 2023 and December 31, 2022, respectively, is used as a security for its long-term debt (see Note 19). Other than this, the Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

The COVID-19 pandemic did not materially affect the recoverability of investment properties.

14. Intangible Assets

Following are the details and movements in this account:

	Student List	Software Costs	Goodwill	Total
Cost				
At January 1, 2022	₱165,638	₱74,526	₱2,221,068	₱2,461,232
Additions	–	11,124	–	11,124
At December 31, 2022 (Audited)	165,638	85,650	2,221,068	2,472,356
Reclassifications (see Note 11)	–	68,589	–	68,589
Additions	–	7,813	–	7,813
At June 30, 2023 (Unaudited)	165,638	162,052	2,221,068	2,548,758
Amortization and Impairment				
At January 1, 2022	₱165,638	₱39,883	₱403,132	₱608,653
Amortization	–	9,978	–	9,978
At December 31, 2022 (Audited)	165,638	49,861	403,132	618,631
Amortization	–	11,104	–	11,104
At June 30, 2023 (Unaudited)	165,638	₱ 60,965	403,132	629,735
Net Book Value				
At June 30, 2023 (Unaudited)	₱–	₱101,087	₱1,817,936	₱1,919,023
At December 31, 2022 (Audited)	–	35,789	1,817,936	1,853,725

15. Other Noncurrent Assets

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to suppliers and contractors	₱413,112	₱336,203
Indemnification assets	38,114	38,114
Refundable deposits	12,559	10,193
Creditable withholding taxes	7,812	7,812
Others	5,568	6,857
	₱477,165	₱399,179

16. Notes Payable

This account consists of notes payable of the Parent Company and subsidiaries:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Philcement	₱2,525,000	₱1,775,000
UGC	1,052,415	1,004,103
	₱3,577,415	₱2,779,103

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 3.50% to 6.95% and 2.60% to 4.05% in 2023 and 2022, respectively.

17. Trade and Other Payables

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade	₱1,251,296	₱1,107,394
Accruals for:		
Professional fees and others	645,223	591,946
Personnel costs	483,571	113,109
Interest	70,244	73,551
Freight, hauling and handling	115,070	45,797
Dividends	75,259	185,687
Deposit liabilities	8,164	4,874
Others	32,899	27,992
	₱2,681,726	₱2,150,350

18. Contract Liabilities

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Unearned revenues	₱127,458	₱1,327,343
Customers' deposits	103,478	89,294
	₱230,936	₱1,416,637

Unearned revenues pertain to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year.

Customers' deposits pertain to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the financial year.

19. Long-term Debt

This account consists of the Parent Company's fixed-rate bonds and long-term liabilities of the subsidiaries:

PHN Fixed Rate Bonds due 2024

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Principal	₱3,000,000	₱3,000,000
Less debt issuance cost	19,096	27,223
	₱2,980,904	₱2,972,777

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to two Billion Pesos (₱2,000,000,000.00), with an oversubscription option of up to One Billion Pesos (₱1,000,000,000.00) at an offer price of 100% of face value. This bond offering was authorized by resolutions of the BOD of the Parent Company on March 2, 2021 and the Executive Committee of the Parent Company on April 30, 2021. The Certificate of Permit to offer securities for sale was issued by SEC on August 10, 2021. The interest rate was set at 3.5335% and the offer period commenced at 9:00 a.m. on August 10, 2021 and ended at 5:00 p.m. on August 16, 2021. The Parent Company appointed: China Bank Capital Corporation and SB Capital Investment Corporation as Joint Issue Managers and Joint Lead Underwriters; Rizal Commercial Banking Corporation –Trust and Investments Group as the Trustee; and Philippine Depository & Trust Corp. as the Registrar and Paying Agent.

The bonds were listed in the Philippine Dealing & Exchange Corp. on August 20, 2021.

The balance of unamortized debt issuance cost follows:

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Beginning of year	₱27,223	₱42,984
Additions	–	–
Amortization	(8,127)	(15,761)
	₱19,096	₱27,223

Long- Term Loans

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
PEHI	₱1,991,120	₱2,025,080
PHN	1,940,000	1,950,000
Philcement	1,068,056	1,288,365
SWU	586,000	589,000
UGC	937,500	962,500
UPANG	442,350	226,933
AU	308,193	221,497

(Forward)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
UI	₱383,000	₱386,000
COC	322,808	150,965
SJC	180,000	-
PSHC	111,982	120,982
PSEC	91,667	97,222
	8,362,676	8,018,544
Less debt issuance cost	48,937	56,575
	8,313,739	7,961,969
Less current portion - net of debt issuance cost	630,828	652,399
	₱7,682,911	₱7,309,570

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, Philcement, PEHI, AU, COC, UPANG, UI and SWU for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at June 30, 2023, the Company is in compliance with the required financial ratios and other loan covenants.

Certain assets amounting to ₱5,083.1 million and ₱5,142.3 million as at June 30, 2023 and December 31, 2022, respectively are mortgaged as collaterals for the respective long-term debts as follows (see Notes 12 and 13):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
Philcement	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease.
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of period	₱56,575	₱62,043
Additions	4,350	12,440
Amortization	(11,988)	(17,908)
End of period	₱48,937	₱56,575

The details of long-term debts are summarized below:

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Dates Drawn	Amount Drawn	Outstanding Amounts ⁽⁹⁾	
				Installments	Final Installment	Interest Rate			June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
PEHI	₱1,500,000 ⁽¹⁾	December 7, 2015	RCBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First five years is based on the three-day average of five-year Philippine Dealing System Treasury Reference Rate (PDST-R2) plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 7, 2015	₱500,000	₱426,954	₱433,375
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	760,611	796,255
PEHI	1,000,000 ⁽¹⁾	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	434,564	441,901
PEHI	364,000 ⁽²¹⁾	December 27, 2021	RCBC	15 equal quarterly payments of ₱2.7 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 27, 2022.	December 7, 2025	Fixed rate of 4.85% per annum, inclusive of GRT until the end of the term.	December 27, 2021	364,000	348,094	351,016
(Forward) COC	100,000 ⁽²⁾	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First	March 27, 2013	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018,	March 27, 2013	50,000	-	1,251

principal payment
commenced on June 27,
2013.

6.05% from March 27, 2018 to
March 27, 2020 and 6.30% from
March 27, 2020 to March 27, 2023
with the EIR of 6.12% over 365
days.

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Dates Drawn	Amount Drawn	Outstanding Amounts ⁽⁹⁾	
				Installments	Final Installment	Interest Rate			June 30, 2023	December 31, 2022
									(Unaudited)	(Audited)
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	-	1,284
COC	125,000 ⁽⁵⁾	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	124,368	123,003
COC	25,000 ⁽⁴⁾	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	-	25,000
COC	150,000 ⁽³⁾	February 1, 2023	CBC	Quarterly principal payments as follows: 1.69 million from May 10, 2025 to November 10, 2032 and; 97.5 million upon maturity on February 10, 2033	March 1, 2033	Interest payable quarterly in arrears @ 7.3170% p.a. fixed up to 2/10/2028, and 7.6258% p.a. thereafter up to 2/10/2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	March 1, 2023	150,000	147,911	-

Debtor	Loan Amount	Date of Loan Agreement	Lender	Installments	Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts ⁽⁹⁾	
									June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
COC	50,000 ⁽³⁾	February 1, 2023	CBC	Quarterly principal payments as follows: 0.565million from May 10, 2025 to November 10, 2032 and; 32.5million upon maturity on February 10, 2033	February 27, 2033	Interest payable quarterly in arrears @ 7.2824% p.a. fixed up to 2/10/2028, and 7.5897% p.a. thereafter up to 2/10/2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	February 27, 2023	50,000	49,042	-
UI	200,000 ⁽²⁾	December 12, 2017	CBC	Quarterly principal payments as follows: P1.0 million per quarter for the 3 rd and 4 th year from initial drawdown; P1.5 million per quarter for the 5 th and 6 th year; P2.5 million per quarter for the 7 th until 9 th year; and, P37.5 million per quarter for the 10 th year.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	December 20, 2017	100,000	91,446	92,088
UI	₱200,000 ⁽⁵⁾	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the	April 24, 2018	₱100,000	₱91,769	₱92,556

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Dates Drawn	Amount Drawn	Outstanding Amounts ⁽⁹⁾	
				Installments	Final Installment	Interest Rate			June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
UI	200,000 ⁽⁵⁾	October 14, 2022	CBC	Agreement, both the first and second drawdown will be repaid at the same dates and terms. Quarterly principal payments as follows: 1.5 million per quarter from the beginning of the 3rd year drawn	December 18, 2032	remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%. For the first seven years, from the initial drawn date to the end of the 7th year. Interest shall be based on the sum of the applicable 7-year benchmark and margin. For the next 3 years: from the beginning of the 8th year to final maturity date - sum of the applicable 3-year benchmark and the margin.	October 18, 2022	200,000	197,340	198,582
AU	57,000 ⁽⁶⁾	November 29, 2019	CBC	20 equal quarterly payments of P2.7 million with the remaining balance to be paid on maturity date. First principal payment commenced on February 29, 2020.	November 29, 2024	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	53,700	18,257	21,351
AU	100,000 ⁽⁶⁾	November 29, 2019	CBC	27 equal quarterly payments of P1.5 million starting from February 28, 2023 to August 29, 2029 with the remaining balance of P60.6 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	95,923	99,315
AU	100,000 ⁽⁶⁾	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of P2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of P3.8 million from February 28, 2025 to November 29, 2028 and 4 quarterly installment of P5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	94,923	99,357

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Dates Drawn	Amount Drawn	Outstanding Amounts ⁽⁹⁾	
				Installments	Final Installment	Interest Rate			June 30, 2023	December 31, 2022
									(Unaudited)	(Audited)
AU	100,000 ⁽⁶⁾	February 1, 2023	CBC	Quarterly principal payments as follows: 1.1million from June 1, 2025 to December 1, 2032 and; 65million upon maturity on March 1, 2033	March 1, 2033	Interest payable quarterly in arrears @ 7.3900% p.a. fixed up to 3/1/2028, and 7.7019% p.a. thereafter up to 3/01/2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	March 1, 2023	100,000	97,260	-
UPANG	₱190,000 ⁽¹⁾	March 27, 2018	CBC	32 unequal quarterly payments as follows: ₱1.9 million from June 27, 2020 to March 27, 2022; ₱2.9 million from June 27, 2022 to March 27, 2025; ₱4.8 million from June 27, 2025 to March 27, 2027; and ₱25.7 million from June 27, 2027 to March 27, 2028.	March 27, 2028	Interest shall be payable quarterly in arrears from February 27, 2018 to June 27, 2018 (92 days) shall be at 6.50% inclusive of GRT fixed for the first five years. Interest shall be based on five-year PDST-R2 (5.22% + 122 bps + 1% GRT. The interest rate for the remaining five years of the loan shall be the PDST-R2 plus a spread of up to 125 bps or 6.50% whichever is higher.	March 27, 2018	₱190,000	₱159,894	₱165,554
UPANG	100,000 ⁽⁷⁾	February 1, 2023	CBC	Quarterly principal payments as follows: 1.1million from May 27, 2025 to November 27, 2032 and; 65million upon maturity on February 27, 2033	February 27, 2033	Interest payable quarterly in arrears @ 7.3871% p.a. fixed up to 2/27/2028, and 7.6988% p.a. thereafter up to 2/27/2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	February 27, 2023	100,000	99,265	-
UPANG Urdaneta	100,000 ⁽⁷⁾	September 29, 2015	RCBC	28 quarterly payments, to commence at the end of the 13th quarter from the initial drawdown date.	September 29, 2025	Interest shall be payable quarterly in arrears. i. Fixed rate for the first seven (7) years of the term based on three- day average of seven-year PDST-R2 + 1.42%, subject to repricing at the end of the seventh year; and, ii. On the last three years of the term, the interest rate shall be based on the interest rate then current or the three-day average of three-year PDST-R2 + 1.42%, whichever is higher.	September 29, 2015	100,000	51,717	60,488
UPANG Urdaneta	130,000 ⁽⁷⁾	June 1, 2023	RCBC	31 quarterly payments of 1.4 million with the remaining balance of 84.4 million to be paid on maturity date.	June 1, 2023	Interest payable quarterly in arrears @ 7.0200% p.a. fixed up to June 1, 2028 and 7.3160% thereafter up to June 1 2030. From the beginning of the 8th year to final maturity date, interest shall be	June 1, 2023	130,000	129,139	-

SWU	400,000 ⁽⁸⁾	December 6, 2017	RCBC	First principal payment will commence on September 1, 2025. 28 quarterly payments of ₱1.0 million. First principal payment commenced on March 7, 2021.	December 7, 2027	applicable 3-year BVAL + 115bps of three-year PDST-R2 + 1.42%, whichever is higher. Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018 April 18, 2018	100,000 200,000 100,000 200,000	97,665 195,331 97,667 195,827	97,915 195,831 97,915 196,829
SWU	200,000 ⁽⁸⁾	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on Ju18, 2021	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	195,827	196,829
SJC	130,000	April 25, 2023	RCBC	Equal quarterly amortization of 1.2 million from 9th to the 39th quarter from the initial drawdown (August 3, 2025 to February 3, 2033). Remaining outstanding loan of 71.5million shall be payable via balloon payment upon maturity on May 3, 2033	May 3, 2033	Interest payable quarterly in arrears @ 7.232% p.a. fixed up to 02/03/2028 and 7.534% p.a. thereafter up to 02/03/2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to: the sum of 3-yr BVAL + Margin	May 3, 2033	110,000	178,621	-

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Dates Drawn	Amount Drawn	Outstanding Amounts ⁽⁹⁾	
				Installments	Final Installment	Interest Rate			June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
PHN	₱2,000,000 ⁽¹⁰⁾	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3 rd year from initial drawdown date until maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.	May 21, 2027	Interest rate is equivalent to: i) the applicable 10-year PDST-R2 Benchmark Rate plus an interest spread of 125 basis points per annum (1.25% p.a.), and ii) 6.25% p.a., whichever is higher.	May 23, 2017	₱2,000,000	₱1,933,129	₱1,942,344
UGC	1,000,000 ⁽²²⁾	February 18, 2022	BDO	Principal amortization commence 3 months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity date.	February 18, 2027	Interest rate is based on 3Y BVAL 3.3618+ spread 1.25%= 4.6118% + 5% GRT = 4.8545%	February 18, 2022	1,000,000	930,218	954,206

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms		Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts ⁽⁹⁾	
				Installments	Final Installment				June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Philcement	875,000 ⁽¹⁴⁾	June 1, 2018	SBC	14 equal quarterly payments ⁽¹⁵⁾	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018	160,000	22,541	45,567
							January 3, 2019	160,000	22,549	45,062
							January 22, 2019	59,000	8,319	16,833
							January 25, 2019	65,000	9,166	18,549
							April 26, 2019	18,555	2,613	5,281
							May 21, 2019	81,439	11,482	23,234
							July 5, 2019	251,977	35,527	71,888
							September 4, 2019	51,418	7,249	14,667
Philcement	₱720,000 ⁽¹⁶⁾	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	₱369,393	₱242,948	₱286,004
								350,637	230,630	271,504
Philcement	500,000 ⁽¹⁷⁾	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from June 30, 2021 to December 29, 2021; ₱2.5 million from March 30, 2022 to December 29, 2022; ₱5.0 million from March 30, 2023 to December 29, 2023; ₱58.4 million from March 29, 2024 to December 27, 2024; ₱49.2 million from March 28, 2025 to December 29, 2025 and ₱36.8 million on March 30, 2026.	March 30, 2026	Interest rate of 5.1% GRT inclusive, fixed rate up to March 29, 2024 and for the remaining two years, the applicable two-year BVAL plus 40 bps, subject to a floor rate of 5.1%	March 19, 2021	500,000	471,301	484,899
PSEC	20,000 ⁽¹⁹⁾	June 25, 2021	DBP	Principal repayment	August 13, 2031	4.875% (4.924% GRT inc.) for the 1st 5	August 31, 2021	20,000	18,127	18,164

PSEC	80,000 ⁽²³⁾	April 21, 2022	DBP	to commence at the end of the fifth (5th) quarter from date of Initial Draw Down. Principal shall be payable in thirty-six equal quarterly installments. Principal repayment to commence at the end of the sixth (6) months from date of Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	With regular interest of 6.37710%	April 21, 2022	80,000	72,860	78,378
PSHC	154,000 ⁽¹⁸⁾	July 15, 2006	United Pulp and Paper Co., Inc. (UPPC)	Annual installment payments of P4.0 million for 32 years starting December 31, 2021.	December 31, 2052	The effective interest rate after modification of term is 6.80%.	July 15, 2006	154,000	111,982	120,982
Total									P8,313,739	P7,961,969

¹⁾ The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.

⁽²⁾ The purpose of this debt is to finance various capital expenditures of COC.

⁽³⁾ The purpose of this debt is to finance the expansion and development plans of COC.

⁽⁴⁾ The purpose of this debt is for general funding requirements of COC.

⁽⁵⁾ The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.

⁽⁶⁾ The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.

⁽⁷⁾ The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.

⁽⁸⁾ The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.

⁽⁹⁾ Amounts are net of unamortized debt discount and/or debt issue cost.

⁽¹⁰⁾ Amounts are net of unamortized debt discount and/or debt issue cost.

⁽¹¹⁾ The purpose of this loan is to refinance the outstanding loan of the Company with SBC in the principal amount of P182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of the Company.

⁽¹²⁾ The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.

⁽¹³⁾ The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.

⁽¹⁴⁾ The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.

⁽¹⁵⁾ Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.

⁽¹⁶⁾ The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.

⁽¹⁷⁾ The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.

⁽¹⁸⁾ The purpose of this loan is to refinance short-term project costs and finance the mixer facility.

⁽¹⁹⁾ The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.

⁽²⁰⁾ The purpose of this loan is to finance the acquisition of land from UPPC.

⁽²¹⁾ The purpose of this loan is to refinance the loan used for the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.

⁽²²⁾ The purpose of this loan is to refinance the outstanding loan of UGC with BDO and convert the short term loans to long-term loans.

⁽²³⁾ The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.

20. Equity

a. Capital Stock

The composition of the Parent Company's capital stock as at June 30, 2023 and December 31, 2022 is as follows:

	Number of Shares	
	June 30, 2022 (Unaudited)	December 31, 2022 (Audited)
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA – Authorized	50,000,000	50,000,000
Class BB – Authorized	50,000,000	50,000,000
Issued and subscribed	–	–
Common - ₱10 par value		
Authorized	420,000,000	420,000,000
Issued	286,303,550	286,303,550
Subscribed	39,994	39,994
Issued and subscribed	286,343,544	286,343,544
Treasury shares	18,279	18,279

The issued and outstanding shares as at June 30, 2023 and December 31, 2022 are held by 1,216 and 1,218 equity holders respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at June 30, 2023 and December 31, 2022.

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

On March 3, 2023, the Parent Company's BOD approved the appropriation of ₱500.0 million for the investment in PPHC and re-appropriation of ₱1.1 billion for the investment in the Construction Materials business until December 31, 2024. In addition, the Parent Company's BOD approved the reversal of previous appropriations of retained earnings amounting to ₱500.0 million for investment in Education business in 2021 and ₱165.5 million for buyback of PHN shares in 2020.

Unappropriated

On February 28, 2020, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱109.0 million, to all common shareholders of record as at March 17, 2020. The cash dividends were paid on March 27, 2020.

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a 4% regular cash dividend amounting to ₱108.8 million or equivalent to ₱0.40 per share and a 1% special cash dividend amounting to ₱27.2 million or equivalent to ₱0.10 per share payable on April 6, 2022 to shareholders of record as at March 22, 2022.

On March 3, 2023, the Parent Company's BOD declared a 6% regular cash dividend amounting to ₱171.8 million or equivalent to ₱0.60 per share payable on April 5, 2023 to shareholders of record as at March 22, 2023.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,857.3 million and ₱1,607.9 million as at June 30, 2023 and December 31, 2022, respectively.

c. Buyback of Shares

On February 28, 2020, the BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

In 2022, 2021 and 2020, the Parent Company bought back shares 23,000 shares, 456,600 shares and 215,800 shares which amounted to ₱0.5 million, ₱7.2 million and ₱1.9 million, respectively.

As at June 30, 2023, the Parent Company bought back a total of nil shares.

d. Put Option over Non-controlling Interests

In 2020, Asian Development Bank invested amounting to ₱625.0 million for 1.1 million shares of PEHI. As a result, additional non-controlling interest put liability is recognized amounting to ₱450.0 million.

Accretion of interest of non-controlling interest put liability amounted to ₱191.1 million and ₱325.4 million as at June 30, 2023 and December 31, 2022, respectively.

e. Sale of Treasury Shares

In 2022, the Parent Company sold 14,431,900 treasury shares which cost ₱143.9 million for ₱281.4 million.

f. Stock Grant Plan

On May 11, 2023, the BOD approved a Stock Grant Plan covering senior officers of the Company and business unit heads of its subsidiaries and affiliates, with shares of the Company to be issued upon the achievement of long-term objectives by December 31, 2025, and under such terms and conditions approved by the Compensation Committee as administrator of the Plan may determine, and setting aside or allotting 10,000,000 new shares from unsubscribed shares of the Company for the Plan, subject to shareholders' approval and approval of the Securities and Exchange Commission and, if required, the Philippine Stock Exchange.

21. **Cost of Sales**

This account consists of:

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Cost of sales	₱5,791,597	₱6,029,071
Cost of educational, installation, hospital, and consultancy services	947,256	707,619
	₱6,738,853	₱6,736,690

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Inventories used	₱5,148,696	₱5,436,795
Personnel costs	684,553	506,015
Depreciation	275,371	253,258
Installation cost	17,517	22,326
Cost of sales - bookstore	115,527	55,789
Subscription	16,237	16,390
Rent expense	54,549	41,826
Repairs and maintenance	78,016	47,810
Laboratory and school supplies	42,927	51,941
Power and fuel	46,836	12,617
Review expenses	14,691	12,938
School materials, publication and supplies	8,965	2,966
Graduation expenses	39,903	17,289
Educational tour expenses	10,961	-
School affiliations and other expenses	19,641	14,318
Accreditation expenses	1,200	1,008
Sports development and school activities	2,095	1,275
Others	161,168	242,129
	₱6,738,853	₱6,736,690

22. General and Administrative Expenses

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Personnel costs	₱551,028	₱407,149
Professional fees and outside services	219,558	170,228
Security and janitorial	43,071	32,560
Provision for (reversal of) ECLs (see Note 7)	(33,768)	18,888
Depreciation and amortization	48,808	40,915
Taxes and licenses	25,299	38,791
Utilities	48,727	29,490
Rent	15,258	10,796
Repairs and maintenance	16,328	4,441
Insurance	10,275	5,195
Office supplies	6,525	8,115
Communications	3,428	6,060
Transportation and travel	28,039	15,484
Advertising and promotions	2,537	373
Donations	1,863	21,675
Meetings and conferences	9,180	2,248
Others	41,828	47,776
	₱1,037,984	₱860,184

23. Selling Expenses

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Personnel costs	₱85,751	₱113,479
Freight, handling and hauling	24,279	47,022
Advertising	51,144	20,952
Taxes and licenses	11,588	14,834
Commission	19,398	14,686
Supplies	1,375	3,096
Outside services	9,909	9,607
Postage, telephone and telegraph	3,963	12,957
Transportation and travel	22,322	13,626
Depreciation and amortization	14,935	6,998
Insurance	6,157	7,288
Entertainment, amusement and recreation	825	594
Repairs and maintenance	7,035	2,444
Rent and utilities	4,289	1,289
Others	3,865	2,019
	₱266,835	₱270,891

24. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

Outstanding balances at period-end are unsecured and settlement occurs in cash throughout the period. There have been no guarantees provided or received for any related party receivables or payables.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

June 30, 2023 (Unaudited)						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 7)	Terms	Conditions
<u>Ultimate Parent</u>						
PHINMA Inc.	Share in expenses, management fees and bonus	P126,619	P136,713	P2,403	Noninterest-bearing	Unsecured, no impairment
<u>Associates</u>						
PPHC	Share in expenses	2,849	-	3,707	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	-	-	-	Noninterest-bearing	Unsecured, no impairment
<u>Entities Under Common Control</u>						
Phinma Hospitality Inc.	Subscription	-	52,000	-	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., Phinma Hospitality Inc, PHINMA Foundation, Inc. PHINMA Prism Property Development Corporation, PHINMA Plaza Condominium Corporation	Share in expenses	P4,130	P790	P7,919	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy fee	1,209	-	800	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, PHINMA Saytanar, IPM	Share in expenses	4,145	118	15,768	Noninterest-bearing	Unsecured, no impairment
			P189,621	P30,597		

December 31, 2022 (Audited)

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 7)	Terms	Conditions
<u>Ultimate Parent</u> PHINMA Inc.	Share in expenses, management fees and bonus	₱263,387	₱103,111	₱2,084	Noninterest-bearing	Unsecured, no impairment
<u>Associates</u>						
PPHC	Share in expenses	927	–	6,271	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	–	–	6	Noninterest-bearing	Unsecured, no impairment
<u>Other related parties</u>						
PHINMA Hospitality Inc.	Subscription	–	52,000	–	Non-interest bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	9,338	425	8,075	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	10,160	59	11,682	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	2,437	–	800	Noninterest-bearing	Unsecured, no impairment
			₱155,595	₱28,918		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

Management and Directors' Compensation

PHN, UGC, COC, AU, SJC, SWU, UPANG and UI are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱107.4 million and ₱72.3 million for the six-month periods ended June 30, 2023 and 2022, respectively. The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱138.4 million and ₱93.1 million as at June 30, 2023 and December 31, 2022, respectively.

PHN, UGC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account, amounted to ₱69.0 million and ₱45.1 million for the six-month periods ended June 30, 2022 and 2021, respectively. The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱55.0 million and ₱53.4 million as at June 30, 2023 and December 31, 2022, respectively.

25. Income Taxes

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets – net	₱156,285	₱127,736
Deferred tax liabilities – net	(403,530)	(426,529)
	(₱247,245)	(₱298,793)

The deferred tax assets consist of the tax effects of lease liabilities, net operating loss carryover (NOLCO), pension liability, allowance for ECLs, accrued expenses, management bonus and allowance for inventory write-down.

The deferred tax liabilities consist of excess of fair value over cost, right-of use assets, fair value adjustments on property, plant and equipment of subsidiaries, unrealized gains on change in fair value, unamortized debt issuance costs, unrealized foreign exchange gain and unamortized capitalized borrowing cost.

The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as income of schools subjected to lower income tax rate, interest income subjected to lower final tax rate and equity in net losses of associates and joint ventures.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Preferential income tax rate for hospitals which are nonprofit and proprietary educational institutions is reduced from 10% to 1% beginning July 1, 2020 to June 30, 2023 and to a tax rate of 10% beginning July 1, 2023 as amended by Republic Act 11653, "An Act Amending Section 27(B) of the NIRC of 1997, as amended and for other purposes".

26. Pension and Other Post-employment Benefits

Pension and other post-employment benefits consist of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Net pension liability	₱224,713	₱196,059
Vacation and sick leave	75,013	79,502
Defined contribution plan	5	39
	₱299,731	₱275,600

27. Financial Risk Management Objectives and Policies

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counterparties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Financial assets at amortized cost:		
Cash and cash equivalents	₱4,085,794	₱3,421,578
Trade and other receivables	5,098,008	5,631,456
Refundable deposits*	77,035	72,015
	₱9,260,837	₱9,125,049

*Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the unaudited interim consolidated statement of financial position.

Credit Quality of Receivables from Customers

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

June 30, 2023	Receivables from customers					
	Days past due					Total
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	
Expected credit loss rate	1%	25%	27%	17%	78%	34%
Estimated total gross carrying amount default	₱1,362,090	₱654,631	₱229,543	₱35,690	₱1,217,942	₱3,499,896
Expected credit loss	14,753	163,461	62,852	6,190	948,735	1,195,991

December 31, 2022	Receivables from customers					
	Days past due					Total
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	
Expected credit loss rate	3%	24%	5%	43%	75%	28%
Estimated total gross carrying amount default	₱2,177,709	₱702,318	₱110,158	₱171,741	₱1,222,986	₱4,384,912
Expected credit loss	64,193	170,053	5,284	73,048	917,906	1,230,484

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Market risks are managed by constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists/strategy officers to get multiple perspectives on interest rate trends/forecasts. Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks are also made.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets that are exposed to foreign currency risk are foreign currency denominated cash and cash equivalents, investment in bonds and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of June 30, 2023 and December 31, 2022:

	June 30, 2023		December 31, 2022	
	Foreign Currency	Peso Equivalent	Foreign Currency	Peso Equivalent
Cash and cash equivalents	US\$12,447	₱687,048	US\$12,111	₱675,233
Cash and cash equivalents	VND33,703	78	VND35,703	80
Receivables	US\$2,157	119,088	US\$1,330	74,170
Investment at FVPL	US\$39,621	2,187,098	US\$39,621	2,209,088
Derivative assets	US\$11,625	641,665	US\$11,625	648,117
Investment in UITF	US\$34	1,881	US\$34	1,879
		₱3,636,858		₱3,608,567
Financial liabilities:				
Trade and other payables	US\$7	₱378	US\$3	₱181
Derivative liability	US\$20	1,097	US\$7	371
		₱1,475		₱552

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱55.20 and ₱55.76 to US\$1.00 as at June 30, 2023 and December 31, 2022, respectively.

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as at June 30, 2023 and December 31, 2022:

	Interest Rates	June 30, 2023 (Unaudited)					Total
		Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	
Financial Assets							
Placements (PHP)	2.6%-6.10%	₱1,791,459	₱-	₱-	₱-	₱-	₱1,791,459
Financial Liabilities							
PHN	6.00%	20,000	20,000	20,000	1,873,129		1,933,129
UGC	4.85% - 5.11%	47,967	47,991	48,029	786,231		930,218
PHINMA Solar	4.875%-4.924%	11,111	11,111	11,111	33,333	24,321	90,987

December 31, 2022 (Audited)							
	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	5.25%-5.728%	₱1,694,459	₱-	₱-	₱-	₱-	₱1,694,459
Financial Liabilities							
PHN	6.25%	20,000	20,000	20,000	1,882,344	-	1,942,344
UGC	4.85%-5.11%	47,958	47,982	48,025	810,240	-	954,205
Phinma Solar	4.875%-4.924%	11,111	11,111	11,111	33,333	29,876	96,542
PEHI	5.32%-5.48%	263,978	268,861	255,161	-	-	788,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The Company's exposure to equity price risk relates primarily to its equity investments listed in the PSE classified under investments held for trading.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the Company's financial position.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the unaudited interim condensed consolidated statement of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 2:1. The Company's consolidated debt-to-equity ratio as at June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total liabilities	₱21,788,728	₱20,868,356
Total equity	11,045,418	11,142,669
Debt-to-equity ratio	1.97:1	1.87:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

28. Financial Instruments

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

- Level 1 - Quoted (unadjusted) market 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 is significant to their fair value measurement is unobservable

Assets and liabilities measured or disclosed at fair value are as follows:

	June 30, 2023 (Unaudited)			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	P374,208	P-	P374,208	P-
Investments in marketable equity securities	6,601	6,601	-	-
Investment in club shares designated at FVOCI	44,250	-	44,250	-
Non-listed equity instruments designated at FVOCI	82,008	-	-	82,008
Non-listed equity instruments designated at P&L	2,187,098	-	-	2,187,098
Derivative assets	641,665	-	-	641,665
	P3,335,830	P6,601	P418,458	P2,910,771
Liabilities				
Derivative liability	P1,097	P-	P1,097	P-
Non-controlling interest put liability	2,379,469	-	-	2,379,469
Long-term debt	10,731,087	-	-	10,731,087
	P13,111,653	P-	P1,097	P13,110,556

	December 31, 2022 (Audited)			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	P647,383	P-	P647,383	P-
Investments in marketable equity securities	6,933	6,933	-	-
Club shares designated at FVOCI	41,000	-	41,000	-
Non-listed equity instruments designated at FVOCI	81,959	-	-	81,959
Non-listed debt instrument designated at FVPL	2,209,088	-	-	2,209,088
Derivative assets	648,117	-	-	648,117
	P3,634,480	P6,933	P688,383	P2,939,164
Liabilities				
Derivative liability	P371	P-	P371	P-
Non-controlling interest put liability	2,188,320	-	-	2,188,320
Long-term debt	10,581,439	-	-	10,581,439
	P12,770,130	P-	P371	P12,769,759

During the periods ended June 30, 2023 and December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading, Financial Assets at FVPL, Financial Assets at FVOCI and Derivative Assets. Quoted market prices have been used to determine the fair value of investments in marketable equity securities and club shares designated at FVOCI. The fair values of unquoted equity investments at FVOCI, unquoted debt instrument classified as financial asset at FVPL and derivative asset have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, the discount rate, credit risk and volatility. The probabilities of various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were 16.20% as at June 30, 2023 and December 31, 2022. An increase (decrease) in the discount rate will decrease (increase) the fair value of the nonlisted shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 5.96% to 7.57% and 3% to 7% in 2023 and 2022, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and Philcement entered into a buy US\$-sell PHP deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US\$-denominated trust receipts payable.

29. Leases

Company as Lessee

The roll forward analysis of right-of-use assets follows:

	June 30, 2023 (Unaudited)				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2023 and June 30, 2023	P119,241	P170,017	P291,890	P2,470	P583,618
Accumulated Depreciation and Amortization					
At January 1, 2023	19,032	80,113	166,972	2,470	268,587
Depreciation	2,260	11,825	20,137	-	34,222
At June 30, 2023	21,292	91,938	187,109	2,470	302,809
Net Book Value	P97,949	P78,079	P104,781	P-	P280,809

December 31, 2022 (Audited)					
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2022	₱106,037	₱147,507	₱269,406	₱2,470	₱525,420
Additions	15,942	43,332	29,054	–	88,328
Pre-termination	(2,738)	(20,822)	(6,570)	–	(30,130)
At December 31, 2022	119,241	170,017	291,890	2,470	583,618
Accumulated Depreciation and Amortization					
At January 1, 2022	12,398	65,767	109,867	2,143	190,175
Depreciation	6,634	22,712	60,304	327	89,977
Pre-termination	–	(8,366)	(3,199)	–	(11,565)
At December 31, 2022	19,032	80,113	166,972	2,470	268,587
Net Book Value	₱100,209	₱89,904	₱124,918	₱–	₱315,031

The roll forward analysis of lease liabilities follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
As at beginning of period	₱314,128	₱355,901
Payments	(44,561)	(125,452)
Accretion of interest	8,263	19,646
Additions	–	88,219
Pre-termination	–	(24,186)
As at end of period	277,830	314,128
Less current portion of lease liabilities	94,007	102,676
Noncurrent portion of lease liabilities	₱183,823	₱211,452

30. Contingencies

There are contingent liabilities arising from tax assessments occurring in the ordinary course of business, including the petition filed for the reversal and nullification of safeguard duties on its importation of cement. On the basis of information furnished by the Company's legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and result of operations.

31. Earnings per Share (EPS) Computation

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
(a) Net income attributable to equity holders of the parent	₱208,762	₱406,833
(b) Weighted average number of common shares outstanding	286,325	271,895
Basic/diluted EPS attributable to equity holders of the parent (a/b)	₱0.73	₱1.50

32. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - Philcement encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI, RCL and UCLI which offer graduate, tertiary, secondary and elementary education services.
- BPO - OAL was engaged in animation services and has ceased operations in April 2013.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the unaudited interim condensed consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of associates and joint ventures and investment income, before deducting interest and financing charges, provision for income tax and share of non-controlling interests. The amounts of segment assets and liabilities, and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the unaudited interim condensed consolidated financial statements, which is in accordance with PFRS.

The Company does not report its results based on geographical segments since the Company's risks and rates of return are substantially in the same economic and political environment with the companies incorporated and operated in the Philippines. There are no transactions with a single customer that accounts to 10% or more of the Company's revenue.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

Segment Information

Financial information on the operating segments are summarized as follows:

	Six-Month Period Ended June 30, 2023 (Unaudited)						
	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Revenues	₱230,265	₱1,823	₱6,593,102	₱2,100,907	₱-	(₱39,166)	₱8,886,931
Segment results	(72,617)	(261)	405,967	344,566	(512)	(189)	676,954
Investment income	165,554	1,823	8,207	24,444	-	(39,166)	160,862
Equity in net losses of associates and joint ventures	-	(76,326)	-	(2,709)	-	-	(79,035)
Interest expense and financing charges	(124,758)	-	(170,649)	(82,667)	-	39,684	(338,390)
Provision for income tax	(5,686)	(191)	18,488	23,749	-	-	36,360
Share of non-controlling interest	-	-	-	(79,394)	-	(168,597)	(247,991)
Net income attributable to equity holders of parent	₱37,507	(₱74,955)	₱262,013	₱227,989	(₱512)	(₱168,268)	₱208,760
Total assets	₱12,305,401	₱372,484	₱12,873,480	₱13,941,667	₱484	(₱6,659,370)	₱32,834,146
Total liabilities	₱5,274,250	₱52,082	₱8,710,774	₱6,644,857	₱309,490	₱797,275	₱21,788,728

	Six-Month Period Ended June 30, 2022 (Unaudited)						
	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Revenues	₱163,800	₱36,072	₱7,068,652	₱1,374,184	₱-	(₱10,856)	₱8,631,852
Segment results	59,080	30,352	594,462	160,012	(437)	489	843,958
Investment income	121,345	(383)	5,146	2,216	-	(10,856)	117,468
Equity in net earnings (losses) of associates and joint ventures	-	16,446	-	(168)	-	-	16,278
Interest expense and financing charges	(122,657)	-	(149,658)	(79,133)	-	12,688	(338,760)
Provision for income tax	(2,007)	(5,018)	(6,664)	13,817	-	-	128
Share of non-controlling interest	-	-	-	(38,341)	-	(193,898)	(232,239)
Net income attributable to equity holders of parent	₱55,761	₱41,397	₱443,286	₱58,403	(₱437)	(₱191,577)	₱406,833
Total assets	₱12,078,284	₱372,314	₱12,075,746	₱12,046,040	₱997	(₱6,095,217)	₱30,478,164
Total liabilities	₱5,358,117	₱52,514	₱8,093,903	₱5,558,498	₱308,497	₱995,254	₱20,366,783

Seasonality of Operations

Like any company in the construction industry, the operations of UGC and Philcement are affected by seasonality demand. Demand for construction materials is greater during the dry months from December to May than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the schools under the PHINMA Education network decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

33. Events after the Reporting Period

On July 17, 2023, the Parent Company completed the following transactions upon full payment and signing of Deed of Sale.

1. Purchase of investments of PHINMA, Inc. in the following companies:

Company	Description	PHINMA Inc.'s Direct Ownership	Transaction Value (₱ in millions)
PEHI	Holding company of the Company's education network comprised of 10 schools	8.03%	₱1,064.8
PPHC	Holding company of the Company's property development arm	36.71%	588.9
PHI	Management company of the Company's Microtel and TRYP hotels; part-owner in 7 hotels	63.77%	251.2
PHINMA Microtel Hotels	Master franchisor of Microtel and TRYP hotels in the Philippines	51.00%	21.2
APHI	Owner of real estate properties	63.47%	409.4
Total			₱2,335.5

The Parent Company and all the entities above are subsidiaries of PHINMA, Inc. before and after the business combination. Thus, the acquisition was accounted for as business combination under common control. The transaction is part of the consolidation of the group's strategic business units under PHINMA Corporation and will expand its exposure to these high-growth sectors. The Parent Company accounted the transaction using pooling of interest method.

At the date of acquisition, the fair value of the receivable of the acquired entities above are ₱3,084.4 million net of ₱100.0 million of allowance for doubtful accounts. The receivables comprise mainly of trade and nontrade receivables carried at cost. These are noninterest-bearing with trade receivables generally on 30- to 60-day terms while nontrade receivables are collected within the next financial year.

2. Purchase of real estate properties from PHINMA, Inc. amounting to ₱507.1 million consisting of office floors/spaces in the Company's office building, PHINMA Plaza located in Rockwell Center, Makati City.

Management's Discussion and Analysis of Financial Condition and Results of Operations

PHINMA Corporation (PHN) continued its long term revenue growth with consolidated revenues of ₱8.89 billion for the six-month period ended June 30, 2023, a 3% increase over the same period last year. Due to strong performance of core business units and efficient operations, core net income for the first half grew 3.8% to ₱482.09 million. Core net income excludes unrealized gains and foreign exchange adjustments. Consolidated net income stood at ₱456.75 million.

Revenue of PHINMA Education Holdings, Inc. (PHINMA Education), grew 52% year on year, driven by a 30% increase in enrollment during the second semester of SY 2022-23. Increase in costs and operating expenses to support the increase in enrollment and face to face classes were offset by lower credit loss provisions as a result of higher collection efficiencies. PHINMA Education's consolidated net income increased to ₱307.47 million in 1H 2023, from ₱96.88 million during the first half of 2022.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Corporation (PHINMA Solar), posted combined revenues of ₱6.59 billion for the first half of 2023. Combined net income of CMG declined to ₱262.01 million in view of soft construction demand amid delayed government infrastructure spending. CMG focused on improving operational efficiencies, expanding its distribution network and developing new markets to support future sales growth especially as government infrastructure spending is expected to accelerate in the second half of 2023.

In affiliate PHINMA Property Holdings Corp. (PHINMA Properties) PHN equitized net loss of ₱83.95 million during the period after accelerating the cancellation of sales amounting to ₱149.50 million, the bulk of which has been resold and are expected to be booked during the second half of the year. Net reservations over the period improved from the same period in 2022.

Equity in net earnings of Coral Way City Hotel Corporation amounted to ₱4.97 million, a turnaround from net loss during the same period last year, as the company saw improved revenue generation from the leisure and business travel segments as well as the resurgence of events and conventions towards pre-pandemic levels.

Net income attributable to equity holders of the parent declined to ₱208.76 million. Excluding non-core adjustments, income of the shareholders of the parent decreased 6.8% to ₱0.83 per share for the first half of 2023.

PHINMA Corporation ended the period with cash and cash equivalents of ₱4.47 billion. As of June 30, 2023, consolidated total assets and total stockholders' equity amounted to ₱32.83 billion and ₱11.05 billion, respectively.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of PHINMA's SBUs for the first half of 2023:

Education Group

Revenue of PHINMA Education Holdings, Inc. (PHINMA Education), grew 52% year on year, driven by a 30% increase in enrollment during the second semester of SY 2022-23. Increase in costs and operating expenses to support the increase in enrollment and face to face classes were offset by lower credit loss provisions as a result of higher collection efficiencies. PHINMA Education's consolidated net income increased to ₱307.47 million in 1H 2023, from ₱96.88 million during the first half of 2022.

Construction Materials Group

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Corporation (PHINMA Solar), posted combined revenues of ₱6.59 billion for the first half of 2023. Combined net income of CMG declined to ₱262.01 million in view of soft construction demand amid delayed government infrastructure spending. CMG focused on improving operational efficiencies, expanding its distribution network and developing new markets to support future sales growth especially as government infrastructure spending is expected to accelerate in the second half of 2023.

Properties Group

In its affiliate, PHINMA Property Holdings Corp. (PHINMA Properties), PHN equitized net loss of ₱83.95 million during the period compared to an equitized net income of ₱24.97 million during the same period last year.

Hospitality Group

Equity in net earnings of Coral Way City Hotel Corporation amounted to ₱4.97 million, a turnaround from net loss during the same period last year, as the company saw improved revenue generation from the leisure and business travel segments as well as the resurgence of events and conventions towards pre-pandemic levels.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHINMA and its subsidiaries as of the six (6) month period ended June 30, 2023 compared to the same period in the previous year are shown in the following table:

Financial KPI	Definition	June 2023	June 2022
<u>Profitability</u>			
Return on Equity	Net income attributable to equity holders of the parent Average equity attributable to equity holders of the parent ⁱ	2.51%	5.40%
Gross Profit Margin	<u>Gross profit</u> ⁱⁱ Total Revenues	24.17%	21.96%
<u>Efficiency</u>	<u>Cash flows from operating activities</u> Total Revenues	13.63%	-14.13%
Cash Flow Margin			
<u>Liquidity</u>			
Current Ratio	<u>Total Current Assets</u> Total Current Liabilities	1.57 : 1.00	1.74 : 1.00
Debt to Equity Ratio	<u>Total Liabilities</u> Total Equity	1.97 : 1.00	2.01 : 1.00

ⁱ Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.

ⁱⁱ Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

Profitability

The return on equity for the period of 2.51% is lower than 5.40% return for the same period the previous year due to lower net income in 2023 coupled with additional paid in capital resulting from the sale of treasury shares in September 2022. Gross profit margin increased from 21.96% in 2022 to 24.17% in 2023 due to lower freight cost, Peso appreciation against US dollar as well as initiatives from CMG to effectively manage fixed and semi-variable costs.

Efficiency

Net cash flow margin for the six months ended June 30, 2023 is 13.63% compared to net cash flow margin of -14.13% over the same period last year, mainly due to improvements in purchasing process by CMG and effective collection of receivables and reduction in contract liabilities by the schools.

Liquidity

Current ratio decreased from 1.74:1.00 in 2022 to 1.57:1.00 in 2023 mainly due to redemption of PHN parent's investment in UITF for advances for future subscription in PPHC and PHN's purchase of PHI's various investments and properties, coupled with the increases in CMG's notes payable and trust receipts payable and increase in accrued expenses by CMG and the schools.

Debt-equity ratio of PHINMA and its subsidiaries as of end June 2023 was 1.97:1.00.

The accompanying interim condensed consolidated financial statements of PHINMA for the six (6) months ended June 30, 2023 have been prepared in accordance with PAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2022.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Interim Disclosures on Financial Statements

Below are additional disclosures on the Company's operations:

- a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

- b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

- c. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

None

- d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

None

- e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

None.

- f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

- g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

- h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any company in the construction industry, the operations of UGC and Philcement are affected by seasonal demand. Demand for construction materials is greater during the dry months than during the rainy months. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

School year 2022-23 for PHINMA Education's schools was from July to April. Cashflow outside these periods may be relatively lower.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

Cash and cash equivalents

The movement in cash and cash equivalents are shown in the cash flow statement

Investments held for trading

The drop in the account is mainly attributable to redemption of investments in UITFs of the parent company for advances to Phinma Properties for future subscription.

Trade and other receivables

The net decrease in receivables of ₱533.45 million is attributable to collection of receivables from students.

Inventory

The net decrease in inventory of ₱214.53 million is attributable to CMG's inventory reduction initiatives of CMG through purchasing process improvements.

Input value-added taxes

The increase in the account is attributable to input tax on CMG's purchases of imported panels and mounting steels which increased in Q1 2023 to support increased sales.

Other current assets

The net decrease in other current assets is mainly due to decrease in other current assets of the schools.

Investment in and advances to associates and joint venture

The net increase of ₱196.76 million is due to advances to Phinma Properties for future subscription in the latter's common shares to support development of a township business line.

Property, plant and equipment

The ₱954.04 million increase represents continuing construction activities in various school buildings and CMG's plant site.

Right-of-use of assets

The ₱34.22 million decrease represents the depreciation of the right of use of assets of CMG.

Deferred tax assets

The 22% net increase in this account pertains mainly to an increase in deferred tax assets arising from net operating loss carryover.

Other non-current assets

The 20% net increase in this account pertains mainly to increase in non-current assets of the schools.

LIABILITIES

Notes payable

The ₱798.31 million increase in this account is attributable to the short-term notes that CMG availed of for working capital requirements.

Trade and other payables

The increase in Trade and other payables is mainly due to accrual of expenses by CMG and the schools.

Contract liabilities

Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Contract Liabilities. The account decreased by ₱1.19 billion as revenues were earned by the schools from January to June 2023.

Trust receipts payable

The increase of ₱138.42 million in the account is attributable to increase in CMG's trust receipts payable.

Income and other taxes payable

The net increase in this account is mainly attributable to increase in tax payable from CMG and the schools.

Derivative liability

The increase in this account is mainly attributable to higher forward rate on CMG's deliverable forward contracts compared to closing rate for the period.

Due to related parties

The net increase in this account is mainly attributable to the net increase in the amounts due to the parent holding company.

Non-controlling interest put liability

The P191.15 million increase represents increase in present value of the contingent amount payable by Phinma Corporation to non-controlling shareholders of Phinma Education.

Deferred tax liabilities

The net decrease in the account amounting to ₱23.0 million represents decrease in deferred tax liabilities of the schools.

Accrued Retirement

The net increase in the account amounting to ₱24.13 million represents accrual of retirement benefits by CMG and the schools.

Lease liabilities

The decrease in the account represents periodic lease payments by CMG and UPang.

EQUITY

Exchange differences on translation of foreign operations

The movement in the account represents the cumulative adjustments mainly arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves

The movement in the account is due to the increase in the contingent liability arising from the put option on shares in PHINMA Education.

Other comprehensive income

The ₱2.77 million increase in this account is mainly due to the unrealized gain from the increase in fair value of financial assets at FVOCI of parent company and CMG.

Retained earnings

The increase in the account represents net income for the first half of 2023, partially offset by dividends declared during the period amounting to ₱171.80 million.

Material Changes in Income Statement Accounts

Revenues

The ₱255.08 million net increase in revenues is mainly due to enrollment in schools which is 30% higher than enrollment during the same period last year.

General and administrative expenses

General and administrative expenses increased from previous year mainly due to higher utilities and other operating expenses of the schools due to increased enrollment in SY2022-23 and to support face to face classes.

Selling expenses

The increase in the account can be attributed to the increase in selling expenses of CMG and the schools.

Equity in net earnings (losses) of associates and joint ventures

Equity in net loss of investees is mainly due to the equitized loss in Phinma Property Holdings Corp.

Foreign exchange gains (losses) – net

The net forex loss is attributable to PEHI's USD holdings restated at the forex rate of ₱55.36: \$1 compared to ₱55.76: \$1 as of December 31, 2022.

Gain (loss) on change in fair value of financial assets at FVPL

Net loss is attributable to the unrealized foreign exchange loss from the investment in Song Lam preferred shares.

Gain (loss) on derivatives

The loss on derivatives mainly resulted from the unrealized foreign exchange loss from the put option on the Song Lam preferred shares.

Gain (loss) on sale of property, plant and equipment

The gain arises mainly from the sale of PPE by CMG

Others – net

The increase in this account is attributable to the increase in other income of Phinma Education.


Provision for (benefit from) income tax

The provision resulted mainly from the deferred tax benefits arising from net operating loss carryover.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHINMA CORPORATION


REGINA B. ALVAREZ
Senior Vice President and Group Controller


ANNABELLE S. GUZMAN
Vice President - Controller

Aug 14, 2023

PHINMA CORPORATION
Consolidated Aging of AR-Trade
As of June 30, 2023

in thousands

	<u>Amount</u>
Current	1,362,090
1-30 days	654,631
31-60 days	229,543
61-90 days	35,690
Over 90 days	<u>1,217,942</u>
TOTAL	3,499,896
Less: Allowance for doubtful accounts	<u>1,195,991</u>
Net Trade Receivable	<u>2,303,905</u>

PHINMA CORPORATION
Consolidated Aging of AR-Nontrade

As of June 30, 2023

in thousands

	<u>Amount</u>
Current	2,254,917
1-30 days	46,770
31-60 days	18,783
61-90 days	20,496
Over 90 days	<u>600,797</u>
TOTAL	2,941,763
Less: Allowance for doubtful accounts	<u>147,660</u>
Net Nontrade Receivable	<u>2,794,103</u>