

2019
ANNUAL
REPORT



SAN MIGUEL
CORPORATION

**Sama-sama sa laban,
walang iwanan.**



ABOUT THE COVER

Sama-sama sa laban, walang iwanan.

"Together we fight; leave no one behind," became the rallying cry of the San Miguel Group throughout the COVID-19 global pandemic. Under this banner, San Miguel Corporation mounted the largest relief effort in Philippine history. The work continues.



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Our actions are
guided by values we've
espoused for so long—
pakikiisa, bayanihan,
pagmamahal sa bayan,
malasakit sa kapwa.

Never in recent memory has any single event had such a far-reaching impact and caused so much uncertainty. And yet, it's always in these most trying of situations that we find within ourselves a deeper sense of purpose.



Eduardo M. Cojuangco, Jr. †
Chairman and Chief Executive Officer



Ramon S. Ang
President and Chief Operating Officer

† Eduardo M. Cojuangco, Jr. passed away 16 June 2020

We are San Miguel

Fellow stockholders,

The Philippines and the rest of the world are experiencing unprecedented upheaval. In just a few short months, we have learned, all too painfully, that COVID-19 does not discriminate. People of all races, gender, income, and geography are feeling its impact worldwide. In the business world, virtually no company is untouched. Forecasts have been upended, and business plans have become almost meaningless as we struggle to cope with not just the health implications of the virus, but the necessary response to it—the enhanced community quarantine (ECQ) throughout Luzon, which had been extended twice, and the restrictions this placed on the day-to-day running of our business.

While there is much to discuss of our financial performance in 2019—detailed in our management report—we first want to talk about the challenges we’re facing today, not just as a company, but as a nation.

Never in recent memory has any single event had such a far-reaching impact and caused so much uncertainty. And while the quarantine has since been eased, uncertainty over the shape of our economic recovery will continue to be felt well beyond this year, and possibly the next.

And yet, it’s always in these most trying of situations that we find within ourselves a deeper sense of purpose. For your management, the coronavirus crisis and its aftermath will be remembered as a lesson in the human capacity for grace under

pressure, as employees from all parts of our organization responded to a rapidly evolving crisis.

Our actions were guided by values we’ve always espoused—*pakikiisa, bayanihan, pagmamahal sa bayan at sa kapwa*. We responded to the pandemic the only way we know how: with *malasakit*.

Ensuring Food, Power, Fuel Supply, and Infrastructure Operations

Very little was disrupted in the way of being able to provide essential services such as water, power, fuel products, and food to Filipinos. We kept our expressways open as transport remained vital during the lockdown to keep healthcare and support systems running. With over 40,000 regular employees, we have a responsibility to keep our business in good shape so that we can help others who will almost definitely struggle to stay afloat. This crisis is sure to have a devastating impact on small businesses and wage earners whose hours, shifts, and operations have ground to a halt because of the pandemic.

At the start of the quarantine, one of the immediate concerns was food security and supply. With the coronavirus stoking panic and driving people indoors, shelves were emptied and stocks of essential food items were depleted. Work and public transportation stoppage and the closing of malls and restaurants, only fanned fear.

Days before the ECQ was announced, San Miguel Foods took proactive steps to secure its inventory and supply chain.

At each of our critical facilities, lean work teams ramped up the production of poultry, fresh and processed meats, canned goods, flour, biscuits, coffee, and dairy products. Despite some difficulty early on, capacity in our food production facilities hovered around 95% on average, allowing us to quickly replenish stocks and demonstrate our capability to provide sufficient food supply.

Food was not our only watch out. With virtually the entire population of Luzon under lockdown, we made sure that our power facilities were running efficiently, even as measures to save on fuel were put in place.

Despite the massive drop in vehicular traffic—up to more than 80% at our operating toll roads—Petron Corporation and SMC Infrastructure kept our gas stations and expressways open, primarily to help ensure the efficient flow of essential goods, and to serve our government and medical front liners.

Protecting Vulnerable Families from Hunger

We mounted what has since become the largest food donation drive in our company's, and quite possibly, the nation's history. Understanding early on that hundreds of thousands of families who rely on daily paid work would be the most vulnerable to hunger, we tapped partners in various sectors to bring food donations to as many locations and communities possible.

Through local government units (LGUs), non-profit organizations, charitable institutions, and church-based groups, we distributed free food products to over 200 locations nationwide.

We sourced and distributed over 1.1 million kilograms of rice, a staple in the diet of every Filipino family. Before the end of June, our efforts resulted in over P511 million worth of food given out to 173 LGUs, seven national government agencies,

63 non-profit organizations, and various units of the Philippine National Police (PNP) and Armed Forces of the Philippines (AFP).

Free flour from San Miguel Mills was distributed through the LGUs to bakers' associations, allowing small bakeries and businesses to manage costs and, at the same time, provide vitamin-fortified bread and *pan de sal* to urban poor communities.

San Miguel Brewery, Inc. (SMB) donated drinking water in cans. SMB's logistical reach, combined with San Miguel Integrated Logistics Services, Inc.'s (SMILSI) and Ginebra San Miguel Inc.'s (GSMI) own networks, allowed us to bring much needed help to *barangays* and municipalities throughout the country.

Petron used its network of service stations to boost the Department of Agriculture's (DA) "*Kadiwa Ni Ani at Kita*" program, to help farmers sell their produce to consumers in Metro Manila. At the same time, the DA helped us tap farmer-cooperatives nationwide to secure our raw material requirements, and help boost farm incomes.

Ensuring Employee Safety and Well-Being

San Miguel Foods became the hub for much of our relief efforts. To make sure that operations continued unhampered, we put in place measures for our employees' health and safety.

Offices and conference rooms were converted into living quarters for workers forced to stay in for reasons of safety. Shuttle services were provided for our merchandisers, and bicycles were given to employees who live close by.

We provided protective gear and vitamins to boost immunity, and gave incentives on top of regular pay.

With a workforce consisting of around 70,000 employees, consultants, and partners, we have a huge impact on the lives of many. To this end, we ensured that all salaries were continuously paid throughout the quarantine period, so our employees

could focus on their work, families, and contribution to our efforts.

Synergies Bring Products Closer to People

Over the years, we've benefited greatly from the synergies we've derived from our various businesses. This time around, even businesses that might normally work at arm's length, came together to get the job done faster.

To address the challenge of making food more accessible, Petron, San Miguel Foods, and SMILSI set up alternative, non-traditional selling channels that provided consumers easier, safer access to our products.

Magnolia Poultry expanded its "*Manukang Bayan*" rolling micro-stores program. SMILSI deployed more than thirty 10-ton reefer van trucks to bring larger quantities of poultry and other frozen products to different Petron service stations all over Metro Manila.

We also brought our products closer to many *barangays* and subdivisions, working with homeowners associations and local officials to spread the word that we had set up shop.

Our ability to innovate and quickly execute on new programs was also key to launching a new online ordering system, order.sanmiguelfoods.com. Our increased use of e-commerce platforms also greatly improved product availability, providing more consumers not just convenience but also added safety.

Reconfiguring Our Liquor Operations

The COVID-19 crisis resulted in a severe shortage of disinfecting alcohol. Anticipating the importance of alcohol for personal hygiene and, more importantly, medical use, GSMI became the first Filipino spirits company to temporarily suspend production of liquor products and switch to the production of 70% ethyl alcohol.

We were able to deliver alcohol to over 70 public and private hospitals, initially, throughout Metro Manila.

By the third week of quarantine, all other GSMI facilities nationwide were producing disinfecting alcohol, bringing total capacity to 100,000 liters per day. This enabled us to support the Department of Health (DoH) and the requirements of many more hospitals nationwide.

We tapped the PNP and the AFP, over a hundred LGUs, and numerous non-profit and non-government organizations and volunteer groups to distribute free alcohol to as many communities they could reach.

By mid-June, our alcohol donations totaled 1.3 million liters, equivalent to P97.1 million. Within roughly three months, we reached 3,626 hospitals, LGUs, and other institutions.

Protecting and Helping Our Medical Front Liners

Despite the admirable work of our employees to help Filipinos cope with the quarantine, the real battle against COVID-19 continues to be waged in hospitals by our doctors, nurses, and health workers. For this reason, we allotted P500 million to acquire life-saving medical equipment so vital to our medical practitioners and institutions.

By mid-April, we distributed close to 55,000 sets of medical-grade personal protective equipment (PPEs) to more than 100 government and private hospitals throughout Luzon, Visayas, and Mindanao, as well as to the Office of the Civil Defense.

Before the end of April, we donated five sets of Polymerase Chain Reaction (PCR) testing machines and high-throughput RNA extraction systems to different government hospitals, which boosted capacity by 11,000 tests a day, effectively doubling the country's testing capacity at the time. We also delivered the equivalent of 34,000 tests to further boost government's testing capacity.

We also funded the construction of 10 emergency quarantine facilities in various military camps nationwide. With a total 150-bed capacity, these facilities aim to ease the burden on provincial hospitals as COVID-19 cases continue to increase.

Finally, to ensure a safe return to work for our employees, we bought enough PCR testing kits to cover the estimated 70,000 in our system. As we write this, we are very carefully reintroducing employees to the workplace. There isn't a one-size-fits-all answer to returning to the office, but we believe testing is absolutely crucial, allowing us to safely go back to work and serve more Filipinos.

Across our other businesses, there are many other equally significant efforts that our employees are implementing to support our medical front liners: Free toll for health care workers at all SMC Infrastructure tollways, and donations to COVID-19 referral hospitals via Petron Value Cards, among others.

All told, our COVID-19 donations have reached over P1.25 billion as of June 25.

The Challenges of 2019 Prepared Us for 2020

Over the years, we've had a lot of experience in operating in the most challenging conditions. But while the challenges we've faced have been firmly rooted in operating a business, they have helped prepare us for the role we've taken for ourselves today.

The previous year, 2019, was such a year, fraught with issues that hampered our growth: volatility in world crude prices and the proliferation of white stations, which weighed heavily on Petron; higher raw material prices, the lifting of import restrictions on poultry, and the outbreak of African Swine Fever, which affected San Miguel Food's overall results.

Consolidated revenues of P1.02 trillion were at the same level as the previous year, reflecting sustained strong demand for our products despite the setbacks suffered by Petron. Consolidated operating income was down 1% at P115.7 billion; the strong performance of the Beer, Spirits, and Power businesses cushioned the slowdown in the Fuel and Food businesses. Reported consolidated net income of P48.6 billion was at par, while EBITDA ended at P162.4 billion, 3% higher than in 2018.

Despite the challenges, 2019 saw major developments across our Group that reflected how much better we've become as a company, not just in terms of performance and execution, but in laying the foundations of our business in this new decade and beyond.

We reached important milestones in our ongoing capacity expansion program, which is also aimed at creating jobs and dispersing growth further into the regions. Our new facilities include a brewery, four feedmills, and an additional flour mill. These new facilities are integral to the future of San Miguel Food and Beverage, Inc. Even as we seek to serve growing current demand, we're also positioning ourselves to capitalize on important shifts in the food and beverage industry.

Our other major initiatives—SMC Global Power's Battery Energy Storage System Project, which will help stabilize power grids and make renewable energy more viable in the future; SMC Infrastructure's full completion of the Tarlac-Pangasinan-La Union Expressway, as well as work on Skyway Stage 3, the MRT-7, and the Skyway Extension projects—all progressed well in 2019.

More significantly, we signed the 50-year concession agreement for the new Manila International Airport project.

We are inspired by the compassion and courage of our employees on the front lines, who operated our facilities and selling stations, and whose duty called them away from their homes and families.

We Exist to Uplift Filipinos

It's not just our expertise and experience that matter in these times. Our approach to business—that we exist to drive our country's growth and uplift the lives of Filipinos—has made all the difference in the way we've responded to this crisis. We delivered P8.77 billion in payments to government, despite a grace period, and released an additional P3.09 billion for the full salaries of our employees at a time when our businesses are unable to deliver good returns. This has brought our total COVID-19 response efforts to P13.112 billion.

There is much we need to do to adapt to new realities, and it will take our very best efforts to help restart and revitalize our economy.

In many ways, being in the driver's seat, in terms of private sector response to the pandemic and running our essential operations in a real-life worst-case scenario, prepares us for the road ahead.

Before COVID-19, we were an organization that didn't only aspire to be great, more importantly, we wanted to do good. This thinking gave us the clarity

needed to transform our company into an enterprise that leads in building our country's determinants of growth.

Today, even as we're waking up to a very different world, San Miguel's purpose is as strong and powerful as at any point in our 130-year history. Our goals for our businesses, our commitment to greater sustainability, and the qualities that make us the best version of San Miguel by far, remain unchanged.

We are inspired by the compassion and courage of our employees on the front lines, who operated our facilities and selling stations, and whose duty called them away from their homes and families.

We take this opportunity to honor the extraordinary resilience of the entire San Miguel family whose determined and swift response across the country mobilized the largest relief effort in Philippine business, during one of the most challenging periods of our collective history.

We are San Miguel.

Sama-sama sa laban. Walang iwanan.



OUR NEXT NORMAL:

“We always come out stronger”

With the COVID-19 pandemic forcing all economic activity in the Philippines to a halt for almost three months, San Miguel Corporation (SMC) experienced its toughest quarter since the mid-1980s, when political uncertainty sent the economy into a tailspin, with inflation running at nearly 50%. This time around, it is a crisis of a different sort, with the coronavirus having a vast effect on the economy.

Containment measures have prompted unprecedented declines in demand and disruptions in production, which have had the overall effect of shaking business and consumer confidence.

With the reopening of sectors of the economy in phases, work now focuses on the immediate future and the need to mitigate the knock-on effects of the pandemic.

SMC President and COO Ramon S. Ang talks about how San Miguel will adjust to the next normal, and bounce back stronger.

When news of the coronavirus first grabbed headlines early this year, did you imagine it would impact the Philippines and the company the way that it has?

At that time, I don't think anyone could have foreseen how large COVID-19's impact would be. Even the most advanced and richest countries have struggled to cope.

But we were not entirely caught by surprise. As early as mid-January, we were already monitoring the

situation in China. We were probably among the first Philippine companies to put in place enhanced safety measures in early February. Small things: adding hand washing stations at all entrances of our major offices in Metro Manila; cancelling all official foreign travel, and mandating a two-week quarantine for those coming back from official and personal travel.

How did you cope, initially?

Each of our businesses has their own business continuity plans, and these were quickly activated during the enhanced community quarantine (ECQ), allowing for the operations of our essential businesses—Food, Power, Fuels, Infrastructure—to continue. Like everyone else, we experienced difficulties. Our employees could not get to work, so we made arrangements to house or transport them. Within a week, our food facilities were operating at around 95% capacity.

In terms of food and alcohol production, contingencies were made even before ECQ. For Food, we had enough raw materials in the pipeline, and could assure the public early on that there was enough supply for months. We reconfigured our GSMI-Cabuyao plant to produce ethyl alcohol, so our employees and facilities would have their own supply, and not take away from supply in the market. Later on, we donated alcohol to hospitals, government offices and the Armed Forces, shifting production to alcohol disinfectant at even more GSMI plants. We were producing up to 100,000 liters of alcohol a day for donation.

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All our expansion projects will continue. This includes food expansion projects, new breweries in Cagayan de Oro and Sta. Rosa, Laguna, the new unit of Masinloc Power Plant, the Battery Energy Storage System project, and of course, our ongoing infrastructure projects.

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With all that's happened, which businesses do you see making the quickest recoveries?

Our major businesses are well-positioned to make recoveries. April was the worst month, as we felt the full-impact of the ECQ. But starting May, we began seeing a slow recovery. Liquor bans were lifted toward June. The shift from ECQ to modified ECQ to General Community Quarantine (GCQ) has restarted the economy. Restrictions on travel have been lifted and more people are coming back to work. This is good for our Infrastructure, Power, and Fuels businesses.

Petron saw some refining margins recover by May. There are still many other factors that can impact our recovery, such as fluctuations in world crude prices. With no cure yet for COVID-19, we can never be 100% sure that there will not be another outbreak. But at least, government has done a lot in terms of setting up new protocols and building its testing capacity. None of this was in place back in March.

How will the pandemic affect your expansion plans? What about your major infrastructure projects?

All our expansion projects will continue. This includes food expansion projects, new breweries in Cagayan de Oro and Sta. Rosa, Laguna, the new

unit of Masinloc Power Plant, the Battery Energy Storage System project, and of course, our ongoing infrastructure projects.

These include the Skyway 3, Skyway Extension, MRT-7, TPLEX, which are essential not just in keeping the economy going, but dealing with the issue of congestion.

What about the new airport project? Will that continue?

Among the hardest hit industries globally today are the travel and airline industries. We don't know how this pandemic will affect global travel in the medium-term, but we are still pushing through with our plans to build the airport. We're focusing on the land development component at the moment. By the time the airport is complete, the world would have overcome the challenges we see today.

We still believe that a world class airport is key to sustaining our economic growth and solving our air transport congestion problems. But again, given the crisis, with our other major and ongoing projects already delayed by about three to six months, it's just a matter of prioritizing the work.

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There will be challenges we can't foresee, but as always, San Miguel will be resilient. We will adjust, improve, and adapt. If there is one thing in these uncertain times that we can be sure of, it's that in all major crises that San Miguel has faced throughout its 130-year history, we always come out stronger.

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Of all the businesses, it was San Miguel Foods that was able to register growth during the quarantine. What were the things that worked that you will carry into the future?

Food security is essential. The problem was getting our products to consumers, given the restrictions on transportation. Fewer supermarkets, public markets, and stores were operating, and hours were limited.

First, we set up new, non-traditional selling channels. We tapped community resellers, LGUs, and homeowners' associations to bring our *Manukang Bayan* on Wheels closer to villages. We positioned our refrigerated vans at many Petron service stations. We also brought fresh produce from local farmers closer to people through *Kadiwa* stores at Petron service stations.

We were quick to ramp up selling through online channels. We registered a 400% increase in average sales for our food products in e-commerce platforms such as Lazada, Zalora, Grab Mart, Shopee, Panda Mart.

Within a fairly short amount of time, we were able to launch order.sanmiguelfoods.com. This serves as a safer, more convenient way for our customers to buy our products. So definitely, these channels will be part of our new normal.

How does a full recovery look like for San Miguel?

Until there's a vaccine, the battle with COVID-19 is far from over. It's going to be a gradual recovery, and already we're seeing a lot of improvement because of the shift to GCQ starting in June.

What's key is we have been able to prepare well—setting up our own lab for testing and putting all the necessary workplace measures to keep our employees, partners, and customers safe. There will be challenges we can't foresee, but as always, San Miguel will be resilient. We will adjust, improve, and adapt. If there is one thing in these uncertain times that we can be sure of, it's that in all major crises that San Miguel has faced, we always come out stronger.



Eduardo M. Cojuangco, Jr.

1935-2020



Eduardo M. Cojuangco, Jr. (ECJ) was—despite his low-key style—one of the Philippines' most respected businessmen, having successfully made the transition from politics to private enterprise.

Chairman and CEO of San Miguel Corporation, Cojuangco, together with Ramon S. Ang, rebuilt the foundations of the Company upon his return in 1998, streamlining and broadening the group's business portfolio and later on, redefining the very nature of its core businesses.

For decades, ECJ helped steer the company. The values he lived by are at the heart of what it means to be San Miguel. In remembering his life and honoring his accomplishments, we will see that we are really praising what is best about the corporation he helped build—*malasakit* and *sama-sama*, the idea that in everything, we succeed together, and that no one should be left behind.

An agriculturist and agronomist by training, Cojuangco made sure the company operated in keeping with his

own ideas of civic mindedness and social responsibility. Success, for ECJ, was measured in giving back to his country and countrymen.

Cojuangco was also a philanthropist who took a special interest in education. Through his Tarlac-based Eduardo Cojuangco Foundation (ECF), he launched in 2010 a teacher training program that benefited over 2,250 elementary and secondary school teachers. A similar program in Bacolod graduated close to 1,500 public school teachers, raising teaching proficiency levels in the province to the highest in the Philippines at the time.

As a leader he was often asked what he considered important virtues. Cojuangco had this to say: "The courage to dream is important, but humility is important too. To know when to step back and recognize that to win big, you have to trust other people with your vision." San Miguel's success, he would insist, was never his alone.

Eduardo M. Cojuangco, Jr. was born on 10 June 1935 in Paniqui, Tarlac and died on 16 June 2020. He was 85 years old.



**Meycauayan Doctors
Hospital**



**SAN MIGUEL
CORPORATION**



**world
we
want**

Malasakit

Enshrined as our overarching core value and meant to guide the decisions and actions of our employees across the San Miguel Group, *malasakit* is an abstract whose definition can still prove elusive. Is it a value? A virtue? An ideal?

If anything, the COVID-19 pandemic has given San Miguel Corporation (SMC) the chance to show what true *malasakit* means for the company.

From ensuring there is enough food, even for those with little or no means to buy it, to keeping essential operations going, acts of courage and *malasakit* from San Miguel and its employees, abound.

To our heroes who quietly did their part and overcame the challenges and hindrances at hand, thank you. You have defined SMC's unique brand of *malasakit* through your many acts of kindness and humanity that allowed us to get help to where it was most needed, and make a difference in people's lives.

These are our stories.



Across the San Miguel Group, employees showed malasakit throughout the crisis, going above and beyond to serve and help Filipinos in their time of need.

From celebrating life, to helping save lives



“I volunteered to remain in the plant so I could help produce the needed ethyl alcohol for our front liners.”

-Joselito Montenegro

Days before Luzon and many other parts of the country were put under Enhanced Community Quarantine (ECQ), SMC President and Chief Operating Officer Ramon S. Ang had given the order to Ginebra San Miguel Inc.’s (GSMI) technical team to revive the old ethyl alcohol line at GSMI’s Cabuyao plant. Years ago, the company had such a product, St. Michael’s alcohol, which was discontinued to streamline the company’s portfolio.

Panic-buying was depleting alcohol stocks nationwide. So SMC facilities could continue to operate safely and not draw from an already scarce supply, it made sense for the company to make its own alcohol.

Almost as soon as the first test batch of the 70% ethyl alcohol rolled off the line at the Cabuyao Plant, ECQ was declared. GSMI was given an even bigger mission by Ang: Refocus all resources and efforts and ramp up production of alcohol for donation to hospitals and local government units (LGUs). Within two weeks, Ang’s mandate would be implemented in all GSMI production facilities nationwide.

Thus did Ginebra San Miguel become the first Filipino company to fully reconfigure its operations towards supporting the war against COVID-19.

Joselito Montenegro, an Engineering and Facilities Head for GSMI, recalls: “I volunteered to remain in the plant so I could help produce the needed ethyl alcohol for our front liners. My role at the GSMI Mandaue Plant is to ensure continuous operations and oversee the maintenance and repair of all our equipment. I feel very proud to have played a part in SMC’s efforts to show *malasakit* to Filipinos.”

Shifting production from liquor to alcohol disinfectant was not easy. While the company had plenty of raw materials, initially, it didn’t have all the necessary equipment to reconfigure its facilities, and at such massive scale. There were disruptions in demand, supply, and labor. Even procuring containers in which to decant thousands of liters of alcohol was a problem.

But with the perseverance and determination of its employees, the first Ginebra San Miguel trucks—which in better times would carry Ginebra’s iconic brands—would roll out of the Cabuyao plant within just days to deliver the first batch of alcohol to hospitals and LGUs.

Shortly after, GSMI’s other plants nationwide would start alcohol production for their respective regions. To cover more ground,



“Everytime we delivered the alcohol, I could see how happy and thankful our front liners were. I feel proud that even an ordinary citizen like me can do something to help our nation.”

-Joseph Pabelona

San Miguel Integrated Logistics Services, Inc. and San Miguel Brewery Inc.’s (SMB) own logistics teams also joined the effort to deliver free alcohol.

From the initial 7,000 liters per day capacity at the Cabuyao Plant, GSMI reached up to 100,000 liters per day capacity nationwide, with every liter donated to every medical facility and key installation we could reach.

Joseph Pabelona, a truck driver for GSMI, spoke about the pride he felt in being able to do his part: “Everytime we delivered the alcohol, I could see how happy and thankful our front liners were. I feel proud that even an ordinary citizen like me can do something to help our nation.”



GSMI employees carry out an important mission: to reconfigure their operations to make sure free alcohol is delivered to hospitals, LGUs, and other installations.

Feeding hope



“From the start of ECQ, I lived onsite, away from my family. It was hard because I was not able to spend time with them and take care of them during the quarantine. But we had a bigger duty and responsibility.

-Loriel Yala

Just a little over six months since Better World Tondo (BWT) was opened last September by SMC President and COO Ramon S. Ang, himself a product of Tondo, the learning and feeding center dedicated to helping children in one of Manila's poorest communities was temporarily closing its doors.

With the COVID-19 pandemic keeping students from leaving their homes, BWT would take on a different mission throughout the quarantine: serve as a hub for what would become the largest food donation drive in SMC history.

Food supply had become a concern. Most vulnerable were the poorest, whose means of livelihood were put on hold due to the quarantine.

Ang made a public call for calm and gave assurances that San Miguel Foods had enough raw materials and inventory to last the country for several months. Almost immediately, orders were given to secure essential food facilities,

continue and ramp-up production, and start delivering free food products, initially, to all Metro Manila LGUs, for distribution to communities.

In the weeks that followed, San Miguel Foods would mount a heroic effort to make sure its products were available to consumers and, at the same time, the poorest of the poor.

Seeing the importance of the task at hand, teams of employees elected to go on lockdown duty, separated from their families for the foreseeable future.

Recalls Loriel Yala, Senior Manufacturing Specialist for Monterey: “From the start of ECQ, I lived onsite, away from my family. It was hard because I was not able to spend time with them and take care of them during the quarantine. But we had a bigger duty and responsibility. I did it so that we could continue to meet our target volume everyday, and make sure our countrymen would have food on the table when they needed it.”

Malasakit drove what has become the largest food donation drive in SMC history. The company made sure that food was available to consumers everywhere, and also reached the most disadvantaged.





Jeffrey Joble, San Miguel Merchandising Team Leader for the Poultry and Meats outlet at Robinson's Naga, adds: "Everyday, we went to work to provide good service for our customers. We knew that they were also taking a risk going out to get their food supplies, that is why I wanted to help them any way I could."

As deliveries of food donations eventually reached provinces and cities all over Luzon, Visayas, and Mindanao, SMC's efforts quickly expanded. Upon instructions from Ang, San Miguel Mills Inc.'s (SMMI) Flour Technology Center created its version of nutribun, a nutrient- and vitamin-packed bread developed in the 1970s to help fight malnutrition in elementary school children.

From an initial production of 10,000 nutribuns per day, SMMI employees and Great Food Solutions' (GFS) in-house chefs would reach a total capacity of 29,000 per day, all of which was distributed to poor communities

through parishes and partner charitable institutions.

Says Timothy John Abe, Flour Application Specialist for SMMI: "I volunteered to produce baked goods such as *pan de sal* and nutribun for delivery to LGUs, churches, and police districts. By helping bring food to the most vulnerable communities and front liners, I was able to share San Miguel's value of *malasakit* to our fellow Filipinos."

To make bread more affordable and accessible, SMC also began donating flour from SMMI to LGUs. This flour was then given to local bakers, who in turn baked bread, and either gave it away or sold it at a discount.

However, even as the company's relief efforts were gaining ground, a larger problem was looming in rural Philippines. Due to restrictions on transportation, farmers were stuck with large amounts of farm output that had nowhere to go.

Apart from our donations of food products, San Miguel Foods also produced nutribun as part of its relief efforts





We made sure that food supply was not disrupted throughout the duration of the ECQ.

To help support our farmers and secure future raw material supply, SMC partnered with the Department of Agriculture (DA) to buy crops from farmer cooperatives at guaranteed prices. By May, the company had pledged to buy a total of 78,000,000 kilos of corn from farmers across Central Luzon, Pangasinan, and Camarines Sur. On top of that, the company also allowed the DA to set up “*Kadiwa ni Ani at Kita*” stores at key Petron stations, enabling farmers’ produce to be sold directly to consumers in Metro Manila.

Also, through the DA, Department of Health (DoH), and Department of Interior and Local Government (DILG), we helped carabao raisers and farmers cooperatives by buying excess milk, which would have otherwise gone to waste, and donated these straight to LGUs and poor communities.

At Better World Tondo, providing rations of food for members of its community would continue throughout the quarantine. What has been particularly touching is how parent-volunteers, themselves disadvantaged, answered the call to prepare food for donation to other poor communities in other cities. When a huge fire struck Tondo at the end of April, BWT and its volunteers were also there to help.

Erika Jiao, a member-beneficiary of Better World Tondo, says: “Our family is among those who have received food packs and grocery products from San Miguel since the start of ECQ. Volunteering here and helping many others is the way we can return the kindness and *malasakit* shown to us.”

Helping to heal

Back in March, when ECQ was first announced, it seemed that things could only go from bad, to worse, to worst. Much like many other countries in the world hit by the pandemic, the Philippines scrambled to get a hold of personal protective equipment (PPEs)—our medical workers' first line of defense against COVID-19.

But because many countries were competing for whatever could be bought in the global market, prices skyrocketed.

This was the scenario when SMC President and COO Ramon S. Ang made the decision to allot P500 million to procure PPEs and life-saving medical equipment to donate to medical front liners, both in government and private hospitals.

SMC's Corporate Purchasing Unit sprung into action, contacting international suppliers in the company's network for any leads. Efforts were also made, with help from the Department of Trade and Industry (DTI), to tap local garments



Before the end of June 2020, SMC was able to set up its own lab, to test 70,000 in its network nationwide.

manufacturers and exporters who could shift their operations to produce medical-grade PPEs.

The first big break came in mid-April, when a Boeing-777 that we chartered finally landed in Manila. The aircraft was packed with over 55,000 sets of medical-grade hazmat suits plus 1,300,000 pieces of masks, goggles, and gloves. It was the first big shipment of PPEs from abroad, and for San Miguel employees, a rallying point.

Employee volunteers trooped to the SMC head office to help re-pack the PPEs for quick delivery to hospitals nationwide.



“Since I couldn’t help out ‘big time’, doing small things for our front liners was a good start,” says Nikki Castro, Technical Secretary for San Miguel Brewery. “If we hadn’t volunteered, it would have taken longer for the PPEs to get to our health workers. It’s such a simple thing, but every little thing we do, matters. We gave our help wholeheartedly.”

Not long after, the first 10,000 PPEs from the Confederation of Wearable Exporters of the Philippines (CONWEP) that San Miguel ordered for the Philippine General Hospital (PGH), were also delivered.



“If we hadn’t volunteered, it would have taken longer for the PPEs to get to our health workers. It’s such a simple thing, but every little thing we do, matters. We gave our help wholeheartedly.”

-Nikki Castro



Employee volunteers repack PPEs after they arrive onboard a chartered aircraft in April.





Photo above
One of 10 emergency quarantine facilities SMC built in partnership with the AFP

Photo right
SMC also donated life-saving medical equipment to the fight against COVID-19



SMC then turned its focus on procuring the next major need: testing machines and testing kits. After weeks of careful study and looking for suppliers, Ang had decided to invest in the costlier but ultimately, more effective and reliable Polymerase Chain Reaction (PCR) test machines, coupled with High-Throughput Automated RNA Extraction systems.

By early May, we had turned over five sets of the machines to the DoH, which then assigned them to primary COVID-19 testing centers nationwide, including the Research Institute on Tropical Medicine (RITM) in Muntinlupa; San Lazaro Hospital in Manila, Vicente Sotto Medical Center in Cebu, and the Southern Philippines Medical Center in Davao. These donations boosted the government's testing capacity by 11,000 tests per day, effectively doubling the country's total, at the time.

We took on the challenge of helping local governments increase their testing capacities, particularly in urban poor communities prone to outbreaks. We donated 136 swabbing booths to all Metro Manila LGUs, to keep local health workers safe, as well as additional PCR test kits equivalent to 34,000 tests.

In June, in an effort to enable higher recoveries from the virus, the company donated 55 units of High Flow Nasal Cannula (HFNC) used in the management of COVID-19 patients as part of supplemental oxygen therapy for those showing signs of respiratory distress.



To help Metro Manila LGUs increase their testing capacities, SMC donated 136 swabbing booths and PCR test kits equivalent to 34,000 tests



Apart from capacitating hospitals and local governments to conduct necessary testing, we also sought to unburden the medical system from our own needs. By late June, SMC had its own laboratory to process PCR testing for an estimated 70,000 employees and partners across the San Miguel network.

Unburdening the medical system, which still has to take care of the even larger non-COVID-19 patient population, was also the reason behind our initiative to partner with the Armed Forces of the Philippines (AFP) to build temporary quarantine facilities in military camps nationwide.

While the company has certainly done its share of helping in the fight against COVID-19, the true heroes remain our medical practitioners—doctors, nurses, medical technicians, and many



Despite a significant drop in traffic, SMC Infrastructure kept its tollways open to make sure essential workers and products reached their destinations safely.



others—who risk their lives every day to save others. We have also endeavored to honor them every day, simply by providing them small conveniences.

Since March, all our operating expressways—STAR, SLEX, Skyway, NAIAX, and TPLEX—have been issuing free toll passes to medical practitioners, as a show of support and also to facilitate their faster transit to their places of work. Petron Corporation and SMC Infrastructure supported the “Libreng Sakay” programs of the Metro Manila Development Authority (MMDA) and the Department of Transportation (DoTR) for medical workers, by providing free fuel for the shuttle buses.

Eloisa Gabriel, Toll Collection Manager for Star Tollways under SMC Infrastructure, says: “Even if there were less vehicles on the roads, we reported for work because we have a responsibility to keep our expressways running. Our small contribution is to assist in the delivery of goods and services and help make sure that doctors, nurses, and other essential workers, reach their destinations. Our role is to help ensure their safe passage.”

Our small contribution is to assist in the delivery of goods and services and help make sure that doctors, nurses, and other essential workers reach their destinations. Our role is to help ensure their safe passage.”

-Eloisa Gabriel

**SAMA-SAMA,
WALANG
IWANAN.**

PILIPINO AKO.

PARA SA BAYAN.

MAY MALASAKIT AKO.





P13.112 BILLION

COVID-19 RESPONSE EFFORTS AS OF JUNE 25, 2020

FROM HELPING PROTECT LIVES AND LIVELIHOOD

P3.09B

continuous compensation for employees and third party providers

P511.1M

rice, canned goods, poultry, fresh meats, flour, nutribun, biscuits, milk, coffee, etc.

P500M

PPEs, testing machines and kits and other medical donations

P100M

Project Ugnayan from Ramon S. Ang and family

P97.1M

1.3 M liters worth of alcohol donation

P30.7M

free toll for medical front liners

P6.2M

free fuel for government's Librang Sakay

P7M

10 emergency quarantine facilities with 15 beds each

TO BOOSTING GOVERNMENT FUNDS FOR CRISIS RESPONSE

P8.77B

in taxes, concession, and contractual fees paid in advance



OUR WORK BEGINS TO BUILD BACK BETTER BY FOCUSING ON:

Infrastructure

- **SKYWAY STAGE 3**
17.38-km elevated expressway; 85.02% complete
- **MRT-7**
22-km rail transit system; 51.85% complete
- **ALABANG SOUTH SKYWAY STATION**
link elevated Skyway and Alabang viaduct 26.23% complete
- **SKYWAY STAGE 4**
56.74-km at-grade and elevated expressway; Phase 1 construction
- **SLEX TR4**
66.74-km four-lane toll road Phase 1 construction
- **TPLEX**
89.21-km four-lane toll road Section 3 construction



Agriculture

- Provided guaranteed offtake for 78 million kilograms of corn to boost farm incomes
- Opening of *Kadiwa* stores at Petron stations to enable farmers to sell their produce to more consumers
- Purchased 5,000 liters of excess carabao's milk for donation; pledged to provide R&D support to improve product shelf life and marketability



Health

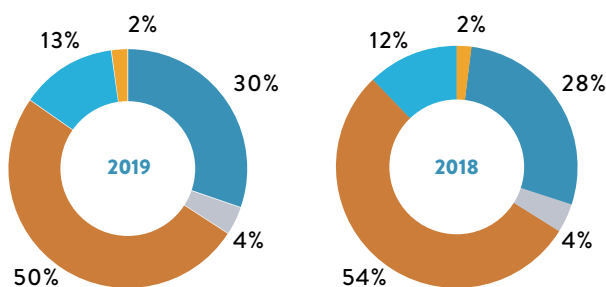
- Donated PCR machines to government facilities
- Built laboratory to test 70,000 employees and extended workforce
- Raised the country's overall testing capacity by 15,000 tests per day
- Strengthened community testing through donations of testing booths and PCR test kits to 17 LGUs
- Donated 55 sets of high-flow machines to help save severely ill COVID-19 patients



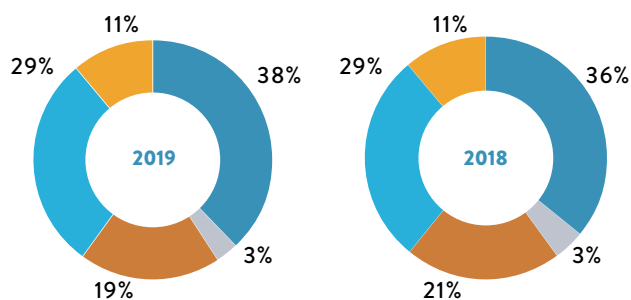


Management Report

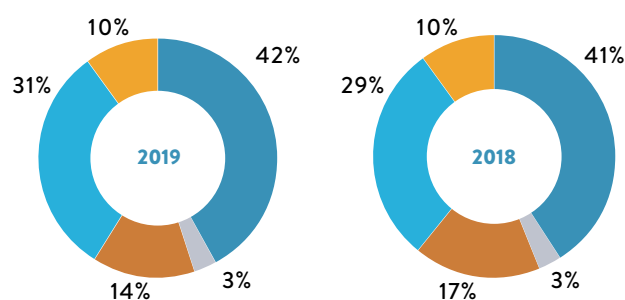
CONTRIBUTION BY REVENUE



CONTRIBUTION BY EBITDA



CONTRIBUTION BY OPERATING INCOME



2019 was a significant year for San Miguel Corporation, as we delivered on many of the key projects we outlined in previous years as being crucial to our future growth. Despite the year being a particularly challenging one for some of our major businesses, our resolve to stay the course in terms of our overall strategy—continuing to build new capacities for our Food and Beverage business to address growing demand, and accelerating development of growth-building infrastructure for the Philippines—again worked to our advantage.

We believe that our achievements in the past 12 months reflect how we have progressed as a company, not just in terms of operational efficiency and execution, but at creating significant growth opportunities in this new decade and beyond.

With our capacity expansion programs, we are delivering and building more economic opportunities in more regions nationwide. Our continuing investments in game-changing infrastructure projects, innovations in the power sector, and the expansion of our fuel service station network, also lead to more growth, creating new jobs and stronger local economies. Our continued push towards greater sustainability further shows the kind of future we are building for San Miguel Corporation today.

Already, our bias for action and extensive experience in managing in

the toughest conditions, is benefitting us as we cope with the ongoing COVID-19 pandemic.

Our performance in 2019 illustrates our resilience and resolve to deliver, both in terms of growth performance and strategic initiatives.

In 2019, San Miguel Corporation (SMC) reported relatively healthy growth despite challenges that weighed down two of our major businesses, Petron Corporation and San Miguel Foods (SMF).

Consolidated revenues reached P1.02 trillion, at par with the previous year, with San Miguel Brewery Inc. (SMB), Ginebra San Miguel Inc. (GSMI), San Miguel Foods, and SMC Global Power Holdings Corp., delivering strong revenue growth. These gains were however offset by lower sales from Petron.

Consolidated operating income declined by 1% at P115.7 billion. While SMB, GSMI, and the Power business turned in favorable results, overall performance was again weighed down by weaker refining margins that affected Petron and San Miguel Foods' poultry business losses during the first half of the year.

As such, reported consolidated net income of P48.6 billion remained at 2018 levels, while EBITDA ended at P162.4 billion, 3% higher than 2018.

FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc.'s (SMFB) consolidated revenues for the year ended at P310.8 billion, 9% higher than the P286.4 billion reported in 2018, on account of strong volumes from the Beer and Spirits divisions and better selling prices.

Consolidated operating income grew 4% versus last year to P47.8 billion, as the Beer and Spirits divisions sustained their strong performance. This was partly offset by the slowdown in the Food division.

Net income rose 6% over the previous year to P32.3 billion.

BEER

SMB sustained its volume growth, concluding the year with consolidated volumes of 301.6 million cases, up 6% from 2018. Consolidated revenues and operating income were both 10% higher at P142.3 billion and P38.7 billion, respectively. Net income grew 14% to P27.3 billion.

Domestic Operations

SMB's Domestic Operations sold 275.3 million cases, up 7% from the previous year. This was mainly the result of engaging brand and trade activations coupled with sustained economic expansion, low inflation, election-related spending, and better employment conditions.

Red Horse Beer and San Miguel Pale Pilsen maintained their position as the top selling beer brands. Both benefited from nationwide activations and consumer promo events such as “*Pasiklaban*”, “*4Kicks*”, “*Rocker Chicks*” and “*Astig*” for Red Horse, and “*Logiclub*” for San Miguel Pale Pilsen, alongside other volume-generating programs.

SMB completed its new beer production facility in Tagoloan, Misamis Oriental in the fourth quarter of 2019 and, to date, is awaiting the necessary government permits to start commercial operations.

International Operations

SMB’s International Operations delivered revenue and operating income growth, despite a slight drop in volumes. This was on the back of strong results from Thailand operations and the Exports business, along with significant improvements in Vietnam, South China, and Hong Kong.

Distribution and marketing enhancements and penetration programs were put in place to accelerate volume growth of San Miguel Pale Pilsen, Red Horse, San Mig Light, Cerveza Negra, and local brands. These included geographical expansion and the launch of new products in all countries with operations.

SPIRITS

Ginebra San Miguel Inc. posted a full-year net income of P1.67 billion, 59% higher than the previous year--the highest income recorded in the last 15 years.

Volumes grew 14% from 2018 at 35.9 million cases. Much of this growth is attributed to the success of thematic campaigns, “*Pilipino Ako, Ginebra Ako*” for Ginebra San Miguel, and “*I Choose Mojito*” for GSM Blue. Wider sales distribution, trade promotions, and various on-ground activities for consumers also helped boost volumes. Vino Kulafu, GSMI’s Chinese wine brand, continued to post strong growth in the Visayas and Mindanao regions while Primera Light Brandy also delivered healthy growth.

Before the end of 2019, GSMI launched a new campaign, “*One Ginebra Nation*”, espousing unity among Filipinos which is expected to boost volume growth further for GSMI.

Total revenues reached P29.1 billion, up 17%. Operating income hit P2.9 billion, 57% higher than the previous year, as a result of better margins deriving from operational improvements across the supply chain.

FOOD

SMFB’s Food division, San Miguel Foods, generated consolidated revenues of P139.5 billion, 5% higher than last year, on the back of higher volumes, better selling prices, and an improved product mix across most business segments.

Protein

The Protein segment, composed of Poultry and Fresh Meats, registered a 7% growth in revenues as volumes from chicken stations, *lechon manok* outlets, and major food service chains, increased. The improvement in poultry

prices following the re-imposition of special safeguard duties on imported frozen chicken early in the year, also helped boost sales. Revenues from fresh meats however declined, due to restrictions imposed by several Local Government Units (LGU) on pork products, in a bid to curb the spread of African Swine Flu (ASF).

Animal Nutrition and Health

Revenues from the Animal Nutrition and Health segment declined by 2%, following lower commercial volumes due to its portfolio rationalization. Sales of broiler and layer feeds were also lower as commercial raisers held back output, following the glut in chicken prices. This was cushioned by strong hog feeds sales prior to the ASF outbreak.

Prepared and Packaged Food

Prepared and Packaged Food segment revenues grew 8%, on the back of the strong performance of its core products and favorable selling prices for value-added meats, butter, margarine, dairy spreads, biscuits, and coffee. The segment also benefited from an improved product mix, specifically, a shift to higher margin products and the conversion of some pork-based products to chicken-based formulations, as in the case of the newly launched Purefoods Fiesta Ham Chicken.

Flour

Flour revenues grew 11%, driven by better selling prices and healthy volume growth resulting from additional capacity from our new flour mill.

San Miguel Foods' operating income expanded from P3.2 billion year-to-date September to P6.2 billion for the full year 2019. This was however still lower than the previous year's P9.2 billion, due to losses from the poultry business in the first half, and start-up expenses for new facilities.

Net Income for the Food division amounted to P3.4 billion.

Meanwhile, San Miguel Foods has built four new feed mills: Two facilities in Luzon—Bataan and San Ildefonso—started commercial operations in 2019, while two others, in Davao and Misamis Oriental, are undergoing commissioning. The Food division has also expanded its poultry breeder farm in Bataan and is constructing new poultry processing plants in Quezon and Davao. An additional flour milling facility is being commissioned in Mabini, Batangas and is expected to be operational by early 2020.

PACKAGING

The San Miguel Packaging Group's performance remained stable throughout 2019. Sales revenues for the year amounted to P37.9 billion, a slight increase from last year. This was largely due to steady demand for the group's largest segments—Glass, Metals, and Flexibles. The group's Malaysia operations also performed strongly as did its logistics operations, following increased demand for trucking services and pallet rentals.

Operating income reached P3.6 billion, 9% higher than 2018, driven by Glass and Metals volumes. The company saw higher orders from the Beer and Spirits businesses, as well as from carbonated soft-drinks customers, as it implemented programs to improve efficiencies and better manage fixed costs.

POWER

SMC Global Power registered consolidated revenues of P135.1 billion, 12% higher than the P120.1 billion it reported in 2018. This was on the back of an 18% increase in off-take volumes at 28,112 Gwh, brought about by the full year operation of the Masinloc power plant (acquired in March 2018), Unit 2 of the Malita power plant, and Unit 3 of the Limay power plant. Unit 4 of the Limay power plant also provided additional capacity starting July, 2019.

In addition, the Ilijan power plant posted higher bilateral and spot sales in 2019.

Consolidated operating income grew 8% to P36.0 billion from 2018, while net income surged 73% to P14.4 billion.

PETRON

Petron Corporation faced multiple challenges during the year, foremost of which were significantly weaker refining margins, volatile global prices due to political tensions in the Middle East, and uncertainties in the global economy. The price of Dubai crude declined from an average of

US\$69 per barrel in 2018 to US\$63 in 2019. This was compounded by the shutdown of the Bataan refinery due to an earthquake in April. The effect of the second tranche of the excise tax increase and the proliferation of white stations, also had an adverse effect on the company's overall performance.

As a result, Petron's consolidated revenues amounted to P514.4 billion, down 8% versus 2018, mainly on account of lower average selling prices of fuel and a slight decline in volumes, which ended at 107 million barrels. Philippine operations volumes declined by 5%, following the unplanned total plant shutdown which began in April, 2019. Petron Malaysia's domestic volumes meanwhile grew by 3%, helping offset the decline in Philippine volumes.

Operating income was also down by 14% at P16.2 billion, the result of lower margins of petroleum and petrochemical products due to the combined effects of oversupply, a slowdown in demand, and the temporary cessation of refinery operations. This was partly cushioned by extensive fixed cost savings initiatives and continued emphasis on operational efficiencies.

Petron's consolidated net income settled at P2.3 billion, down by 67% from 2018's P7.1 billion. Philippine operations incurred a net loss of P1.4 billion compared to the net income of P2.8 billion the previous year.

Despite this setback, Petron continues to expand its service station network to reach even more customers. In 2019,

Petron opened 124 new stations, bringing its total to 2,435 service stations in the Philippines and to almost 700 in Malaysia.

INFRASTRUCTURE

SMC Infrastructure recorded a combined 5% volume growth for the year from all of its operating toll roads. Consolidated revenues reached P23.4 billion, while operating income amounted to P11.4 billion.

Construction of our major infrastructure projects continues. However, work on all of these was temporarily suspended starting March 17, 2020, upon implementation of the Enhanced Community Quarantine (ECQ) in Luzon to control the spread of the COVID-19 virus. Construction activities gradually resumed when the ECQ was eased starting May 15, 2020.

The 89.21-kilometer Tarlac-Pangasinan-La Union Expressway (TPLEX) has been operational from Tarlac to Pozzorubio while the last phase from Pozzorubio to Rosario, La Union, is almost complete. This phase was temporarily opened to the public in December 2019 but was closed again after the holiday season to allow for its full completion.

Construction of the 22-kilometer MRT-7 project is likewise progressing well. Work on the section from Quezon Memorial Circle to Quirino Highway traversing Commonwealth Ave. and Regalado Ave. in Quezon City, was accelerated to reach the goal of partial operation by 2021.

The Bulacan Bulk Water Supply Project now supplies potable water to 12 out of 24 Bulacan municipalities, including Balagtas, Bocaue, Bulakan, Calumpit, Guiguinto, Malolos City, Marilao, Meycauayan, Obando, Plaridel, San Jose del Monte, and Santa Maria.

Skyway Stage 3 is in the advanced stages of completion, despite suffering a setback on February 1, 2020 from a fire in Pandacan, Manila. Approximately 300 meters of Section 2B, which was already substantially complete, was affected. Prior to work suspension due to the ECQ, SMC Infrastructure was working round-the-clock to reconstruct this section and targeting to complete the Skyway 3 project by July this year.

SLEX-TR4, the 66.74 km extension of the South Luzon Expressway (SLEX) from Sto. Tomas, Batangas to Lucena City in Quezon province, has started construction. Preliminary works in Alaminos, Laguna, and Tiaong, Quezon are currently ongoing.

Construction of the new passenger terminal in Boracay airport has been slowed down to give way for groundwater works and well development. Both projects are partially completed.

Meanwhile, the Concession Agreement for the New Manila International Airport was signed last September 18, 2019. The company is working on its detailed technical design and requirements.



Financial Position

SMC's financial position remained healthy in 2019. As of December 31, 2019, SMC's consolidated total assets stood at P1.82 trillion, P141.1 billion higher than December 31, 2018. Consolidated cash balance increased by P43.3 billion, ending at P286.5 billion as of December 31, 2019. Non current assets increased to P1.17 trillion mainly due to an increase in right-to-use assets-net, investment property-net, and advances to suppliers.

Total liabilities reached P1.24 trillion, P78.6 billion higher than December 31, 2018, with interest bearing debt reaching P852.3 billion from P801.6 billion in 2018. Net debt amounted to P565.8 billion as of December 31, 2019.

Stockholders' equity as of December 31, 2019 amounted to P574.4 billion from P511.9 billion in 2018, mainly from the issuance of senior perpetual capital securities by SMC Global Power, preferred shares by Petron, and non-controlling interests on net earnings net of dividend for the period.

Current ratio as of December 31, 2019 was at 1.46x, against 1.36x as of December 31, 2018. Total-debt-to-equity was at 2.16x and interest bearing debt-to-equity was at 1.48x, compared to 2.28x and 1.57x respectively, as of December 31, 2018.

As SMC continues with its expansion plans, the company conducted a consent solicitation to the holders of the US\$800 million 4.875% Notes due in

2023; 4.8243% Series A Bonds due in 2022, 5.2840% Series B Bonds due in 2024, 5.7613% Series C Bonds due in 2027; (ii) 5.1923% Series D Bonds due in 2022; (iii) 6.2500% Series E Bonds due in 2023, 6.625% Series F Bonds due in 2025, 7.1250% Series G Bonds due in 2028, and the 5.25% Fixed Rate Notes due in 2020, to align SMC's covenants and provisions of the Debt Securities with the relevant covenants and provisions of: (i) the recently issued P10 billion retail bond of SMC - Parent Company listed on October 4, 2019; and (ii) the recently signed US\$2 billion Syndication Agreement dated December 18, 2019 relating to the US\$1.75 billion Facility Agreement dated September 27, 2019, respectively. Consent was obtained on November 28, 2019 to December 8, 2019.

As such, SMC's current covenant is now based on consolidated net debt to consolidated total equity which should be equal to, or less than 2.10x, and consolidated EBITDA to consolidated total interest expense, which should be equal to, or more than 2.00x.

As of December 31, 2019, consolidated net debt to consolidated total equity and consolidated EBITDA to consolidated total interest expense was at 0.84x and 3.02x respectively.

2019 Milestones

January

San Miguel Yamamura Packaging Group completes the acquisition of Insa Alliance Sdn. Bhd., a manufacturer of high-quality bulk bags in Malaysia



March

SMC Infrastructure breaks ground for the SLEX Toll Road 4 (TR-4) project.



April

SMC Global Power Holdings Corp. issues and lists its P30 Billion Fixed Rate Bonds in Series H, I, and J in PDEX

SMC Global Power Holdings Corp. issues and lists its senior perpetual capital securities amounting to US\$500 million in SGX



May

SMC and Dow Chemical Philippines Inc. sign a Memorandum of Understanding for the development of the Philippines' first Plastic Asphalt Road project.

San Miguel Foods breaks ground for its Pagbilao Food Processing Complex.



June

Petron Corporation issues and lists its P20 billion worth of preferred shares in PSE

July

SMC Infrastructure opens the Buendia-Plaza Dilao segment of Skyway Stage 3

SMC Global Power Holdings Corp. lists its additional senior perpetual capital securities amounting to \$300 million in SGX

SMC Global Power Holdings Corp.'s Limay Power Plant - Unit 4 starts commercial operation



August

SMC Infrastructure begins construction of Skyway Extension from Alabang to Susana Heights



September

SMC and the DOTr sign the concession agreement for the new Manila International Airport project

SMC, through the San Miguel Foundation, opens "Better World Tondo", a learning, feeding center and food bank



October

SMC issues and lists its P10 billion fixed rate Series "H" bonds, issued out of the company's P60 billion shelf-registered Peso bond in PDEX

November

SMC infrastructure inaugurates the two-lane steel ramp connecting the Alabang viaduct to the elevated Skyway



December

SMC Infrastructure opens the Sison, Pangasinan to Rosario, La Union segment of TPLEX

Board of Directors

Eduardo M. Cojuangco, Jr. †

Chairman and CEO
Chairman, Executive Committee

Ramon S. Ang

Vice Chairman, President and COO
Member, Executive Committee

Leo S. Alvez

Member, Audit and Risk Oversight Committee

Aurora T. Calderon

Member, Corporate Governance Committee

Joselito D. Campos, Jr.

Member, Related Party Transactions Committee

Jose C. de Venecia, Jr.**Menardo R. Jimenez**

Member, Executive Committee
Member, Corporate Governance Committee

Estelito P. Mendoza

Member, Executive Committee
Member, Audit and Risk Oversight Committee

Alexander J. Poblador

Member, Related Party Transactions Committee

Thomas A. Tan**Iñigo Zobel**

Member, Executive Committee

Ramon F. Villavicencio**Reynaldo G. David**

Independent Director
Chairman, Related Party Transactions Committee
Member, Audit and Risk Oversight Committee
Member, Corporate Governance Committee

Reynato S. Puno

Independent Director
Chairman, Corporate Governance Committee
Member, Audit and Risk Oversight Committee
Member, Related Party Transactions Committee

Margarito B. Teves

Independent Director
Chairman, Audit and Risk Oversight Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

† Eduardo M. Cojuangco, Jr. passed away 16 June 2020

Key Executives

Eduardo M. Cojuangco, Jr. †
Chairman and Chief Executive Officer

Ramon S. Ang
Vice Chairman, President and Chief Operating Officer

Ferdinand K. Constantino
Chief Finance Officer and Treasurer

Virgilio S. Jacinto
Corporate Secretary and General Counsel

SAN MIGUEL FOOD AND BEVERAGE, INC.

Roberto N. Huang
Chief Operating Officer – Beer
President, **SAN MIGUEL BREWERY INC.**

Carlos Antonio M. Berba
Managing Director
SAN MIGUEL BREWING INTERNATIONAL LIMITED

Francisco S. Alejo III
Chief Operating Officer – Food
President, **SAN MIGUEL FOODS**

Emmanuel B. Macalalag
Chief Operating Officer – Spirits
General Manager, **GINEBRA SAN MIGUEL INC.**

SAN MIGUEL YAMAMURA PACKAGING CORPORATION

Ferdinand A. Tumpalan
President

PETRON CORPORATION

Lubin B. Nepomuceno
General Manager

SMC GLOBAL POWER HOLDINGS CORP

Elenita D. Go
Senior Vice President and General Manager

SAN MIGUEL HOLDINGS CORP.

SMC INFRASTRUCTURE
Lorenzo G. Formoso III
Senior Vice President and Head

SAN MIGUEL PROPERTIES, INC.

Karen V. Ramos
Vice President and General Manager



Corporate Governance

San Miguel Corporation is committed to the highest standards of corporate governance. Good governance is key in effective decision making and in delivering on corporate strategies that generate shareholder value and safeguard the long-term interests of shareholders.

As a responsible corporate citizen, the Company has in place efficient policies and programs to ensure that we always do what is right when it comes to conducting the everyday business of the Company.

Our Board of Directors, led by our Chairman, Mr. Eduardo M. Cojuangco, Jr.[†], believes in conducting our business affairs in a fair and transparent manner and in maintaining the highest ethical standards in all the business dealings of the Company.

SHAREHOLDERS' RIGHTS

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors.

Voting rights

Each common share in the name of the shareholder entitles such shareholder to one vote, which may be exercised in person or by proxy at shareholders' meetings, including the Annual General Stockholders' Meeting (AGSM). Common shareholders have the right to elect, remove, and replace directors, as well as vote on certain corporate acts specified in the Revised Corporation Code.

Preferred Shareholders have the right to vote on matters involving certain corporate acts specified in the Revised Corporation Code. They enjoy certain preferences over holders of common shares in terms of dividends and in the event of liquidation of the Company.

Pre-emptive rights

Under the Company's amended articles of incorporation, as approved by the shareholders in a meeting held on May 17, 2009, and as approved by the Securities and Exchange Commission (SEC), shareholders do not have pre-emptive rights to the issuance of shares relating to equity-linked debt or other securities, any class of preferred shares, shares in payment of a previously contracted debt, or shares in exchange for property needed for corporate purposes. This is to give the Company greater flexibility in raising additional capital, managing its financial alternatives, and issuing financing instruments.

On May 31, 2010, the shareholders of the Company approved to amend the articles of incorporation to deny pre-emptive rights to any issuance of common shares. Such amendment of the articles of incorporation was approved by the SEC on August 10, 2010.

Subject to certain conditions, shareholders also do not have pre-emptive rights to shares issued, sold or disposed of by the Company to its officers and/or employees pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans.

[†] Eduardo M. Cojuangco, Jr. passed away 16 June 2020

Right to Information

Shareholders are provided, through the Investor Relations Group headed by Ms. Reyna-Beth De Guzman, disclosures, announcements, and, upon request, periodic reports filed with the SEC. All disclosures of the Company are likewise immediately available and downloadable at the Company's website upon disclosure to the Philippine Stock Exchange (PSE).

Dividends

Shareholders are entitled to receive dividends as the Board, in its discretion, may declare from time to time. However, the Company is required, subject to certain exceptions under the law, to declare dividends when the retained earnings equal to or exceed its paid-up capital stock.

Cash dividends paid by the Board of Directors of the Parent Company amounted to P1.40 per common share both in 2018 and 2019.

Cash dividends paid by the Board of Directors of the Parent Company to the preferred shareholders in 2018 and 2019 are as follows:

	2018	2019
SSeries "1"	P4.22625000	P4.22625000
Series "2-A"	N/A	N/A
Series "2-B"	P5.71875000	P4.28906250
Series "2-C"	P6.00000000	P6.00000000
Series "2-D"	P4.45732500	P4.45732500
Series "2-E"	P4.74412500	P4.74412500
Series "2-F"	P5.10540000	P5.10540000
Series "2-G"	P4.93447500	P4.93447500
Series "2-H"	P4.74165000	P4.74165000
Series "2-I"	P4.75162500	P4.75162500

STAKEHOLDER RELATIONS

San Miguel Corporation exercises transparency when dealing with shareholders, customers, employees, trade partners, creditors, and all other stakeholders. The Company ensures that these transactions adhere to fair business practices in order to establish long-term and mutually beneficial relationships.

Shareholder Meeting and Voting Procedures

Stockholders are informed at least 15 business days before the scheduled meeting of the date, time, and place of the validation of proxies. In 2019, Notices of the 2019 AGSM were sent to the stockholders on May 14, 2019, one month prior to the AGSM. Voting procedures on matters presented for approval of the stockholders in the AGSM are set out in the Definitive Information Statement distributed to all shareholders of the Company.

Shareholder and Investor Relations

San Miguel Corporation responds to information requests from the investing community and keeps shareholders informed through timely disclosures to the PSE and the SEC and through regular quarterly briefings, AGSMs, investor briefings and conferences, the Company's website, and responses to email and telephone queries. The Company's disclosures and other filings with the SEC and PSE are available for viewing and download at the Company's website.

The Company, through the Investor Relations group under Corporate Finance, regularly holds briefings and meetings with investment and financial analysts.

DISCLOSURE AND TRANSPARENCY

San Miguel Corporation adheres to a high level of standard in its corporate disclosure and adopts transparency with respect to the Company's financial condition and state of corporate governance.

Ownership Structure

The top 20 shareholders of the Company, including the shareholdings of certain record and beneficial owners who own more than 5% of its capital stock, its directors and key officers, are disclosed annually in the Definitive Information Statement distributed to shareholders prior to the AGSM.

Financial Reporting

San Miguel Corporation provides the investing community with regular updates on operating and financial information through adequate and timely disclosures filed with the SEC and the PSE.

Consolidated audited financial statements are submitted to the SEC and the PSE on or before the prescribed period and are available to the shareholders prior to the AGSM.

San Miguel Corporation's financial statements conform to Philippine Accounting Standards and Philippine Financial Reporting standards, which are all in compliance with International Accounting Standards.

Quarterly financial results, on the other hand, are released and are duly disclosed to the SEC and PSE in accordance with the prescribed rules. The results are also presented to financial and investment analysts through a quarterly analysts' briefing. These disclosures are likewise posted on the Company's corporate website.

In addition to compliance with structural reportorial requirements, the Company discloses in a timely manner market-sensitive information such as dividend declarations, joint ventures and acquisitions, and the sale and divestment of significant assets that materially affect the share price performance of the Company.

Securities Dealing

The Company has adopted a policy which regulates the acquisition and disposal of Company shares by its directors, officers, and employees, and the use and disclosure of price-sensitive information by such persons. Under the policy, directors, officers, and employees who have knowledge or are in possession of material non-public information are prohibited from dealing in the Company's securities prior to disclosure of such information to the public. The policy likewise prescribes the periods before and after public disclosure of structured and non-structured reports—during which trading in the Company's securities by persons who, by virtue of their functions and responsibilities, are considered to have knowledge or possession of material non public information—is not allowed.

ACCOUNTABILITY AND AUDIT

The Audit and Risk Oversight Committee has oversight functions with respect to the external

and internal auditors. The role and responsibilities of the Audit and Risk Oversight Committee are clearly defined in the Company's Manual on Corporate Governance and the Audit and Risk Oversight Committee Charter.

External Auditor

The accounting firm of R.G. Manabat & Co., accredited by the SEC, served as the Company's external auditors for the fiscal years 2018 and 2019.

The external auditor is selected and appointed by the shareholders upon the recommendation of the Board and subject to rotation every five years or earlier, in accordance with SEC regulations. The external auditor's main function is to facilitate the environment of good corporate governance, as reflected in the Company's financial records and reports, through the conduct of an independent annual audit on the Company's business, and rendition of an objective opinion on the reasonableness of such records and reports.

The external auditors attend the AGSM of the Company and respond to appropriate questions during the meeting. They also have the opportunity to make a statement if they so desire. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter.

The Company paid the external auditor Audit Fees amounting to P9 million and P32 million, respectively, in 2019 and 2018.

Internal Audit

Internal audit is carried out by the San Miguel Group Audit (SMGA) which helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. SMGA directly reports to the Audit and Risk Oversight Committee.

SMGA is responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems by assessing adequacy and effectiveness

of controls covering the organization's governance, operations, and information systems. By evaluating their effectiveness and efficiency, and by promoting continuous improvement, the group maintains effective controls of their responsibilities and functions.

The Board approved and adopted an Internal Audit Charter of the Company on March 16, 2017, in compliance with the requirements of the Securities and Exchange Commission.

BOARD OF DIRECTORS

Compliance with the principles of good corporate governance starts with the Company's Board of Directors. The Board is responsible for oversight of the business affairs and integrity of the Company; determination of the Company's mission, long-term strategy, and objectives; the management of the Company's risks through evaluation, and ensuring the adequacy of the Company's internal controls and procedures.

It is the responsibility of the Board to foster and engender the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, exercised in the best interest of the Company, its shareholders, and other stakeholders.

Composition

The Board consists of 15 members, each elected by the common stockholders during the AGSM. The Board members hold office for one year until their successors are duly elected and qualified in accordance with the amended by-laws of the Company.

The broad range of skills, expertise, and experience of the directors in the fields of management, economics, business, finance, accounting, and law, ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests. The names, profiles, and shareholdings of each director are found in the Definitive Information Statement, distributed prior to the AGSM.

The Board of Directors and the senior management of the Company have all undergone the requisite training on corporate governance.

Independent and Non-Executive Directors

San Miguel Corporation has three (3) independent directors. Currently, of the 15 directors, Messrs. Reynaldo G. David, (Ret.) Chief Justice Reynato S. Puno and Margarito B. Teves sit as independent and non executive directors of the Company.

The Company defines an independent director as a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. An Independent Director submits to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his election and/or re-election as an Independent Director.

The Company strictly complies with SEC Memorandum Circular No. 4, Series of 2017 on the term limits of independent directors.

A majority of the members of the Board of Directors of the Company are non-executive directors.

Chairman/CEO and President/COO

The Chairman of the Board and Chief Executive Officer is Mr. Eduardo M. Cojuangco, Jr.[†] while Mr. Ramon S. Ang holds the position of Vice Chairman, President, and Chief Operating Officer. These positions are held by separate individuals with their respective roles clearly defined to ensure independence, accountability, and responsibility in the discharge of their duties. The Chairman/CEO and the President/COO attended the AGSM for 2019.

Board Performance

The Board holds regular meetings. To assist the directors in the discharge of their duties, each director is given access to the Corporate Secretary and Assistant Corporate Secretary, who serve as counsel to the board of directors and at the same time communicate with the Board, management, the Company's shareholders, and the investing public.

In 2019, the Board held nine meetings. Set out below is the record of attendance of the directors at these meetings and at the AGSM.

Name of Directors	24 Jan	14 Mar	9 May	11 Jun*	11 Jul	8 Aug	12 Sep	7 Nov	5 Dec
Eduardo M. Cojuangco, Jr. [†]	•	•	•	•	•	•	•	☒	•
Ramon S. Ang	•	•	•	•	•	•	•	•	•
Leo S. Alvez	•	•	•	•	•	•	•	•	•
Aurora T. Calderon	•	•	•	•	☒	•	•	•	•
Joselito D. Campos, Jr.	•	•	•	•	•	•	•	•	•
Menardo R. Jimenez	•	•	•	•	•	•	•	•	•
Estelito P. Mendoza	•	•	•	•	•	-	•	•	•
Alexander J. Poblador	•	•	•	•	•	•	•	•	•
Reynato S. Puno	•	•	•	•	•	•	•	•	•
Thomas A. Tan	•	•	•	•	•	•	•	•	•
Margarito B. Teves	•	•	•	•	•	•	•	•	•
Iñigo Zobel	•	•	•	•	•	☒	•	•	•
Reynaldo G. David	•	•	•	•	•	-	•	•	•
Jose C. De Venecia, Jr.	•	•	-	-	•	•	-	•	•
Ramon F. Villavicencio ¹	•	•	•	•	•	•	•	•	•

* Annual General Stockholders Meeting and Organizational Board Meeting

• Present

☒ via teleconference

Board Remuneration

The amended by-laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture, and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper. In 2010, the Board of Directors approved the increase in the per diems for each Board meeting attended by the members of the Board from P10,000 to P50,000, and from P10,000 to P20,000 for each committee meeting attended.

Directors who are executive officers of the Company are likewise granted stock options under the Company's Long-Term Incentive Plan for Stock Options, which plan is administered by the Executive Compensation Committee.

Board Committees

To assist the Board in complying with the principles of good corporate governance, the Board created four committees.

Executive Committee. The Executive Committee is currently composed of five directors, which includes the Chairman of the Board and CEO, Vice-Chairman of the Board, President and COO. Mr. Eduardo M. Cojuangco, Jr.[†] sits as Chairman of the Committee. The Committee acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company—with the exception of the power to appoint any entity as general managers or management or technical consultants; to guarantee obligations of other corporations in which the Company has lawful interest; to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests; and to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.

In 2019, the Executive Committee had one meeting.

Corporate Governance Committee. The Corporate Governance Committee is currently composed of five voting directors—three of whom are independent. Mr. Reynato S. Puno, an independent director, is the Chairman of the Committee.

The Corporate Governance Committee was constituted to aid the Board in the performance of its oversight responsibilities in the development and implementation of the corporate governance principles, policies, structures, and systems of the Corporation, and assist the Board in the performance of its corporate governance responsibilities.

In 2019, the Corporate Governance Committee held three meetings.

Audit and Risk Oversight Committee. The Audit Committee is currently composed of five members with three independent directors as members. Mr. Margarito B. Teves sits as Committee Chairman.

The Audit and Risk Oversight Committee performs oversight functions over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations, as well as oversight over the company's enterprise risk management system to ensure its functionality and effectiveness.

The Audit and Risk Oversight Committee held four meetings in 2019, wherein the Committee reviewed and approved, among others, the Company's 2018 Consolidated Audited Financial Statements as reviewed by the external auditors, and the Company's unaudited financial statements for the first to the third quarters of the year.

The Audit and Risk Oversight Committee has adopted an Audit and Risk Oversight Committee Charter in accordance with the prescribed audit committee charter of the Securities and Exchange Commission.

Related Party Transactions Committee. The Related Party Transactions Committee is composed of five members, two of whom are independent directors, including the Chairman, Mr. Reynaldo G. David.

The Related Party Transactions Committee reviews all material related party transactions of the Company. The Committee held two meetings in 2019.

Board Committee Members

The members of each Board Committee and their attendance at the Board Committee meetings in 2019 are set out in the tables below. The Chairmen of each of the Board Committees attended the 2019 AGSM.

Executive Committee	Date of Meeting
	9 May
Eduardo M. Cojuangco, Jr. [†] (Chairman)	•
Ramon S. Ang	•
Estelito P. Mendoza	•
Menardo R. Jimenez	•
Inigo U. Zobel	•

Audit and Risk Oversight Committee	Date of Meeting			
	14 Mar	9 May	8 Aug	7 Nov
Margarito B. Teves (Chairman)	•	•	•	•
Estelito P. Mendoza	•	•	-	•
Reynaldo G. David	•	•	-	•
Reynato S. Puno	•	•	•	•
Leo S. Alvez	•	•	•	•

Corporate Governance Committee	Date of Meeting		
	24 Jan	11 Jun	8 Aug
Reynato S. Puno (Chairman)	•	•	•
Aurora T. Calderon	•	•	•
Reynaldo G. David	•	•	-
Menardo R. Jimenez	•	•	•
Margarito B. Teven	•	•	•

Related Party Transactions Committee	Date of Meeting	
	14 Mar	8 Aug
Reynaldo G. David (Chairman)	•	-
Joselito D. Campos, Jr.	•	•
Alexander J. Poblador	•	•
Reynato S. Puno	•	•
Margarito B. Teves	•	•

MANAGEMENT

Management is primarily responsible for the day-to-day operations and business of the Company. The annual compensation of the Chairman/CEO and the top senior executives of the company are set out in the Definitive Information Statement distributed to shareholders.

EMPLOYEE RELATIONS

Employees are provided an Employee Handbook and Code of Ethics which contain the policies and guidelines for the duties and responsibilities of an employee of San Miguel Corporation.

Through internal newsletters and company e-mails all facilitated by the Human Resources Department and the Corporate Affairs Office, employees are updated on material developments within the organization.

Career advancement and developments are also provided by the Company through numerous training programs and seminars. The Company has also initiated activities centered on the safety, health and welfare of its employees. Benefits and privileges accruing to all regular employees are similarly discussed in the Employee Handbook.

CODE OF ETHICS

The Company's Code of Ethics sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the directors, officers, and employees of the company. The principles and standards prescribed in the Code of Ethics apply to all directors, senior managers, and employees of the Company

Procedures are well established for the communication and investigation of concerns regarding the company's accounting, internal accounting controls, auditing, and financial reporting matters to the Audit and Risk Oversight Committee

Whistle-blowing policy

The Company has an established whistle-blowing policy aimed at encouraging employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Company's rules and regulations.

The policy aims to protect the whistle-blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct.

These policies are available at the Company's website.

COMPLIANCE MONITORING

The Compliance Officer, Atty. Virgilio S. Jacinto, is responsible for monitoring compliance by the Company with the provisions and requirements of good corporate governance.

On April 14, 2010, the Board Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by the Securities and Exchange Commission, under its Memorandum Circular No. 6, Series of 2009. On March 27, 2014, the Board of Directors approved further amendments to the Manual to reflect the requirements of the SEC on the annual training requirement of directors and key officers of the Company, and the requirements on the reporting of compliance with the Manual.

On May 10, 2017, the Board of Directors of the Company approved the adoption of a new Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 19, Series of 2016.

WEBSITE

Up-to-date information on the Company's corporate structure, products and services, results of business operations, financial statements, career opportunities, and other relevant information on the Company may be found at its website www.sanmiguel.com.ph.

The Board of Directors
San Miguel Corporation

REPORT OF THE AUDIT AND RISK OVERSIGHT COMMITTEE

For the year ended December 31, 2019

The Audit and Risk Oversight Committee assists the Board of Directors in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. In fulfillment of these responsibilities, the Audit and Risk Oversight Committee performed the following in 2019:

- endorsed for approval by the stockholders, and the stockholders approved the appointment of R.G. Manabat & Co. CPAs (formerly Manabat Sanagustin & Co. CPAs) as the Company's independent external auditors for 2019.
- reviewed and approved the terms of engagement of the external auditors, including the audit, audit related and any non-audit services provided by the external auditors to the Company and the fees for such services, and ensured that the same did not impair the external auditors' independence and objectivity;
- reviewed and approved the scope of the audit and audit programs of the external auditor as well as the internal audit group of the Company, and have discussed the results of their audit processes and their findings and assessment of the Company's internal controls and financial reporting systems;
- reviewed, discussed and recommended for approval of the Board of Directors the Company's annual and quarterly consolidated financial statements, and the reports required to be submitted to regulatory agencies in connection with such consolidated financial statements, to ensure that the information contained in such statements and reports presents a true and balanced assessment of the Company's position and condition and comply with the regulatory requirements of the Securities and Exchange Commission; and
- reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, and ensured that, where applicable, necessary measures are taken to address any concern or issue arising therefrom.
- reported compliance to the Securities and Exchange Commission on the results of the accomplishment by the members of the Audit and Risk Oversight Committee on the Audit and Risk Oversight Committee Self-Rating Form in accordance with the Audit and Risk Oversight Committee Charter and in compliance with the requirements of the SEC Memorandum Circular No. 4, Series of 2012.

All the five members of the Audit and Risk Oversight Committee, three of whom are independent directors, are satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2019.

						
			Margarito B. Teves			
			Chairman - Independent Director			
						
	Estelito P. Mendoza			Reynaldo G. David		
	Member			Member - Independent Director		
						
	Reynato S. Puno			Leo S. Alvez		
	Member - Independent Director			Member		



SAN MIGUEL CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

DECEMBER 31, 2019, 2018 AND 2017

(In Millions, Except Per Share and Statistical Data)

	2019	2018	2017
For the Year			
Sales	P1,020,502	P1,024,943	P826,086
Net Income	P48,574	P48,648	P54,814
Net Income Excluding Foreign Exchange	P44,592	P55,175	P54,654
Net Income Attributable to Equity Holders of the Parent Company	P21,329	P23,077	P28,225
Basic Earnings Per Common Share Attributable to Equity Holders of the Parent Company ^A	P5.93	P6.61	P8.78
Taxes	P220,968	P200,096	P151,813
Cash Dividends	P10,524	P10,653	P10,651
Cash Dividends Per Common Share ^B	P1.40	P1.40	P1.40
Cash Dividends Per Preferred Share ^B			
SMCP1	P4.22625	P4.22625	P4.22625
SMC2B	P4.2890625	P5.71875	P5.71875
SMC2C	P6.00	P6.00	P6.00
SMC2D	P4.457325	P4.457325	P4.457325
SMC2E	P4.744125	P4.744125	P4.744125
SMC2F	P5.1054	P5.1054	P5.1054
SMC2G	P4.934475	P4.934475	P4.934475
SMC2H	P4.74165	P4.74165	P4.74165
SMC2I	P4.751625	P4.751625	P4.751625
At Year-End			
Working Capital	P201,527	P155,150	P139,354
Total Assets	P1,817,734	P1,676,642	P1,379,643
Property, Plant and Equipment-net	P463,614	P594,372	P523,586
Equity Attributable to Equity Holders of the Parent Company	P332,456	P337,745	P300,297
Equity Per Share Attributable to Equity Holders of the Parent Company			
Common	P95.99	P95.36	P79.71
Preferred	P75.00	P75.00	P75.00
Number of Common Shares Outstanding - Net of Treasury Shares	2,383,896,588	2,383,896,588	2,382,265,715
Number of Preferred Shares Outstanding	1,381,633,067	1,472,061,267	1,472,061,267
Number of Common Stockholders	34,164	34,768	35,541
Number of Preferred Stockholders	1,046	1,131	1,145
Number of Employees	44,024	28,598	24,539
Financial Statistics			
% Return on Average Equity Attributable to Equity Holders of the Parent Company	6.36%	7.23%	9.73%
Current Ratio	1.46	1.36	1.39
Debt to Equity Ratio ^C	2.16	2.28	1.93
Market Price			
Common Shares			
High	P195.90	P180.10	P124.50
Low	P144.80	P111.60	P92.30
Series "2" Preferred Shares			
Subseries 2-B			
High	P77.50	P91.00	P78.30
Low	P73.15	P75.00	P74.00
Subseries 2-C			
High	P79.00	P81.50	P83.50
Low	P75.00	P75.00	P79.40
Subseries 2-D			
High	P76.45	P77.00	P78.50
Low	P71.05	P70.00	P75.10
Subseries 2-E			
High	P77.00	P79.00	P81.60
Low	P71.30	P71.95	P76.25
Subseries 2-F			
High	P78.00	P81.50	P82.70
Low	P72.00	P70.05	P78.10
Subseries 2-G			
High	P78.00	P78.60	P79.95
Low	P71.20	P70.30	P76.50
Subseries 2-H			
High	P79.95	P79.60	P79.70
Low	P70.00	P71.85	P76.15
Subseries 2-I			
High	P77.00	P79.80	P81.70
Low	P40.80	P70.05	P76.55

^A Based on the weighted average number of shares outstanding during the year^B Based on the number of shares outstanding at the date of each declaration^C Total debt to equity, where total debt represents total liabilities



SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS









































The management of San Miguel Corporation (the "Company"), is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

EDUARDO M. COMANGCO, JR.
Chairman and Chief Executive Officer

RAMON S. ANG
President and Chief Operating Officer

FERDINAND K. CONSTANTINO
Senior Vice President and
Chief Finance Officer/Treasurer

Signed this 12th day of March 2020



**SAN MIGUEL
CORPORATION**

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