

OFFER TERMS SHEET

Issuer	San Miguel Corporation
Instrument	Series 2 cumulative, non-voting, non-participating, non-convertible, redeemable, peso-denominated perpetual preferred shares
Offer Size	<p>133,333,400 Series 2 Preferred Shares (subject to the Oversubscription Option as provided below), to be issued in one subseries: Series 2-J Preferred Shares</p> <p>The Series 2 Preferred Shares will be issued out of the authorized capital stock of the Company which were previously considered as treasury shares.</p>
Oversubscription Option	<p>In the event of an oversubscription, the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, in consultation with the Company, reserve the right, but do not have the obligation, to increase the Offer size up to an additional 133,333,267 Series 2 Preferred Shares, subject to the registration requirements of the Securities and Exchange Commission (“SEC”) (the “Oversubscription Option”).</p> <p>In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period for the Initial Offer Shares, the Series 2 Preferred Shares under shelf registration will automatically be increased by such principal amount of Oversubscription Option shares that will not be taken up or exercised.</p>
Par Value	The Series 2 Preferred Shares shall have a par value of ₱5.00 per share.
Offer Price	The Series 2-J Preferred Shares shall be offered at a price of ₱75.00 per share.
Registration and Listing	<p>To be registered with the SEC and listed on the PSE, subject to compliance with SEC regulations and PSE listing rules. Upon listing, the Series 2-J Preferred Shares shall be traded under the symbols “SMC2J”.</p> <p>The Series 2-J Preferred Shares shall be issued under the 533,333,334 Series 2 Preferred Shares Shelf Registration of the Company.</p>
Issue Date	October 29, 2020 or such other date when the Series 2-J Preferred Shares are listed on the PSE.
Use of Proceeds	<p>The gross proceeds of the Offer shall be ₱10,000,005,000.00 or, should the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, exercise in full its Oversubscription Option, ₱20,000,000,025.00. The net proceeds from the Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱9,927,122,349.93. The net proceeds from the Oversubscription Option should the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, exercise in full its Oversubscription Option, after deducting gross proceeds, underwriting and selling fees, listing fees, and taxes is estimated to be ₱9,958,827,291.81. The Company will use the said proceeds for investment in its subsidiaries in existing businesses. See “<i>Use of Proceeds</i>” on page 9 of the Offer Supplement.</p>

Offer Period	The Offer Period shall commence at 9:00 a.m. on October 13, 2020 and end at 5:00 p.m. on October 19, 2020. The Issuer and the Joint Issue Managers, Joint Lead Underwriters and Bookrunners reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.
Dividend Rate	<p>As and if cash dividends are declared by the Board of Directors, cash dividends on the Series 2-J Preferred Shares shall be at the fixed rate of 4.75% per annum calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the “Initial Dividend Rate” for the relevant series).</p> <p>Dividend Rate means (a) from the Issue Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, until the date the Series 2-J Preferred Shares are redeemed, the higher of the Initial Dividend Rate and the Step Up Rate. <i>(Please see below relevant definitions.)</i></p>
Dividend Payment Date	<p>Cash dividends on the Initial Offer Shares will be payable once for every Dividend Period on such date set by the Board of Directors at the time of declaration of such dividends (each a “Dividend Payment Date” in accordance with the terms and conditions of the Initial Offer Shares, which date shall be any day within the period commencing on (and including) the last day of a Dividend Period and 15 calendar days from the end of the relevant Dividend Period.</p> <p>If a Dividend Payment Date occurs after the end of a Dividend Period, there shall be no adjustment to the amounts of dividends to be paid.</p> <p>The dividends on the Series 2-J Preferred Shares will be calculated on a 30/360-day basis.</p> <p>If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.</p>
Dividend Period	A “Dividend Period” shall refer to the period commencing on the relevant issue date and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of the immediately succeeding Dividend Period; provided that, the first Dividend Period of the Offer Shares shall be the period commencing on the Issue Date and ending on the last day of the then current dividend period for the outstanding Series 2 Preferred Shares.
Conditions on Declaration and Payment of Cash Dividends	Please refer to “ <i>Conditions on Declaration and Payment of Cash Dividends</i> ” on page 24 of the Prospectus.
Optional Redemption and Purchase	As and if approved by the Board, the Issuer may redeem the Series 2-J Preferred Shares in whole (not in part) on the third (3 rd) anniversary from Issue Date or on the last day of any Dividend Period thereafter (each an “ Optional Redemption Date ”), at a price (the “ Redemption Price ”) equal to the Offer Price of the Series 2-J Preferred Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as

applicable, to effect the redemption. The notice to redeem shall be deemed irrevocable upon issuance thereof.

On the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, the Series 2-J Preferred Shares.

In the event an Optional Redemption Date falls on a day that is not a Banking Day, the redemption shall be made on the next succeeding day that is a Banking Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Issuer may also redeem the Series 2-J Preferred Shares, in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing.

Dividend Rate Step Up

Unless the Series 2-J Preferred Shares are redeemed by the Issuer on the fifth (5th) anniversary date of the Series 2-J Preferred Shares (“**Step Up Date**”) or on the next Banking Day in case the redemption date falls on a non-Banking Day, the dividend rate on the Series 2-J Preferred Shares will be adjusted to the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rates of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any such successor rate as determined by the Bankers Association of the Philippines (“**BAP**”) or the *Bangko Sentral ng Pilipinas* (“**BSP**”), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider) for three consecutive days ending on (and including) the fifth (5th) anniversary from Issue Date, plus 5.00% (the sum of the relevant BVAL and the spread, the “**Step Up Rate**”); provided, that in the event the Series 2-J Redemption Date falls on day that is not a Banking Day,

- (a) the rate setting will be done on the immediately succeeding Banking Day using the average of the 10-year BVAL rates for the three (3) consecutive Banking Days preceding and inclusive of the said rate setting date; and
- (b) the higher of (i) the applicable initial Dividend Rate and (ii) the applicable Step-Up Rate will be applied commencing on the Step-Up Date.

No Sinking Fund

The Company is not legally required, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Series 2-J Preferred Shares.

Accounting Event

An accounting event (“**Accounting Event**”) shall occur if an opinion of any recognized person authorized to perform auditing services in the Government has stated that there is more than an insubstantial risk that the funds raised through the issuance of the Initial Offer Shares may no longer be recorded as “equity” pursuant to the PFRS, or such other accounting standards which succeed PFRS, as adopted by the Government, applied by SMC for drawing up its consolidated financial statements for the relevant financial year and such event cannot be avoided by SMC taking reasonable measures available to it.

Tax Event

A tax event (“**Tax Event**”) shall occur if dividend payments become subject to higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or

regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to SMC.

Purchase of the Initial Offer Shares

Upon listing on the PSE, SMC may purchase the Series 2-J Preferred Shares, then tradeable at that time at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Initial Offer Shares.

Redemption by reason of a Tax Event

In the event payments in respect of the Series 2-J Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem any subseries of the Series 2-J Preferred Shares at any time in whole but not in part, at the Redemption Price. See "*Summary of the Offer*" on page 1 of the Offer Supplement and "*Description of the Offer Shares*" on page 30 of the Prospectus.

Redemption by reason of an Accounting Event

In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Government has been delivered to the Issuer stating that there is more than an insubstantial risk that the Series 2-J Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Series 2-J Preferred Shares in whole, but not in part, at the Redemption Price. See "*Summary of the Offer*" on page 1 of the Offer Supplement and "*Description of the Offer Shares*" on page 30 of the Prospectus.

Taxation

Subject to the proviso set forth below, all payments in respect of the Series 2-J Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of the Government, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, SMC will pay additional amounts so that holders of the Initial Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable; provided, however, that SMC shall not be liable for, and the foregoing payment undertaking of SMC shall not apply to:

(a) any withholding tax applicable on dividends earned or on any amounts payable to the holders of the Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; (b) any income tax (whether or not subject to withholding); percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption (or receipt of the redemption price) of the Series 2-J Preferred Shares or on the liquidating distributions as may be received by a holder of the Series 2-J Preferred Shares; (c) any expanded value added tax which may be payable by any holder of the Series 2-J Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Series 2-J Preferred Shares; (d) any withholding tax, including any additional tax imposed by change in law, rules, or regulation, on any dividend payable to any holder of the Series 2-J Preferred Shares or any entity which is a

non-resident foreign corporation; and (e) any applicable taxes on any subsequent sale or transfer of the Series 2-J Preferred Shares by any holder of the Series 2-J Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

**Form, Title and
Registration of the
Preferred Shares**

The Series 2-J Preferred Shares will be issued in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Offer Registrar, and lodged with the Philippine Depository and Trust Corporation (“PDTC”) as depository agent on Issue Date through Trading Participants of the PSE (“**Trading Participant**”) nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application to Purchase (as defined below) the name of the Trading Participant under whose name their Initial Offer Shares will be registered. After Issue Date, shareholders may request the registrar, through their nominated Trading Participant, to (a) open a scripless registry account and have their holdings of the Initial Offer Shares registered under their name (“name-on-registry account”), or (b) issue stock certificates evidencing their investment in the Initial Offer Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder.

Legal title to the Series 2-J Preferred Shares will be shown in an electronic register of shareholders (the “**Registry of Shareholders**”) which shall be maintained by the registrar. The registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Initial Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The registrar shall send (at the cost of SMC) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any request by shareholders for certifications, reports or other documents from the registrar, except as provided herein, shall be for the account of the requesting shareholder.

For scripless shares, the maintenance and custody fee payable to the PDTC shall be for the account of the shareholder.

**Selling and Transfer
Restrictions**

After listing, the subsequent transfers of interests in the Initial Offer Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.

Governing Law

The Series 2-J Preferred Shares will be issued pursuant to the laws of the Republic of the Philippines.

**Features of the
Preferred Shares**

Please refer to “*Description of Offer Shares*” on page 30 and “*Terms of the Offer*” on page 23 of the Prospectus.

Other Terms of the Offer

**Minimum Subscription
to the Preferred Shares**

Each Application shall be for a minimum of 500 Initial Offer Shares, and thereafter, in multiples of 100 Initial Offer Shares. No Application for multiples of any other number of Initial Offer Shares will be considered.

Eligible Investors

The Initial Offer Shares may be owned or subscribed to by any person, partnership, association or corporation regardless of nationality, subject to limits under Philippine law. However, under certain circumstances, SMC may reject an Application or reduce the number of the Initial Offer Shares applied for subscription.

Subscription to the Initial Offer Shares may be restricted in certain jurisdictions. Foreign investors interested in subscribing or purchasing the Initial Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Initial Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Initial Offer Shares.

Procedure for Application

Applications to Purchase the Initial Offer Shares may be obtained from any of the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or Selling Agents. All Applications shall be evidenced by the Application to Purchase, duly executed in each case by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, the corresponding payment for the Initial Offer Shares covered by the Application and all other required documents including documents required for registry with the registrar and depository agent. The duly executed Application to Purchase and required documents should be submitted to the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or Selling Agents by the end of the Offer Period. If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:

- (a) a certified true copy of the applicant's latest articles of incorporation and by-laws and other constitutive documents, each as amended to date, duly certified by the corporate secretary;
- (b) applicant's SEC certificate of registration, duly certified by the corporate secretary; and
- (c) a duly notarized corporate secretary's certificate setting forth the resolution of the applicant's board of directors or equivalent body authorizing (i) the purchase of the Initial Offer Shares indicated in the application and (ii) the designated signatories for the purpose, including their respective specimen signatures.

Individual applicants must also submit a photocopy of any one (1) of the following identification cards ("ID"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank.

An applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must indicate such exemption or entitlement in the Application to Purchase and also submit additional documents as may be required by the Issuer, including but not limited to, the documents described on page 22 of the Offer Supplement.

Payment for the Preferred Shares

The Offer Price of the Initial Offer Shares must be paid in full upon submission of the Application to Purchase.

Payment shall be in the form of either:

(i) a Metro Manila clearing cashier's/manager's or corporate check or personal check drawn against a bank account with a BSP-authorized agent bank located in Metro Manila and dated as of the date of submission of the Application to Purchase covering the entire number of the Initial Offer Shares covered by the same Application. Checks should be made payable to "**SMC Preferred Shares Offer**"; or

for applicants submitting their Application to Purchase to any of the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or Selling Agents:

(ii) through the Real Time Gross Settlement ("**RTGS**") facility of the BSP to the Joint Issue Managers, Joint Lead Underwriter and Bookrunner or Selling Agent to whom such Application was submitted. Standard transaction fees for RTGS payments will be for the account of the investor.; or

(iii) via direct debit from their deposit account maintained with the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or Selling Agent.

Acceptance/Rejection of Applications

The actual number of the Initial Offer Shares that an applicant will be allowed to subscribe to is subject to the confirmation of the Joint Issue Managers, Joint Lead Underwriters and Bookrunners. SMC reserves the right to accept or reject, in whole or in part, or to reduce any application due to any grounds specified in the relevant underwriting agreement to be entered into by SMC with the Joint Issue Managers, Joint Lead Underwriters and Bookrunners. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any payment received pursuant to the Application does not constitute as approval or acceptance by SMC of the Application.

An Application, when accepted, shall constitute an agreement between the applicant and SMC for the subscription to the Initial Offer Shares at the time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in the Prospectus for the Offer and the Offer Supplement. Notwithstanding the acceptance of any Application by SMC, the actual subscription by the applicant for the Initial Offer Shares will become effective only on the relevant Issue Date.

Refunds for Rejected Applications

In the event that the number of the Initial Offer Shares to be allotted to an applicant, as confirmed by the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by SMC, then SMC shall refund, without interest, within five (5) Banking Days from the end of the relevant offer period, all, or a portion of the payment corresponding to the number of the Initial Offer Shares wholly or partially rejected. All refunds shall be made through the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or Selling Agent with whom the applicant has filed the Application at the risk of the applicant.

Local Small Investors

The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Expected Timetable

The timetable of the Offer is expected to be as follows:

SEC en Banc approval and issuance of Pre-effective letter	September 29, 2020
PSE Board Approval and issuance of Notice of Approval	September 30, 2020
Dividend Rate Setting	October 8, 2020
Dividend Rate Announcement	October 9, 2020
Issuance of Permit to Sell and Order of Registration	October 9-12, 2020
Offer Period	October 13-19, 2020
Trading Participants' Submission of Firm Undertaking	October 15, 2020
Trading Participants' Allocation	October 15, 2020
Issue Date and commencement of trading on the PSE	October 29, 2020

Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable, and other conditions.

**Joint Issue Managers,
Joint Lead Underwriters
and Bookrunners**

BDO Capital & Investment Corporation
BPI Capital Corporation
China Bank Capital Corporation
Philippine Commercial Capital Inc.
PNB Capital and Investment Corporation
RCBC Capital Corporation
SB Capital Investment Corporation

For more information on the Joint Issue Managers, Joint Lead Underwriters and Bookrunners and their underwriting commitments, please see "*Plan of Distribution*" on page 12 of the Offer Supplement.

**Assigned Joint Issue
Manager**

PNB Capital and Investment Corporation is the Assigned Joint Issue Manager

Selling Agents

Bank of Commerce
Trading Participants of The Philippine Stock Exchange, Inc.

Depository Agent

Philippine Depository and Trust Corp.

**Registrar/Stock Transfer
Agent**

SMC Stock Transfer Service Corporation

Receiving Agent

SMC Stock Transfer Service Corporation

Counsel to the Issuer

Picazo Buyco Tan Fider & Santos


**Counsel to the Joint
Issue Managers, Joint
Lead Underwriters and
Bookrunners**

SyCip Salazar Hernandez & Gatmaitan

Conforme:

SAN MIGUEL CORPORATION

By:



FERDINAND K. CONSTANTINO
Chief Finance Officer and Treasurer



SERGIO G. EDEZA
Senior Vice President and Head of Treasury

