

## 2025 Capital and Debt Structure

Megaworld remains committed to maintaining a capital and debt structure that supports its long-term growth and strategic objectives while ensuring financial discipline. The Board of Directors conducts regular reviews of the Group's capital structure to ensure that it promotes financial sustainability, maximizes shareholder value, and maintains overall financial stability.

The Group's approach to capital management focuses on financial resilience, business continuity, and delivering strong returns to shareholders. By aligning capital allocation and funding strategies with financial risks, the Group ensures operational efficiency and readiness for changing economic conditions.

The debt-to-equity ratio remains a key metric in evaluating the Group's capital structure, improving to 0.34:1.00 in 2025 from 0.39:1.00 in 2024, reflecting disciplined balance sheet management and continued deleveraging even as the Group sustains investments in its integrated township developments and expands its recurring income portfolio.

The capital structure for the reporting periods under review is as follows:

	<b>2025</b>	<b>2024</b>
Interest-bearing loans and borrowings	<b>P 83,025,191,559</b>	P 89,993,511,031
Bonds and notes payable	<b>20,419,627,934</b>	20,049,554,649
Total Debt	<b>P 103,444,819,493</b>	P 110,043,065,680
<hr/>		
Total equity	<b>P 303,160,205,108</b>	<b>P 278,735,090,426</b>
<hr/>		
Debt-to-equity ratio	<b>0.34 : 1:00</b>	0.39 : 1:00

The Group maintains stringent credit policies and regularly monitors the financial condition of its customers and counterparties. Credit risk is assessed using both internal evaluation and external sources, including credit ratings and cost-effective credit reports to ensure the creditworthiness of counterparties.

The proportion of past due or impaired financial assets relative to total financial assets remains low, reflecting the Group's disciplined credit management. The breakdown of trade and other receivables as at December 31, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
Current	<b>P 75,840,842,598</b>	P 70,467,769,815
Past due but not impaired	<b>4,842,403,281</b>	4,091,598,059
Total Trade and Other Receivables	<b>P 80,683,245,879</b>	P 74,559,367,874

To manage liquidity effectively, the Group closely monitors scheduled capital expenditures and debt maturities. Projected and actual cash flows are regularly reviewed, while market conditions are continuously assessed for potential funding through loans, bonds, or equity offerings.

Funding requirements are primarily met through internally generated cash, reflecting the strength of the Group's recurring income base, supplemented by debt and equity financing as necessary to support ongoing expansion and operational requirements.

As of December 31, 2025, the Group's financial liabilities and their respective maturities are as follows:

	Within 1 year	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings*	P 23,635,576,348	P 55,366,456,423	P 13,129,325,391
Trade and other payables	32,408,739,716	-	-
Bonds payable*	1,797,333,220	22,383,754,143	-
Advances from other related parties	834,957,733	-	-
Other liabilities	1,799,851,408	1,773,176,626	-
	<u>P 60,476,458,425</u>	<u>P 79,523,387,192</u>	<u>P 13,129,325,391</u>

\* inclusive of future interest costs

The Group maintains a debt portfolio with a mix of both fixed and floating interest rates to manage interest rate risk. As of December 31, 2025, the fixed-to-floating rate debt ratio was 0.39:1.00, compared with 0.47:1.00 in 2024, reflecting a higher proportion of floating-rate debt while maintaining flexibility in its funding structure.

To manage exposure to foreign exchange and interest rate fluctuations, the Group also utilizes derivative instruments, including cross-currency swaps and interest rate swaps, as part of its overall risk management strategy. These hedging instruments are primarily used to manage foreign exchange exposure on US dollar-denominated obligations and to mitigate interest rate volatility.

The table below sets out information about the Group's hedging instruments and the related carrying amounts as of December 31:

	<u>Notional Amount</u>	<u>Derivative Assets</u>
2025		
Cross currency swaps	\$ 146,660,650	P 557,764,397
Interest rate swaps	<u>P 8,125,000,000</u>	<u>57,640,112</u>
		<u>P 615,404,509</u>
2024		
Cross currency swaps	\$ 180,505,415	P 416,555,825
Interest rate swaps	<u>P 10,000,000,000</u>	<u>(57,317,173)</u>
		<u>P 359,238,652</u>

These aspects of capital and debt structure are further reviewed by examining various financial ratios to ensure alignment with the Group's strategic goals and objectives:

<b>Ratio</b>	<b>2025</b>	<b>2024</b>
Current ratio	3.54	3.43
Acid test ratio	1.68	1.55
Solvency ratio	0.35	0.32
Debt-to-equity ratio	0.34	0.39
Net debt-to-equity ratio	0.27	0.32
Asset-to-equity ratio	1.61	1.68
Interest rate coverage ratio	5.09	4.87
Return on equity	0.08	0.08
Return on assets	0.05	0.05
Net profit margin	0.28	0.27

These risk management practices and financial strategies are regularly evaluated to ensure alignment with the Group's overarching strategic objectives, fostering financial stability, resilience, and long-term growth.