



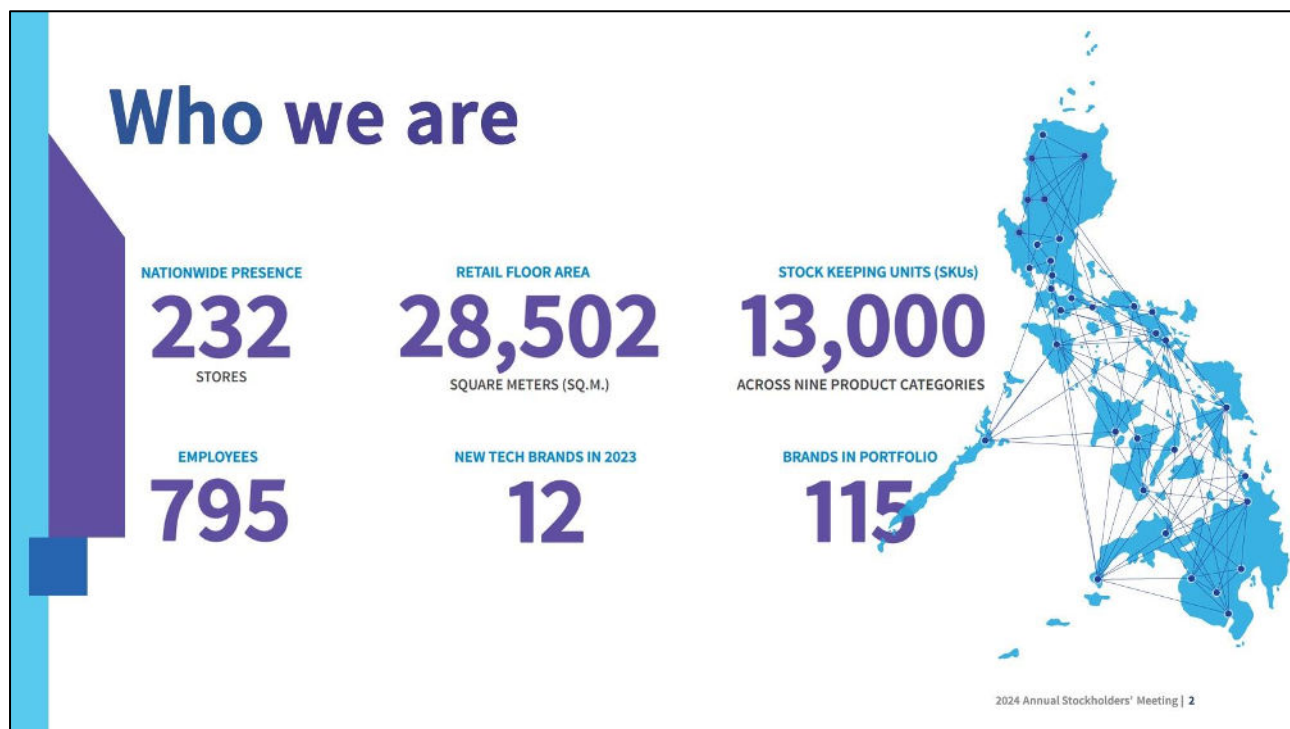
President's report by CEO Arlene T. Sy at the 2024 Annual Stockholders' Meeting

Thank you, Mr. Chairman.

Good afternoon, everyone. Thank you for joining us today. On behalf of Upson International, we appreciate the goodwill of our shareholders and our ongoing engagement. Many of you have been alongside us since our initial public offering and your support makes us truly grateful. Thank you.

Today, I'd like to focus on three areas:

1. First, I will talk about why we believe we are in great shape. I will describe our core strengths and the levers we have to improve performance.
2. Then, I will provide an overview of our financial and operating results.
3. Finally, our continuing ambition. I will spend a few minutes to take you through our priority areas and how our approach will create more value and a stronger business. I will also touch on the recent developments in these areas.

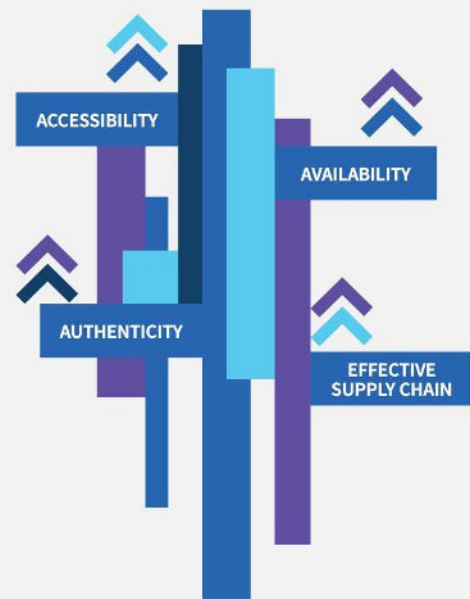


For almost 30 years, Upson has dedicated itself to empowering the Filipino consumer. By being a major retailer of IT products, we have served as a trusted partner in the country's digital transformation.

In a nutshell, we have: an industry-leading store network; a strong product portfolio; and great people, who enrich our culture and live our values, and are key to our future.

Our strengths

- We operate in a resilient industry and have a track record of adapting to periods of change and uncertainty.
- We are present in almost every region of the Philippines—from urban to rural areas.
- Our portfolio of quality products at different price points is the most comprehensive in the market.
- Our continued investments in the supply chain allow us to maintain a leading position and support our expanding footprint.
- Our people are engaged and properly equipped.



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As we carry on in our journey of growth, it is timely and meaningful to reflect on what we are most proud of.

Upson is a company with many strengths and potential.

- We operate in a resilient industry and have a long history of success in adapting to periods of change and uncertainty.
- We are present in almost every region of the Philippines—from urban to rural areas.
- Our portfolio of quality products at different price points is the most comprehensive in the market.
- Our continued investments in the supply chain allow us to maintain a leading position and support our expanding footprint.
- Most of all, our people are engaged and properly equipped.

Our transformation



Upson rings the opening bell at the Philippine Stock Exchange


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Still, we must push ourselves further and be proactive in our transformation.

And as many of you already know, 2023 marked great change and progress across Upson. We became a public company.

On 3 April 2023, Upson shares began trading on the Philippine Stock Exchange. We raised ₱1.65 billion through IPO with net proceeds of ₱1.4 billion for store network expansion. With this foundation, we're in a stronger position to provide the technology needs of our customers so they can enjoy the benefits of digital transition and build better lives.



Performance highlights

Financial highlights					
(₱ in millions, except as otherwise stated)	2023	2022	2021	2020	2019
Revenues	10,010.4	9,462.0	8,567.9	8,152.2	7,569.6
Gross profit	2,077.4	2,179.2	1,885.6	1,671.3	1,581.1
Gross profit margin	20.8%	23.0%	22.0%	20.5%	20.9%
EBITDA	1,016.6	1,072.0	957.1	824.4	725.3
EBITDA margin	10.2%	11.3%	11.2%	10.1%	9.6%
Net income	464.2	537.9	403.6	206.7	85.3
Net income margin	4.6%	5.7%	4.7%	2.5%	1.1%
Earnings per share	0.16	0.22	0.30	0.15	0.06
Inventory turnover (days)	138	119	95	81	85
Operating data					
Number of stores	232	207	183	175	166
Retail floor area (sq.m.)	28,502	25,192	22,667	21,354	20,543

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Let me run through our recent performance.

Starting with our financials, we saw our revenues surpass ₱10 billion for the first time in our history. Our revenue growth of 6% reflected strong results from new stores which have operated for less than one year. At the same time, our existing stores also contributed positively with 1% increase.

From a product category perspective, computers, print, and communication were primary drivers of growth, partly offset by decreases in sales of storage and components.

From a geographic standpoint, markets remained broadly stable. Visayas posted the fastest growth followed by North Mindanao.

Turning to cost, our cost of inventories sold was up 9% to ₱7.9 billion. As a result, our gross margin was 20.8% compared with 23% in 2022. This contraction was due to revenue mix and lower product margin rates due to increased promotions, including product bundling and price discounts.

Operating expenses also rose 9.5% to ₱1.7 billion. These higher expenses were necessary to support our store and warehouse network expansion. These were lease payments, contracted and other services, depreciation and amortization, personnel-related costs, and utilities.

Based on our results as well as our current momentum and the visibility we have into our markets, we believe we are well positioned. This is the reason for our confidence and why we raised our dividends by 36% to ₱187.5 million. Because we are financially resilient, and we are able to generate the cash needed to invest towards our expansion.

Our strategy

- Expand our store network and penetrate markets with high potential across Metro Manila, CALABARZON, Central Luzon, Western and Central Visayas, and Mindanao;
- Add nine warehouses and distribution facilities in key locations: Manila, Cabanatuan, Dagupan, Naga, Palawan, Iloilo, Bacolod, General Santos, and Zamboanga;
- Ensure stock availability and wide product range in existing and adjacent categories and aligning inventory and marketing with anticipated demand and product lifecycle;
- Develop new store formats to meet the distinctive demands of certain markets, complement current offerings, and facilitate new in-store experience; and
- Excel in omni-channel experience and raise brand recognition through enhanced digital presence and loyalty program, impactful marketing strategy, and improved customer engagement.

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As I mentioned, we are working through our capabilities to reach our full potential. And we've set out five near-to medium-term priorities:

1. Expand store network;
2. Increase warehouse and distribution facilities;
3. Focus on stock availability;
4. Deliver new store formats; and
5. Excel in omni-channel experience

Our progress

- Added 25 new stores: Octagon (16), Micro Valley (3), Octagon Mobile (1), and Acer and TP-Link concept stores (5), ending the year with 232 stores
- Invested in the construction of an additional warehouse in Manila as well as improvements and fixtures for new warehouse sites in Dagupan and Iloilo and for existing facilities in Cebu and Davao
- Introduced 12 tech brands, bringing total product portfolio to 115 brands
- Began to set up Apple corners in select stores
- Disbursed a total of ₱418.8 million from the IPO proceeds, balance of ₱983 million at 31 December 2023



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This brings me to some brief highlights of our progress against that plan.

Let me start with store openings because accessibility is our differentiator. In 2023, we added 25 new stores. We opened 16 Octagon branches, three Micro Valley, one Octagon Mobile, and five concept stores under the Acer and TP-Link brands. Of these new stores, over 50% were in the National Capital Region and North and Central Luzon. We ended the year with 232 stores.

Our strategic plan also sets us up to enhance availability and authenticity—two aspects of our competitive advantage. To this end, we introduced 12 tech brands to broaden our product offerings. We also began to set up Apple corners in select stores which brought customers greater access to the brand. Today, we now carry a total of 115 tech brands in our portfolio.

And last but not least, our investments in supply chain. Over the course of the year, we started to work deeper in that area, including the construction of our additional warehouse in Manila as well as improvements and fixtures for new warehouse sites in Dagupan and Iloilo and for existing facilities in Cebu and Davao.



All in all, Upson has made considerable achievements in 2023—and I want to close by thanking all of you again for the role you play in shaping our future. We will continue to ensure that we serve our customers better to realize the benefits of our additional scale. In parallel, we will build on our priorities to expand our margins and enhance our long-term returns.

With that, I hope that you're looking forward to what the future holds for Upson and that you'll continue to take the time to learn more about our company. As the Philippine economy sustains momentum, digitalization will not only create new opportunities, it will also become core to providing development solutions and transforming lives. Our commitment is to enable people to capture these opportunities, and we are confident that we have the foundation to get it done—with speed and stability.