COVER SHEET

PW-277

S. E. C. Registration Number

SAN MIGUEL CORPORATION

(Company's Full Name)

NO. 40 SAN MIGUEL AVE

MANDALUYONG CITY

METRO MANILA

PHILIPPINES

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

Atty. Mary Rose S. Tan	(632) 632-3000
Contact Person	Company Telephone Number

12	31	SEC FORM 17-A	2nd Tuesday of June
Month	Day	FORM TYPE	Month Day
			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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

STAMPS

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

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2022**

2. SEC Identification Number: **PW 000277** 3. BIR Tax Identification No. **000-060-741-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code:

7. **No. 40 San Miguel Avenue, Mandaluyong City** **1550**
Address of principal office Postal Code

8. **(02) 8632-3000**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding and approximate Debt Outstanding (as of December 31, 2022)
Common Shares	2,383,896,588
Series "2-F" Preferred Shares	223,333,500
Series "2-I" Preferred Shares	169,333,400
Series "2-J" Preferred Shares	266,666,667
Series "2-K" Preferred Shares	183,904,900
TOTAL	3,227,135,055
Total Liabilities	**Php1,752,673 million**

11. Are any or all of these securities listed on a Stock Exchange?
Yes [√] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange: Common, Series "1" and Series "2" Preferred Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)
Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [√] No [ ]

13. The aggregate market value of the 487,645,030 voting shares held by non-affiliates of the Company as of December 31, 2022 is Php45,326,605,538.50 (based on the closing price as of December 31, 2022 of Php92.95 per share. The aggregate market value of the 486,993,686 voting shares held by non-affiliates of the Company as of March 31, 2023 is Php52,108,324,402.00 (based on the closing price as of March 31, 2023 of Php107.00 per share).

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are attached and incorporated by reference:

Please refer to annexes referred to and identified in this document.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

San Miguel Corporation ("SMC", or the "Parent Company"), together with its subsidiaries (collectively referred to as the "Group"), is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales equivalent to approximately 7.6% of the Philippine gross domestic product in 2022.

Originally founded in 1890 as a single product brewery in the Philippines, SMC today owns market-leading businesses and investments in various sectors, including food and beverage, packaging, energy, fuel and oil, infrastructure, cement, property and banking services. SMC owns a portfolio of companies that is tightly interwoven into the economic fabric of the Philippines, benefiting from and contributing to, the development and economic progress of the country. The common shares of SMC were listed on November 5, 1948 at the Manila Stock Exchange, now The Philippine Stock Exchange, Inc. ("PSE").

Since adopting its business diversification program in 2007, SMC has channeled its resources into what it believes are attractive growth sectors, which are aligned with the development and growth of the Philippine economy. SMC believes that continuing this strategy and pursuing growth plans within each business will achieve a more diverse mix of sales and operating income, and better position for SMC to access capital, present different growth opportunities, and mitigate the impact of downturns and business cycles.

SMC, through its subsidiaries and affiliates, is the market leader in its businesses with 50,443 regular employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2022. SMC products include beer, spirits, non-alcoholic beverages ("NAB"), poultry, animal feeds, flour, fresh and processed meats, dairy products, coffee, various packaging products, a full range of refined petroleum products and cement, most of which are market leaders in their respective markets. In addition, SMC contributes to the growth of downstream industries and sustains a network of hundreds of third-party suppliers.

Through the partnerships it has forged with major international companies, the Group has gained access to the latest technologies and expertise, thereby enhancing its status as a world-class organization.

SMC has strategic partnerships with international companies, among them are Kirin Holdings Company, Limited ("Kirin") for beer, Hormel Foods International Corporation ("Hormel") for processed meats, Nihon Yamamura Glass Company, Ltd. ("NYG") and Fuso Machine & Mold Mfg. Co. Ltd. ("Fuso") for packaging products, and Korea Water Resources Corporation ("K-Water") for its power business.

Major developments in the Group are discussed in the Management's Discussion and Analyses of Financial Position and Financial Performance, attached hereto as **Annex "A"**, and in Note 5, Investments in Subsidiaries, and Note 11, Investments and Advances, of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Businesses

Food and Beverage

San Miguel Food and Beverage, Inc. ("SMFB") is a leading food and beverage company in the Philippines. The brands under which SMFB produce, market, and sell its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include *San Miguel Pale Pilsen*, *San Mig Light* and *Red Horse* for beer, *Ginebra San Miguel* for gin, *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats*, Purefoods Tender Juicy* for hotdogs, *Purefoods* for other refrigerated prepared and processed meats and canned meats, *Star* and *Dari Crème* for margarine and *B-Meg* for animal feeds.

SMFB has three primary operating divisions - (i) beer and NAB, (ii) spirits, and (iii) food. The Beer and NAB Division and the Spirits Division comprise the beverage business (the "Beverage business"). SMFB operates its Beverage business through San Miguel Brewery Inc. and its subsidiaries ("SMB" or the "Beer and NAB Division"), and Ginebra San Miguel Inc. and its subsidiaries ("GSMI" or the "Spirits Division"). The Food business (the "Food Division") is managed through a number of other subsidiaries, including San Miguel Foods, Inc. ("SMFI"), Magnolia Inc., ("Magnolia") and The Purefoods-Hormel Company, Inc. ("Purefoods-Hormel"). SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 70 countries and territories across the globe.

Beer and NAB Division

The Beer and NAB Division is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Top beer brands in the Philippines include *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light,* and *Gold Eagle*. Its flagship brand, *San Miguel Pale Pilsen*, has a history of over 130 years which was first produced by *La Fabrica de Cerveza de San Miguel*. The Beer and NAB Division also produces NAB such as ready-to-drink tea, ready-to-drink juice, water and carbonates.

SMB markets its beer products under the following brands: *San Miguel Pale Pilsen*, which is SMB's flagship brand, *Red Horse, Red Horse Super, San Mig Light, San Miguel Flavored Beer, San Miguel Super Dry, San Miguel Premium All-Malt, San Miguel Cerveza Negra*, *San Miguel Cerveza Blanca, San Mig Zero, San Mig Free* and *Gold Eagle*. SMB also exclusively distributes *Kirin Ichiban* in the Philippines.

SMB's NAB business portfolio includes *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), *San Mig Flavored Water* (still flavored water as well as *Cali*, a sparkling malt-based non-alcoholic drink.

In 2022, SMB entered the flavored alcoholic beverages (FAB) market with the launch of *San Mig Hard Seltzer*, an easy-to-drink alcoholic beverage made from sparkling water with alcohol in citrus mix flavor.

San Miguel Brewing International Limited and its subsidiaries ("SMBIL") also offer the *San Miguel Pale Pilsen* and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia and most export markets, and *Red Horse* in Thailand, China, Hong Kong, Vietnam and selected export markets, in addition to locally available brands: *Valor* and *Blue Ice* (Hong Kong), *Dragon* (South China), *W1N Bia* (Vietnam), and *Anker* and *Kuda Putih* (Indonesia).

SMBIL also sells a portfolio of specialty beers including *San Mig Zero* in Thailand, *San Miguel Flavored Beer* in Vietnam, Taiwan and the United States, *San Miguel Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, Thailand, United States, South Korea and Taiwan, as well as *San Miguel Cerveza Blanca* in Hong Kong, Thailand, Vietnam, South Korea, Singapore and Taiwan, and has recently rolled-out the limited edition *San Miguel Chocolate Lager* in Thailand and Taiwan, with planned limited release in other key markets in 2023.

Meanwhile, as part of its NAB portfolio, SMBIL also carries *San Miguel NAB* in Korea and Saudi Arabia as well as *San Miguel Flavored NAB*, which was recently launched in Saudi Arabia.

Spirits Division

The Spirits Division is a leading spirits producer in the Philippines and the largest gin producer internationally by volume. It is the market leader in gin and Chinese wine in the Philippines. GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum and other spirits. Ginebra traces its roots to a family-owned Spanish era distillery that introduced the *Ginebra San Miguel* brand in 1834. The distillery was then acquired by La Tondeña Incorporada in 1924, and thereafter by SMC in 1987 to form La Tondeña Distillers, Inc. In 2003, it was renamed to Ginebra San Miguel Inc. in honor of the pioneering gin brand.

GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel* and *Vino Kulafu*, the leading brands in the gin and Chinese wine categories, accounted for 93% of GSMI's total revenues. The other products that complete the liquor business of GSMI comprise about 7% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are exported to markets with high concentration of Filipino communities such as the United Arab Emirates, Taiwan, Macau and the United States as well as in Korea and India. It also produces certain brands that are for export only, which includes *Ginebra San Miguel Premium Gin Black* and *Tondeña Manila Rum*. In addition, distilled spirits are produced and sold in Thailand through GSMI's joint venture with Thai Life Group of Companies via Thai Ginebra Trading Company Limited.

With the onset of the Corona Virus Disease 2019 (COVID-19) pandemic in early March 2020, GSMI pivoted its production facilities to produce ethyl alcohol and donated over 1.3 million liters around the country. In the third quarter of 2020, GSMI commercially launched *San Miguel Ethyl Alcohol* to supply disinfectant alcohol in the local market as well as help stabilize the price.

Food Division

The Food Division holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Division has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods Tender Juicy* for hotdogs*, Purefoods* for other refrigerated processed meats, ready-to-eat cooked meals, canned meats and seafood lines, *Veega* for plant-based protein food products, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, and *B-Meg* for animal feeds.

The Food Division has a diversified product portfolio that ranges from branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein, butter, margarine, cheese, milk, ice cream, salad aids, flour mixes, and coffee products (collectively "Prepared and Packaged Food") to integrated feeds ("Animal Nutrition and Health"), to poultry and fresh meats ("Protein") as well as flour milling, grain terminal handling, foodservice, and international operations ("Others").

The key operating segments, products, brands and services for each of the primary businesses of the Food Division are as follows:

a) ***Prepared and Packaged Food*** – The major operating subsidiaries for the Prepared and Packaged Food segment are Purefoods-Hormel, Magnolia and San Miguel Super Coffeemix Co., Inc. ("SMSCCI") producing value-added refrigerated and canned meats, dairy, spreads, and coffee. Purefoods-Hormel, a 60:40 joint venture with Hormel Netherlands, B.V. produces and markets value-added refrigerated processed meats and canned meat products. The joint venture agreement, which was entered into in 1998 sets out the parties' agreement as shareholders of Purefoods-Hormel, including, among others, provisions on technical assistance and sharing of know-how, the use of trademarks, fundamental matters requiring shareholders or Board approval, exclusivity covenants, and restrictions on the transfer of Purefoods-Hormel shares.

   Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, ready-to-heat meal and meat free products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, Star, Higante, Purefoods Beefies, Vida, Purefoods Nuggets, Purefoods Heat & Eat and Veega*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads and ready-to-eat viands are sold under the *Purefoods, Star and Ulam King* brands.

   The dairy and spreads business, primarily operated through Magnolia, manufactures and markets a variety of bread spreads, milk, ice cream, salad aids and flour mixes. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia, Dari Crème, Star,* and *Cheezee* brands. Dairy products include ready-to-drink milk, ice cream and all-purpose cream under the *Magnolia* brand. Flour mixes and salad aids like mayonnaise and dressings, are likewise marketed and sold under the *Magnolia* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s. Magnolia also marketed jelly-based snacks under the *JellYace* brand, until said trademark and other trademarks used in the jelly-based snacks business were divested in May 2021. Moreover, Magnolia manufactured and sold biscuits under the *La Pacita* brand until it ceased operations in October 2021. In 2022, the BOD of Magnolia approved the plan to take steps to liquidate the properties related to the operation of La Pacita biscuit. On February 2, 2023, the BOD of SMFB approved the sale of La Pacita trademarks, together with its product formulations and process specifications. A deed of assignment of Intellectual Property Rights was entered into in the first quarter of 2023 for the sale of La Pacita trademarks.

   The coffee business under SMSCCI is a 70:30 joint venture between SMFB and a Singaporean partner, Jacobs Douwe Egberts RTL SCC SG Pte. Ltd., formerly Super Coffee Corporation Pte. Ltd. SMSCCI imports, packages, markets, and distributes coffee mixes in the Philippines.

b) ***Animal Nutrition and Health*** - The Animal Nutrition and Health segment produces integrated feeds and veterinary medicines. The operating subsidiary for the Animal Nutrition and Health segment is SMFI. Commercial feed products include hog feeds, layer feeds, broiler feeds, gamefowl feeds, aquatic feeds, branded feed concentrates, and specialty and customized feeds. These feeds are sold and marketed under various brands such as *B-Meg, B-Meg Premium, Integra, Expert, Dynamix, Essential, Pureblend, Bonanza* and *Jumbo.* SMFI likewise produces and sells dog food under the *Nutri Chunks* brand, as well as various veterinary medicines and preparations under *San Miguel Animal Health Care*.

c) ***Protein*** - SMFI is also the operating subsidiary for the business' Protein segment, which sells poultry and fresh meats products. The poultry business operates a vertically-integrated production process that spans from breeding broilers to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole and cut-up products. A wide variety of fresh and easy-to-cook products, such as those under the brand *Timplados*, are sold through *Magnolia Chicken*

Stations. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors, and sells live chickens to dealers.

The fresh meats business breeds, grows and processes hogs and trades beef and pork products. Its operations include slaughtering live hogs and processing beef and pork carcasses into primal and sub-primal meat cuts. These specialty cuts and marinated products are sold in neighborhood meat shops under the well-recognized *Monterey* brand name.

d) ***Others*** - Flour milling, the manufacture and marketing of premixes and baking ingredients, foodservice and international operations are categorized under Others. The bulk of this segment is accounted for by the flour milling business and grain terminal operation.

The flour milling segment operates under San Miguel Mills, Inc. ("SMMI"). SMMI owns Golden Bay Grain Terminal Corporation, which provides grain terminal, warehousing services, and grain handling services (e.g. unloading, storage, bagging, and outloading) to clients, and Golden Avenue Corp., which holds investment in real property.

The flour milling segment offers a variety of flour products that includes bread flour, noodle flour, biscuit and cracker flour, all-purpose flour, cake flour, whole wheat flour, customized flour, and flour premixes, such as *pancake* mix, *cake* mix, *brownie* mix, *pan de sal* mix, and *puto* (or rice cake) mix. The business pioneered the development of customized flours for specific applications, such as noodles and *pan de sal*, a soft bread commonly eaten in the Philippines for breakfast. Flour products are sold under brand names which enjoy strong brand loyalty among its institutional clients and other intermediaries, such as bakeries and biscuit manufacturers.

The international operations of the Food Division are located in Vietnam and Indonesia. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. ("SMPFVN") in Vietnam, is a wholly-owned subsidiary of San Miguel Foods International, Limited. It is in the business of production and marketing of processed meats which are sold under the *Le Gourmet* brand. PT San Miguel Foods Indonesia is a 75:25 joint venture with PT Hero Intiputra of Indonesia. It was likewise engaged in the production and sale of processed meats, which it sold under the *Farmhouse* and *Vida* brands, until it ceased operations on October 31, 2021.

The foodservice segment of the Food Division is handled by Great Food Solutions ("GFS"), a group under SMFI. GFS, which services institutional accounts such as hotels, restaurants, bakeshops, fast food, and pizza chains, was established in 2002 and is one of the largest foodservice providers in the Philippines. It markets and distributes foodservice formats of the value-added meats, dairy, flour and coffee businesses. In turn, GFS receives a development fee from these businesses for selling their products to foodservice institutional clients.

The Food Division previously ventured into the franchising business to serve as contact points with consumers, a trial venue for new product ideas and a channel to introduce product applications for its products. The franchising business, also a group under SMFI, followed a convenience store model under the *Treats* brand, most of which are located in Petron service stations. *Chick'n Juicy* is the newest addition to the Food Division's franchising roster. Launched in February 2019, *Chick'n Juicy* gives its own take on the popular roast chicken, fried chicken, fried *isaw*, and hard-boiled eggs, with top quality meats using the *Magnolia* brand. In March 2021, the assets and intellectual property rights used in SMFI's convenience store business operating under the *Treats* trademark were sold to Petron Corporation. In June 2021, the assets used in *Chick'n Juicy* outlets were assigned to operators of such outlets enabling them to operate their stores more efficiently.

Below is a list of the major food and beverage subsidiaries as of December 31, 2022:

San Miguel Food and Beverage, Inc. and subsidiaries [including San Miguel Brewery Inc. and subsidiaries (including Iconic Beverages, Inc., Brewery Properties Inc. and subsidiary, and San Miguel Brewing International Limited and subsidiaries {including San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co., Ltd.*, San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited}); Ginebra San Miguel Inc. and subsidiaries (including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited.); and San Miguel Foods, Inc. and subsidiary, San Miguel Mills, Inc. and subsidiaries, Magnolia Inc. and subsidiary, The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia, and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, and San Miguel Pure Foods (VN) Co., Ltd.]

** Ceased operations in March 2020 and is currently undergoing liquidation.*

Packaging

The packaging business began operations in 1938 with the establishment of a glass plant that supplied glass bottles for the beer and non-alcoholic beverage products of SMC. Collectively called as the Packaging Group, the business is comprised of San Miguel Yamamura Packaging Corporation ("SMYPC"), San Miguel Yamamura Packaging International Limited ("SMYPIL") and their respective subsidiaries which are both joint venture companies between SMC and NYG, one of the largest glass and plastic packaging corporations in Japan, SMC Yamamura Fuso Molds Corp. ("SYFMC"), the only manufacturer of glass and plastics molds in the country, Can Asia, Inc. ("CAI"), a pioneer in the production of two-piece aluminum cans, Mindanao Corrugated Fireboard, Inc. ("Mincorr"), a paper corrugated carton manufacturer, and Wine Brothers Philippines Corporation, involved in the sale and distribution of wine products.

The Packaging Group manages one of the largest packaging operations in the Philippines with diversified businesses producing glass, molds, metal and plastic closures, aluminum cans, plastic bottles, pallets and crates, flexibles, paper, and other packaging products that offers a total packaging solution. The Packaging Group also provides services such as beverage filling for Polyethylene Terephthalate ("PET") bottles, aluminum cans, and glass bottles, pallet leasing, and logistics services. The Packaging Group is the major source of packaging requirements of the other business units of SMC. It also supplies its products to customers across the Asia-Pacific region, the United States, and Australasia, as well as to major multinational corporations in the Philippines, including Coca-Cola Beverages Philippines, Inc., Nestle Philippines, Inc., and Pepsi Cola Products Philippines, Inc.

The Packaging Group operates 18 international packaging companies, particularly, located in China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags, and radiant/thermal liners), Australia (trading of packaging products, plastic manufacturing, wine closures, and wine filling services, retail/online packaging, cargo protection and materials handling) and New Zealand (plastic manufacturing and trading).

Aside from extending the reach of the packaging business overseas, these facilities also allow the Packaging Group to serve the packaging requirements of SMB breweries in China, Vietnam, Indonesia, and Thailand.

SMYPC has ownership of all of the domestic plants of the Packaging Group, except the corrugated carton plant Mincorr, which is 100% owned by SMC. Mincorr is being managed by SMYPC. SMYPIL's subsidiaries are the Packaging Group's international facilities.

a) ***Glass*** - The glass business is the Packaging Group's largest business segment. It has three glass manufacturing facilities, and one glass and PET mold plant in the Philippines serving the requirements of the beverage, food, pharmaceutical, chemical, personal care, and health care industries. The bulk of the glass bottle requirements served by this segment are for the beverage, pharmaceuticals and food industries. The Securities and Exchange Commission (SEC) approved the application of the merger of San Miguel Yamamura Asia Corporation (“SMYAC”), a joint venture company of SMC and NYG, and SMYPC, the surviving entity, effective as of March 1, 2020 in accordance with Clause 5.5 of the Plan of Merger. Accordingly, by operation of law, SMYAC ceased to exist and the facility is now known as SMY Glass Plant, the country’s most technologically advanced glass manufacturing facility and the largest glass manufacturing facility in the Philippines.

b) ***Metal*** - The metal business manufactures metal caps, crowns, resealable caps, and two-piece aluminum beverage cans for a range of industries that include beer, spirits, soft drinks, condiments, and food. CAI is the pioneering two-piece aluminum can plant in the Philippines for the beverage market. In 2012, SMYPC formed CAI, a joint venture with CANPACK S.A. (“CANPACK”), for the modernization of the two-piece aluminum can manufacturing business. Utilizing the know-how and technologies of CANPACK on can manufacturing, CAI is now capable to produce aluminum cans and ends in three categories - regular (standard), sleek, and slim cans. With its aim to introduce various aluminum can packaging formats to the growing market in the Philippines and the Asia Pacific region, the business has expanded its product line to offer 180 ml aluminum cans in 2018. To-date, CAI is capable of producing six can sizes.

   On September 30, 2022, SMYPC and CANPACK executed a Deed of Sale of Shares for the purchase by SMYPC from CANPACK of the 3,500,000 common shares of CAI, resulting in a 100% shareholding of SMYPC in CAI.

c) ***Plastics*** - The plastics business, the second largest business of the Packaging Group, produces crates and pallets, poultry flooring, plastic bottles, PET preforms and bottles, plastic caps and handles to serve the beer, liquor, non-alcoholic beverages, food, pharmaceutical, personal care, petroleum, and industrial applications industries.

d) ***Beverage Filling*** - The beverage filling operations is capable of filling beverages in two-piece aluminum cans as well as PET and glass bottles. The business also expanded its capability to include retort process to serve coffee, milk, and chocolate drinks.

e) ***Paper*** - The paper business produces corrugated cartons and partition boxes. It supplies the carton packaging needs of a broad range of manufacturing and agricultural industries.

f) ***Composites/Flexibles*** - The composites/flexible packaging business manufactures flexible packaging, plastic films, industrial laminates, trademarked *Envirotuff* radiant barrier and woven bags. Customers for this segment include companies in the food, beverages, personal care, chemical and healthcare industries. It also provides composite materials for a varied range of industries including construction, semiconductor, and electronics.

On February 27, 2015, SMYPIL through its Australian subsidiary, SMYV Pty Ltd, completed the acquisition of the assets and business of Vinocor Worldwide Direct Pty. Ltd. (“Vinocor”). Vinocor is a market leader in the supply of corks and closures for wine bottles in Australia, with facilities and operations based in Adelaide, South Australia.

On September 1, 2016, San Miguel Yamamura Australasia Pty. Ltd. (SMYA) through its new New Zealand subsidiary, SMYE Limited, acquired the assets and business of Endeavour Glass Packaging Limited (In Receivership), a trading company based in Auckland, New Zealand. Thereafter, in 2017, SMYE Limited was amalgamated (or merged) with Cospak Limited, the New Zealand subsidiary of SMYA, with the latter continuing as the amalgamated (or surviving) company.

In 2017, SMYA acquired all of the issued share capital of Portavin Holdings Pty Ltd., Barrosa Bottling Services Pty Ltd., and Best Bottlers Pty Ltd., through its subsidiaries SMYP Pty Ltd., SMYB Pty Ltd., and SMYBB Pty Ltd. These acquisitions strengthened SMYA's business in Australia and expanded its product base to include wine filling services, serving the growing wine markets in the Australasia region and in China.

To augment growth of the wine filling business of SMYA, the Packaging Group established in 2018 Wine Brothers Australasia Pty Ltd. in Australia and Wine Brothers Philippines Corporation in the Philippines. The business is involved in the sale and distribution of wine products in their respective countries.

Moreover, in 2018, SMYA through its subsidiary, SMYJ Pty Ltd., acquired the business assets of JMP Holdings Pty Ltd., a supplier of retail packaging products, transport packaging solutions, and other products and services based in Victoria, Australia.

Below is a list of the major domestic and international packaging subsidiaries as of December 31, 2022:

San Miguel Yamamura Packaging Corporation and subsidiaries, SMC Yamamura Fuso Molds Corporation, Can Asia, Inc. and Wine Brothers Philippines Corporation

San Miguel Yamamura Packaging International Limited and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., and San Miguel Yamamura Australasia Pty. Ltd. and subsidiaries {including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co Ltd, SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd.}]

Mindanao Corrugated Fibreboard, Inc.

Energy

The Energy business, which is conducted through San Miguel Global Power Holdings Corp. ("San Miguel Global Power", formerly SMC Global Power Holdings Corp.), together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,719 MW of combined capacity as of December 31, 2022. San Miguel Global Power benefits from a diversified power portfolio, including natural gas, coal and renewable energy such as hydroelectric power and battery energy storage systems ("BESS"). This portfolio includes:

a) the power plants subject of the Independent Power Producer Administration ("IPPA") Agreements with the Power Sector Assets and Liabilities Management Corp. ("PSALM"), specifically the 1,000 MW Sual Coal-Fired Thermal Power Plant in Sual, Pangasinan and the 345 MW San Roque Multipurpose Hydroelectric Power Plant in San Manuel, Pangasinan, the output of which are being administered by Sual Power Inc. ("SPI", formerly San Miguel Energy Corporation) and San Roque Hydropower Inc. ("SRHI", formerly Strategic Power Devt. Corp.), respectively, both wholly-owned subsidiaries of San Miguel Global Power;

b) the 1,200 MW Ilijan Natural Gas Fired Combined Cycle Power Plant in Ilijan, Batangas that was previously a subject of the IPPA Agreement with PSALM is now owned by South Premiere Power Corp. ("SPPC"), a wholly-owned subsidiary of San Miguel Global Power, after the expiration of the IPPA Agreement in June 2022;

c) the 218 MW Angat Hydroelectric Power Plant in Angat, Bulacan, owned by Angat Hydropower Corporation ("AHC"), whose outstanding capital stock is 60% owned by

San Miguel Global Power through its wholly-owned subsidiary, PowerOne Ventures Energy Inc. (“PVEI”);

d) the 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) and 1 x 351.75 MW (Unit 3) coal-fired power plant (together, comprising the “Masinloc Power Plant”), and the 10 MWh BESS project all located in Masinloc, Zambales, owned by Masinloc Power Partners Co. Ltd. (“MPPCL”), which was wholly acquired by San Miguel Global Power in March 2018. MPPCL also intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each with target completion date in 2025;

e) the 20 MW BESS facility in Kabankalan, Negros Occidental ("Kabankalan BESS"), owned by SMCGP Philippines Energy Storage Co. Ltd. ("SMCGP Philippines Energy"), whose outstanding capital stock is 80.58% owned by Oceantech Power Generation Corporation and 19.42% owned by Prime Electric Generation Corporation ("PEGC"), both wholly-owned subsidiaries of San Miguel Global Power. The capacity of Phase 1 is contracted under an Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines ("NGCP") with a term of five years which commenced in January 2022. SMCGP Philippines Energy has offered the capacity of Phase 2 Kabankalan BESS in the competitive selection process for the procurement of ancillary services by NGCP; and

f) the greenfield power plants owned and developed by San Miguel Global Power, namely the 4 x 150 MW Circulating Fluidized Bed Coal-Fired Power Plant in Limay, Bataan, (the “Limay Greenfield Power Plant”) owned by its wholly-owned subsidiary, Limay Power Inc. (“LPI”, formerly SMC Consolidated Power Corporation) and the 2 x 150 MW Circulating Fluidized Bed Coal-Fired Power Plant in Malita, Davao Occidental, (the “Davao Greenfield Power Plant”) owned by another wholly-owned subsidiary, Malita Power Inc. (“MPI”, formerly San Miguel Consolidated Power Corporation). Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively. Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

On August 26, 2022, San Miguel Global Power sold its 100% shareholdings in Strategic Energy Development Inc. (“SEDI”), owner of the 15 MW Multi-Fuel Peaking Power Plant in Tagum City, Davao del Norte (“Tagum Peaking Power Plant”) which was acquired in February 2020 to provide back-up power to the Davao Greenfield Power Plant.

Based on the total installed generating capacities reported by the Energy Regulatory Commission (“ERC”) under ERC Resolution No. 01, Series of 2022 dated March 9, 2022 (A resolution Setting the Installed Generating Capacity and Market Share Limitation per Grid and National Grid for 2022), San Miguel Global Power believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case, as of December 31, 2022. Market share is computed by dividing the installed generating capacity of San Miguel Global Power with the installed generating capacity of Luzon Grid, Mindanao Grid or National Grid (17,077,537 kW, 4,201,042 kW and 24,651,219 kW, respectively based on data provided under ERC Resolution No. 01, Series of 2022).

San Miguel Global Power was also engaged in distribution and retail electricity services. Its wholly-owned subsidiary, Albay Power and Energy Corp. (“APEC”) assumed the operations and maintenance of Albay Electric Cooperative, Inc. (“ALECO”) by virtue of a concession agreement with ALECO in 2014. ALECO is the franchise holder for the distribution of electricity in the province of Albay in Luzon. The concession agreement between San Miguel Global Power and ALECO was terminated in a notice of termination served by APEC on November 18, 2022.

San Miguel Global Power was also issued retail electricity supplier licenses, through LPI and MPPCL, which allow it to enter into contracts with contestable customers and expand its customer base.

San Miguel Global Power, through its subsidiaries SPI, SRHI, SPPC, AHC, LPI, MPI and MPPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company ("Meralco") and other distribution utilities, electric cooperatives and industrial customers, or through the Wholesale Electricity Spot Market ("WESM").

San Miguel Global Power is currently undertaking the following expansion projects through its subsidiaries:

a. The Mariveles Greenfield Power Plant, a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities using high efficiency low emission technologies (HELE Technologies) located in Mariveles, Bataan, being developed and constructed through Mariveles Power Generation Corporation ("MPGC").

b. The BESS Project which is currently undertaken through SMCGP Philippines Energy, Universal Power Solutions Inc. ("UPSI) and MPPCL will provide an additional 1,000 MWh capacity to the energy business' existing power portfolio. The BESS Project includes the 10 MWh BESS in Masinloc, Zambales and the 20 MWh BESS project located in Kabankalan, Negros Occidental, which has commenced commercial operations in January 2022.

c. Units 4 and 5 of the Masinloc Power Plant with a planned gross installed capacity of 350 MW each will utilize supercritical boiler technology, another expansion project by MPPCL after it completed the Unit 3 in September 2020.

d. The Batangas Combined Cycle Power Plant, a planned 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas will utilize regasified liquefied natural gas (LNG) as fuel. The LNG power plant project is part of the energy business' diversification of its power portfolio from the traditional coal technologies and will be constructed through its wholly-owned subsidiary, Excellent Energy Resources Inc. ("EERI").

Below is a list of the major energy subsidiaries as of December 31, 2022:

San Miguel Global Power Holdings Corp. and subsidiaries (including SPI and subsidiary, SPPC, SRHI, San Miguel Electric Corp., SMC PowerGen Inc, UPSI, LPI, MPI, Central Luzon Premiere Power Corp., Prime Electric Generation Corporation and subsidiary, Lumiere Energy Technologies Inc., PVEI, SMCGP Masinloc Power Company Limited, SMCGP Masinloc Partners Company Limited and MPPCL, APEC, Oceantech Power Generation and subsidiary, SMCGP Philippines Energy, EERI, SMC Power Generation Corp., and MPGC).

Fuel and Oil

SMC operates its fuel and oil business through Petron Corporation ("Petron"), which is involved in refining crude oil and marketing and distribution of refined petroleum products mainly in the Philippines and Malaysia. Petron is the largest and only oil refining and marketing company in the Philippines and a leading player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day. Petron participates in the reseller (service station), industrial, lube, and liquefied petroleum gas sectors. In addition, Petron is also engaged in non-fuels business by capitalizing on the reacquired Treats convenience stores and earning income from billboards and locators, situated within the premises of the service stations.

Petron owns and manages the most extensive oil distribution infrastructure in the Philippines. Petron has extensive network of some 1,900 retail service stations in the Philippines and more than 750 retail service stations in Malaysia as of December 31, 2022. Petron also exports various petroleum products and petrochemical feedstock, including LSWR, gasoline, diesel, jet fuel, LPG, molten sulfur, naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

In the Philippines, Petron owns the Petron Bataan Refinery complex located in Limay, Bataan, which is a 180,000 barrel-per day full conversion refinery. The Petron Bataan Refinery is capable of producing a range of all white petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel and diesel, with no residual fuel oil production. It also produces petrochemical feedstocks benzene, toluene, mixed xylene, and propylene. It has its own product piers and two offshore berthing facilities, one of which can accommodate very large crude oil carriers. Petron also owns a refinery in Malaysia with a capacity of 88,000 barrels per day and 12 product terminals, with presence in the airport segment through a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport.

Below is a list of the fuel and oil subsidiaries as of December 31, 2022:

Petron Corporation and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings Inc. and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas Mauritius Ltd. and subsidiary, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries]
SEA Refinery Corporation

Infrastructure

The infrastructure business, conducted through San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure ("SMHC"), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. Current operating toll roads include the South Luzon Expressway ("SLEX"), SLEX Elevated Extension, Skyway Stages 1, 2 and 3, the Southern Tagalog Arterial Road ("STAR"), Tarlac-Pangasinan-La Union Toll Expressway ("TPLEX") and NAIA Expressway ("NAIAX"). Ongoing projects include Skyway Stage 4, the extension of SLEX - Toll Road 4 ("SLEX TR4"), SLEX - Toll Road 5 ("SLEX TR5"), Pasig River Expressway ("PAREX"), Southern Access Link Expressway ("SALEX"), Northern Access Link Expressway ("NALEX"), Metro Rail Transit Line 7 ("MRT-7"), and Manila International Airport ("MIA"). It also operates and is currently expanding the Boracay Airport and has investments in Manila North Harbour Port Inc. (MNHPI) and Luzon Clean Water Development Corporation ("LCWDC") for the Bulacan Bulk Water Supply Project.

SLEX / Skyway Stages 1 and 2 / SLEX Elevated Extension

As of March 5, 2015, SMHC has a 95% stake in Atlantic Aurum Investments B.V. ("AAIBV"), a company which has the following shareholdings:

- 80.0% stake in SMC SLEX Inc. (formerly South Luzon Tollway Corporation), through SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways, Inc.), a wholly-owned subsidiary of AAIBV. SMC SLEX Inc. holds the 30-year concession rights to the SLEX, which currently spans 36.1 kilometers (km) from Alabang, Muntinlupa to Sto. Tomas, Batangas. SLEX is one of the three major expressways that link Metro Manila to the key southern provinces of the Philippines, including Cavite, Laguna, Batangas, Rizal and Quezon ("CALABARZON"). It also holds the 35-year concession rights to SLEX TR4 which will extend SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province with a length of 66.74 km; and 87.84% beneficial ownership in SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation), through SMC Tollways Corporation (formerly Atlantic Aurum Investments Philippines Corporation), a wholly-owned subsidiary of AAIBV. SMC Skyway Corporation holds the 30-year concession rights to construct, operate and maintain the 29.59 km Skyway Stage 1 and 2 Project. The SLEX Elevated Extension connects the Skyway Elevated Section from Sucat to Susana Heights in SLEX, providing direct access to and from the elevated section of the Skyway by adding new elevated lanes, three northbound (3.993 km) and two southbound (3.867 km). This aims to decongest traffic along SLEX heading to Alabang and the Alabang viaduct. The SLEX Elevated Extension was opened to motorists on February 15, 2022.

STAR Tollway

SMHC, through Cypress Tree Capital Investments, Inc. ("CTCII") has an effective 100% interest in Star Infrastructure Development Corporation ("SIDC"). SIDC holds the 36-year Build-Transfer-Operate ("BTO") concession rights of the STAR Project consisting of: Stage 1 - operation and maintenance of the 22.16 km toll road from Sto. Tomas to Lipa City; and Stage 2 - financing, design, construction, operation and maintenance of the 19.74 km toll road from Lipa City to Batangas City.

TPLEX

SMHC, through its subsidiary, SMC TPLEX Holdings Company Inc., owns a 70.11% equity interest in SMC TPLEX Corporation ("SMC TPLEX"). SMC TPLEX is a company which holds the 35-year BTO concession rights to construct, operate and maintain an 89.21 km toll expressway from La Paz, Tarlac, through Pangasinan, to Rosario, La Union. The stretch from Tarlac to Pozzorubio, Pangasinan has been operational since December 2017. The last phase from Pozzorubio to Rosario, La Union was completed and has been operational since July 15, 2020.

NAIAX

On May 31, 2013, SMHC incorporated SMC NAIAX Corporation ("SMC NAIAX"; formerly Vertex Tollways Devt. Inc.). SMC NAIAX, a company that holds the 30-year BTO concession rights for the construction and operation of the NAIAX – a four-lane elevated expressway with end-to-end distance of 5.4 km that provides access to NAIA Terminals 1, 2 and 3. NAIAX connects to the Skyway system, the Manila-Cavite Toll Expressway (CAVITEX) and the Entertainment City of the Philippine Amusement and Gaming Corporation. NAIAX became fully operational in December 2016.

Skyway Stage 3

On February 28, 2014, SMHC through AAIBV incorporated Stage 3 Connector Tollways Holdings Corp. ("S3CTHC"), which holds an 80% ownership interest in SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.). SMC Skyway Stage 3 Corporation holds the 30-year concession rights to design, finance and construct the Skyway Stage 3, an elevated roadway with a total length of approximately 17.93 km from Buendia Avenue in Makati to Balintawak, Quezon City and is connected to the existing Skyway Stages 1 and 2. Skyway Stage 3 inter-connects the northern and southern cities of Metro Manila to help decongest traffic within the National Capital Region and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

On March 15, 2016, AAIBV transferred its 100% ownership interest in S3CTHC to SMC Tollways Corporation (formerly Atlantic Aurum Investments Philippines Corporation), its 100% wholly owned subsidiary.

On April 16, 2019, a stockholder of SMC Skyway Stage 3 Corporation issued a waiver on its pre-emptive right to subscribe to 10% interest in favor of S3CTHC. As a result, S3CTHC's ownership interest in SMC Skyway Stage 3 Corporation increased to 90%.

End-to-end alignment (main alignment) was completed and partially opened on December 29, 2020. The Skyway Stage 3 Project was formally inaugurated and opened to motorists on January 14, 2021. The Notice to Collect Toll was received last July 1, 2021 from the Toll Regulatory Board of the Department of Transportation.

Skyway Stage 4 Project

SMHC, through its subsidiary, SMC Infraventures Inc., owns a 77.93% equity interest in SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways, Inc.). SMC Skyway Stage 4 Corporation holds the concession right to construct Skyway Stage 4, a proposed 44.57-km roadway from South Metro Manila Skyway to Batasan Complex, Quezon City. Skyway Stage 4 will serve as another expressway system that aims to further decongest EDSA, C5 and other major arteries of the Metropolis. Further, it aims to provide a faster alternate route and accessibility to the motorist when travelling from the provinces of CALABARZON area to the Metropolis. The project has a concession period of 30 years (from start of operations).

Boracay Airport

SMC, through the 99.92% interest of SMHC in Trans Aire Development Holdings Corp. ("TADHC"), is undertaking the expansion of Boracay Airport under a 25-year Contract-Add-Operate-and-Transfer concession granted by the Republic of the Philippines ("ROP"), through the Department of Transportation and Communications (now the Department of Transportation). Boracay Airport is the principal gateway to the Boracay Island, a popular resort for passengers traveling from Manila. The airport has seen recent upgrades including a longer runway and accommodation of international flights.

MRT-7

In October 2010, SMC, through SMHC, acquired a 51.0% stake in Universal LRT Corporation (BVI) Limited ("ULC BVI"), which holds the 25-year Build-Gradual Transfer-Operate-Maintain concession for MRT-7. MRT-7 is a planned expansion of the metro rail system in Manila which mainly involves the construction of a 23-km mass rail transit system with 14 stations that will start from San Jose del Monte City in Bulacan and end at the integrated LRT-1 / MRT-3 / MRT-7 station at North EDSA. The project also involves a 22-km six lane asphalt highway that will connect the North Luzon Expressway to an intermodal transport terminal in San Jose del Monte City, Bulacan.

As of July 1, 2016, SMC, through SMHC already holds 100% ownership in ULC BVI.

On December 12, 2016, the ROP through the Department of Transportation, gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC Mass Rail Transit 7, Inc. ("SMC MRT 7"). SMC through SMHC owns 100% of SMC MRT 7.

MNHPI

SMC through SMHC owns 50% of MNHPI as of December 31, 2022. MNHPI is the terminal operator of Manila North Harbor, a 63.5-hectare port facility situated at Tondo, City of Manila. The port has a total quay length of 5,758 meters and 41 berths which can accommodate all types of vessels such as containerized and non-container type vessels. Under the Contract for the Development, Operation and Maintenance of the Manila North Harbor entered with the Philippine Ports Authority on November 19, 2009, the Philippine Ports Authority awarded MNHPI the sole and exclusive right to manage, operate, develop, and maintain the Manila North Harbor for 25 years, renewable for another 25 years. MNHPI commenced operations on April 12, 2010.

Bulacan Bulk Water Supply Project

The Bulacan Bulk Water Supply Project aims to provide clean and potable bulk water supply to the province of Bulacan that is environmentally sustainable and with a price that is equitable. The project also aims to help various water districts in Bulacan to meet the increasing water demand of consumers, expand its current service area coverage and increase the number of households served by providing a reliable source of treated bulk water. SMC through SMHC owns 90% of LCWDC, which will serve as the concessionaire for a period of 30 years (inclusive of the two-year construction period). Stage 1 of this project was completed in January 2019 and started supplying potable bulk water to seven Water Service Providers (San Jose del Monte, Marilao, Meycauayan, Obando, Bocaue, Balagtas and Sta. Maria) as of the first quarter of 2019. Stage 2 was completed and started its commercial operations for the other five Water Service Providers (Plaridel, Guiguinto, Bulakan, Malolos and Calumpit) in April 2019.

MIA Project

On September 18, 2019, San Miguel Aerocity Inc. doing business under the name and style of “Manila International Airport” (“SMAI”), signed a Concession Agreement (“CA”) with the Department of Transportation for the development of MIA. MIA will be governed by a 50-year CA with the ROP and will be built under a Build-Operate-Transfer (“BOT”) framework. The project, which will be located in a 2,500-hectare property in Bulakan, Bulacan, will provide a long-term solution to air connectivity between the Philippines and the rest of the world.

On January 15, 2021, the CA was further enhanced by Republic Act No. 11506 entitled, “An Act Granting San Miguel Aerocity Inc. a Franchise to Construct, Develop, Establish, Operate, and Maintain a Domestic and International Airport in The Municipality of Bulakan, Province of Bulacan, and to Construct, Develop, Establish, Operate, And Maintain An Adjacent Airport City” (the Legislative Franchise). The Legislative Franchise gives SMAI tax exemptions (in general) during the development and operations stages of the project and the power to acquire any private lands forming part of the project. On January 21, 2021, SMAI formally accepted the incentives and obligations under the Legislative Franchise.

MIA will be developed in phases with an initial capacity of 35 million annual passengers (“MAP”) and ultimate capacity of 100 MAP, once fully-complete. The airport shall primarily be linked by an 8-km toll road to Metro Manila via the North Luzon Expressway, with an integrated multi-modal transport network in the development pipeline.

PAREX Project

PAREX is a joint venture project between the Philippine National Construction Corporation (PNCC) and SMHC. SMHC, through its subsidiary, Pasig River Expressway Corporation, together with the Department of Public Works and Highways, Department of Transportation, and Toll Regulatory Board, signed on September 21, 2021 the Supplemental Toll Operations Agreement (STOA) for the financing, construction, operation and maintenance of the PAREX, an elevated and hybrid 19.37-km expressway, that would pass along the banks of Pasig River from Manila to Taguig. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

SLEX TR5 Project

SLEX TR5, also known as the Quezon-Bicol Expressway, is a 420-km two-lane each direction, toll road project which starts from SLEX TR4 in Brgy. Mayao, Lucena City, Quezon, and ends at Matnog, Sorsogon, near the Matnog Ferry Terminal. The four-lane expressway project shall consist of eight segments: Lucena to Gumaca, Quezon (61 kms), Gumaca to Tagkawayan, Quezon (58.60 kms), Tagkawayan to Sipocot, Camarines Sur (61.40 kms), Sipocot to Naga City, Camarines Sur (39.50 kms), Naga City to Polangui, Albay (45.90 kms), Polangui to Legaspi City, Albay (33.60 kms), Legaspi to Sorsogon City, Sorsogon (57.70 kms), and Sorsogon City to Matnog, Sorsogon (62.30 kms). Centered on the proposal submitted by the joint venture of PNCC and SMHC, the SLEX TR 5 was officially designated as a certified toll road project in a TRB resolution dated June 29, 2020. The STOA was signed on June 3, 2022. The project has a concession period of 30 years (from the period of the Toll Operation Certificate).

NALEX Project

NALEX is a 136.4-km toll expressway that aims to connect the MIA, Metro Manila, and Central Luzon. The project is composed of two phases: Phase 1, divided into Section 1 (Balintawak to MIA), and Section 2 (MIA to Tarlac City and TPLEX), and Phase 2 that runs from Masantol, Pampanga to Tarlac City. The Phase 1 Section 1 is a 19.4-km elevated toll road that begins at Skyway Stage 3 to Balintawak and ends at MIA while the project’s Phase 1 Section 2 is an at-grade expressway that runs from MIA to Tarlac City and TPLEX. NALEX

Phase 1 shall have a total of 117-km toll road is divided into three segments: Bulacan-Guagua (41 km), Guagua-Mabalacat (31 km), and Mabalacat-Tarlac (45 km), with 8 interchanges/exits in total. On the other hand, NALEX Phase 2 is a 69.2 km toll road divided into 2 segments: Macabebe-Arayat, and Arayat-Tarlac. This will be a demand-driven expansion that will serve as an alternate route for Phase 1 Section 2. The project intends to provide a more accessible and convenient route from Metro Manila and Central Luzon to MIA, and vice versa.

NALEX is a joint venture project between SMHC and PNCC. On March 21, 2022, the STOA for the financing, construction, operation, and maintenance of the NALEX was signed between the TRB and SMHC. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

SALEX Project

SALEX is a 40.62 km toll elevated expressway network comprising of Section 1: C3-R10 Extension, Section 2 Segment 1: Shoreline Expressway, Section 2 Segment 2: Quirino Extension, and Section 2 Segment 3: Buendia Extension. Section 1 (4.52 km) is a four-lane elevated structure connecting MMSS3 at Sgt. Rivera in Quezon City to Shoreline Expressway at R-10. Section 2 Segment 1 (25.29 km), an elevated six-lane expressway, is the main spine along Manila Bay that will link MMSS3 and PAREX with Shoreline Expressway. It will begin at a connection with NALEX and runs south until it joins PAREX at Delpan Bridge, where it breaks. It will start again from PAREX at Ayala Bridge until it reaches Manila Cavite Toll Expressway (MCTEX) and NAIAX. Section 2 Segment 2, an elevated four-lane structure, starts from the intersection of Quirino Avenue and Osmena Highway and ends at its connection with the Shoreline Expressway along Roxas Boulevard. Section 2 Segment 3, an elevated four-lane structure, is a vital link of NAIAX with Shoreline Expressway and Makati Central Business District at Buendia Avenue.

SALEX is a joint venture project between the PNCC and SMHC. The execution of the STOA for the financing, construction, operation and maintenance of the SALEX was signed on June 20, 2022. The project has a concession period of 30 years (from the issuance of the Toll Operation Certificate).

Below is a list of the major infrastructure subsidiaries as of December 31, 2022:

San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure and subsidiaries [including SMC TPLEX Holdings Company, Inc. and subsidiary, SMC TPLEX Corporation, TPLEX Operations & Maintenance Corp., Trans Aire Development Holdings Corp., Jethandler Asia Services Inc., SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc.), Universal LRT Corporation (BVI) Limited, SMC Mass Rail Transit 7 Inc., ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways, Inc.), Luzon Clean Water Development Corporation, and Wiselink Investment Holdings, Inc. and subsidiary, Cypress Tree Capital Investments, Inc. and subsidiaries, Star Infrastructure Development Corporation and Star Tollway Corporation (collectively the Star Tollways Group), Atlantic Aurum Investments B.V. and subsidiaries {including SMC Tollways Corporation (formerly Atlantic Aurum Investments Philippines Corporation) and subsidiaries [including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.), SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corporation], SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways Inc.) and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and SMC SLEX Inc. (formerly South Luzon Tollway Corporation)}, Intelligent E-Processes Technologies Corp., Pasig River Expressway Corporation, SMC Northern Access Link Expressway Corp., SMC Southern Access Link Expressway Corp. and South Luzon Toll Road-5 Expressway Inc.].

San Miguel Aerocity Inc. doing business under the name and style of “Manila International Airport”

Cement

The Cement business is conducted under San Miguel Equity Investments Inc. ("SMEII") through the following subsidiaries:

Northern Cement Corporation ("NCC")
NCC has more than 50 years of cement production and domestic sales experience, mainly, in the Central Luzon (Region 3), and North Luzon (Regions 1 and 2) markets. It manufactures Type 1, Type 1P and Type N cement, the major cement products in the industry.

NCC was incorporated and registered with the SEC on February 10, 1967. From the commencement of its operations on February 1970 in Sison, Province of Pangasinan, it has been engaged in the business of manufacturing, developing, processing, exploiting, buying and selling cement and/or other allied products. NCC has an existing Mineral Production Sharing Agreement ("MPSA") with the Philippine Government granted through the Department of Environment and Natural Resources on March 12, 1998. The MPSA covers a contract area of 630.4978 hectares within Sison, Pangasinan.

Presently, NCC owns and operates two dry-process rotary kilns and two finish mills. The existing production facility has an annual rated capacity of 2.2 million metric tons per year ("MTPY") of finished cement. The raw materials used in its cement manufacturing process are generally a mixture of quarried materials - limestone, shale and gypsum.

San Miguel Northern Cement, Inc. ("SMNCI"), a wholly-owned subsidiary of SMEII, was incorporated and registered with the SEC on October 2, 2017 to engage in the business of manufacturing, developing, processing, exploiting, importing, exporting, buying, selling or otherwise dealing in such goods as cement and other products of similar nature.

SMNCI was undertaking the design, development and construction of two (2) integrated state of the art cement production lines (from crushing to cement packaging) (Lines "A" and "B"), which includes two (2) kilns and two (2) finish mills, to be located adjacent to the existing cement facilities and quarry site of NCC. Lines "A" and "B" will have an overall capacity of 3.63 million MTPY of clinker and 4.73 million MTPY of finished cement, or 118.3 million 40-kg bags.

On March 3, 2021, the Board of Directors and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving entity. The merger of NCC and SMNCI was approved by the SEC on June 14, 2021, with effective date of July 1, 2021. In line with the merger, NCC, as the surviving entity, is now undertaking the development and construction of Lines "A" and "B."

The additional supply of cement is targeted to meet the strong demand in Northern Luzon (Region 1 and Region 2), the Cordillera Administrative Region (CAR), and Central Luzon (Region 3).

Southern Concrete Industries, Inc. ("SCII", formerly Oro Cemento Industries Corporation)
SCII, a wholly-owned subsidiary of SMEII, recently completed the construction of its cement grinding plant in Santa Cruz, Province of Davao del Sur. Its world class equipment is capable of producing 2 million MTPY while minimizing impact to the environment. SCII is expected to commence commercial operations by first semester of 2023.

Eagle Cement Corporation ("ECC")

On December 14, 2022, SMC through SMEII completed the acquisition of 99.9581% of the total outstanding common shares of ECC.

ECC was incorporated in the Philippines and registered with the SEC on June 21, 1995. It is now the third largest player in the Philippine cement industry, with the fastest growing market share amongst all competitors since it started its commercial operations in 2010. ECC currently distributes Type 1T and Type 1 cement products in the National Capital Region, Regions I, II, III and 4A.

ECC has the newest, state-of-the art, and single largest fully-integrated cement production facility in the Philippines located in Barangay Akle, San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan. The plant is strategically located near demand-centric areas and in close proximity to rich limestone and shale reserves covered by the exclusive mineral rights of ECC.

ECC through its subsidiary, holds MPSA covering mining areas in San Ildefonso, Bulacan where it operates a limestone, shale and pozzolan quarry and a Limestone Pulverizing Plant. Bulk of its production are used as input in ECC's cement production.

ECC also has a subsidiary engaged in the business of manufacturing, sale and distribution of fly-ash, bottom ash, hi carbon and other by-products.

Below is a list of the major cement subsidiaries as of December 31, 2022:

San Miguel Equity Investments Inc. and subsidiaries [including Eagle Cement Corporation and subsidiaries, Northern Cement Corporation and Southern Concrete Industries, Inc. (formerly Oro Cemento Industries Corporation)]

Real Estate

Established in 1990 as the corporate real estate arm of SMC, San Miguel Properties Inc. ("SMPI") is aiming to be one of the major players in the property sector through mixed-use developments. SMPI is 99.97% owned by SMC and is primarily engaged in the development, sale and lease of real property. SMPI is also engaged in leasing and managing the real estate assets of SMC.

Moving forward, SMPI is creating more synergies with its business units and is looking at developing quality residential, commercial and industrial developments.
The first project of SMPI was the SMC Head Office Complex, now considered as a landmark, which has served as a catalyst in transforming the area now known as the Ortigas Central Business District.

Cavite Projects

SMPI offers a diverse portfolio of mid-range homes in General Trias, Cavite, namely Bel Aldea, Maravilla, and Asian Leaf, offering townhouse units and single attached house-and-lots, with floor areas ranging from 41.75 to 132.00 square meters.

Bel Aldea

Bel Aldea is a 12-hectare development, which serves the economic housing segment, offers smartly designed townhouse units, with an average floor area of 42 square meters.

Maravilla

Spanning 17-hectare, Maravilla is a mid-range residential community offering Spanish Mediterranean houses, which currently offers new house models to suit the changing needs of the market.

Asian Leaf

Asian Leaf is a seven-hectare premier residential community composed of single attached house and lots, with floor areas ranging from 88.50 to 120 square meters. Fusing modern Asian architecture and vibrant landscaping, Asian Leaf is perfect for homeowners looking for a tranquil and ideal haven.

Wedge Woods

Wedge Woods is located west of Sta. Rosa, Laguna - in Silang, Cavite, offering prime lots on a rolling terrain, with a majestic view of Mount Makiling.

Metro Manila Projects

SMPI has expanded its portfolio, serving the high-end market with its foray into townhouse developments, such as Dover Hill in San Juan City, One Dover View and Two Dover View in Mandaluyong City, and Emerald 88 in Pasig City, and ventured also in hospitality segment through its Makati Diamond Residences (“MDR”) in Makati City.

Dover Hill

A 95-unit luxury townhouse development in Addition Hills, San Juan City that offers three to five-bedroom units ranging from 202 up to 355 square meters. A three-car parking area located directly below each unit ensures maximum convenience. Aside from its amenities like the swimming pool and playground, within the Dover Hill compound is Dover Club, a four-storey amenity building which includes a fully-equipped, state-of-the-art fitness gym, and a party venue with its own kitchen and dining area good for up to 30 guests.

One Dover View & Two Dover View

Both located along Lee St., Mandaluyong, One Dover View and Two Dover View are exclusive and premier condominium-townhouse projects, offering three and four bedrooms, with only 23 and eight units, respectively. Floor areas range from 222.80 to 327.10 square meters.

Emerald 88

Located along Dr. Sixto Avenue, Pasig City, Emerald 88 is a 14 three-level townhouse unit development, with generous floor areas ranging from 187.48 to 216.94 square meters. Each unit has two-car garage.

Makati Diamond Residences (MDR)

MDR is a luxury serviced apartment with 410 spacious guest rooms ranging from 41 square meters up to as much as 204 square meters and has top-of-the-line amenities and health and wellness facilities. Conveniently located in Makati Central Business District, the location of MDR provides easy access to many multinational companies, shopping, dining and entertainment destinations.

Mariveles Economic Zone Project

A 500-hectare industrial park development under the flagship of E-Fare Investment Holdings, Inc., and registered under Authority of the Freeport Area of Bataan. The Mariveles Economic Zone Project intends to provide an attractive location for private investments, stimulate regional economic activity and generate employment opportunities.

Below is the list of major properties subsidiaries as of December 31, 2022:

San Miguel Properties, Inc. and subsidiaries [including SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.].
Davana Heights Development Corporation and subsidiaries

Banking

SMC, through SMPI, made a series of acquisitions of Bank of Commerce ("BOC") common shares in 2007 and 2008 which represents 31.94% of the outstanding common stock of BOC as of December 31, 2022.

On December 17, 2018, SMC, through SMC Equivest Corporation ("SMCEC"), acquired common shares of BOC representing 4.69% of the outstanding common shares. On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BOC. On October 20, 2021, SMCEC acquired additional common shares of BOC, which increased its ownership of common shares to 6.09%.

On December 23, 2021, the Monetary Board of the Bangko Sentral ng Pilipinas, in its Resolution No. 1798, approved the upgrade of the banking license of BOC from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license. On February 22, 2022, the BOD of BOC approved the amendments to the Articles of Incorporation to change its purpose from commercial bank to universal bank pursuant to BSP Monetary Board Resolution No. 1798 dated December 23, 2021.

On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BOC to be listed and traded in the Main Board of the PSE in relation to its initial public offering ("IPO"). On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BOC, which includes the 280,602,800 common shares subject of the IPO. On March 15, 2022, the SEC issued its Order rendering effective the registration of up to 1,403,013,920 common shares of BOC, and the Certification of Permit to Offer Securities for Sale. On March 31, 2022, BOC listed its common shares with the PSE.

After completion of initial public offering and as at December 31, 2022, the Group through SMPI and SMCEC has 31.94% and 4.87% equity interest in BOC, respectively.

Others

Other major subsidiaries include the following as of December 31, 2022:

- San Miguel International Limited and subsidiary, San Miguel Holdings Limited and subsidiaries [including San Miguel Insurance Company, Ltd. (SMICL)]
- SMC Shipping and Lighterage Corporation and subsidiaries [including SL Harbor Bulk Terminal Corporation]
- SMC Stock Transfer Service Corporation
- ArchEn Technologies Inc.
- SMITS, Inc. and subsidiaries
- San Miguel Integrated Logistics Services, Inc.
- Anchor Insurance Brokerage Corporation
- SMC Asia Car Distributors Corp. and subsidiaries
- SMC Equivest Corporation
- Petrogen Insurance Corporation

Principal Products or Services

The principal products of the Group are attached hereto as **Annex "E"**.

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

The Group's 2022 foreign operations contributed about 31.55% of consolidated sales and 34.38% of consolidated net income. Foreign sales is broken down by market as follows:

Market	% to Consolidated Sales 2022	2021	2020
Malaysia	20.65	15.95	14.31
Singapore	9.01	7.21	2.50
Australia	0.72	1.09	1.31
China	0.54	0.54	0.64
Indonesia	0.34	0.48	0.53
Vietnam	0.15	0.22	0.28
Others	0.14	0.24	0.30

Distribution Methods

The Group employs various means to ensure product availability at all times. It distributes through a network of dealers, wholesalers, and various retailers. The Group owns, as well as contracts, third party fleet of trucks, delivery vans, and barges, to ensure timely and cost-efficient distribution of its various products, from beverages, food and packaging.

Status of Any Publicly-Announced New Product or Service

At present, the Group is not developing any new major products.

Competition

The Group owns leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies, and strong financial position.

The following are the major competitors of the Group's businesses:

Food and Beverage

Beverage

a) **Beer and NAB Division**

In the Philippine beer market, SMB's major competitors are Asia Brewery Inc. ("ABI") and Heineken International B.V. ("Heineken").

Asia Brewery competes mainly through licensed *Colt 45*, a strong alcohol brand which is positioned against SMB's strong alcohol beer *Red Horse,* local *Beer na Beer* which comes in regular and strong variants and positioned in the economy segment, *Brew Kettle* in the mainstream segment as well as *Brew Kettle Radler* and *Asahi Super Dry* in the premium segment. In 2022, Asia Brewery introduced Paraiso Craft Beer Style.

Heineken previously had a joint venture with ABI which was dissolved in 2020 and replaced with a new partnership. Under the new structure, Heineken established a sales and marketing office in the Philippines and engaged with ABI to brew and distribute Heineken beer brands (*Heineken and Tiger*) in the country effective January 1, 2021. *Tiger* competes with *Red Horse* while *Heineken* competes with SMB's premium beers. In 2022, Heineken launched *Heineken 0.0*, a no-alcohol beer and *Heineken Silver*.

Competition from imported beers and local craft beers is minimal. These products comprise a small proportion of the market and are primarily found in upscale hotels, bars, restaurants, and supermarkets in Metro Manila and other key cities.

In the flavored alcoholic beverages category, ABI offers Tanduay Ice and Spritz Hard Seltzer. Other competitors include Smirnoff Mule, Lemon-Dou and Chill Spiked Spirit. These products compete with San Mig Hard Seltzer and San Miguel Flavored Beer.

SMB's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum and soju. In the beer industry - and more generally the alcoholic beverage industry -

competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMB believes that its market leadership, size and scale of operations and extensive distribution network in the Philippines provide SMB with significant competitive advantages in the country.

In the NAB market, SMB faces competition from established players and brands in ready-to-drink juice and ready-to-drink tea. For example, *Zest-O and Minute Maid Fresh* compete with *Magnolia Fruit Drink*, and *C2* and *Nestea* compete with *Magnolia Healthtea*, while *Cali* is positioned in the softdrinks category where *Coke, Pepsi* and *RC Cola* are the key players. *Absolute*, *Summit*, *Wilkins* and *Nature's Spring* compete with *San Mig Flavored Water* in the water category.

In its main international markets, SMBIL products compete with both foreign and local beer brands, such as *Heineken* (Hong Kong, South China, Thailand, Vietnam and Indonesia), *Tiger* (Vietnam, Thailand and Indonesia), *Carlsberg* (Hong Kong, Thailand and Vietnam), *Budweiser* (Hong Kong and China), *Guinness* (Hong Kong and Indonesia), *Asahi* (Hong Kong and Thailand), *Blue Girl* (Hong Kong), *Tsingtao* (Hong Kong and China), *Bintang* (Indonesia), *Snow* (China), *Singha* (Thailand), and *Saigon Beer* (Vietnam).

b) **Spirits Division**

The local hard liquor industry is segmented by category and geographically among the major players. GSMI is the leader in the gin market catering mostly the northern and southern provinces of Luzon. The Greater Manila Area and key urban centers across the country patronize *Emperador Light Brandy* locally produced by Emperador Distillers, Inc. Recently, value-priced imported *Alfonso Light Brandy* distributed by Montosco, Inc. has likewise been gaining popularity.

The Visayas and Mindanao regions prefer *Tanduay Rhum Dark 5 Years*, a product of Tanduay Distiller's Inc. Moreover, there is a market for Chinese wine in various islands in the region with GSMI's *Vino Kulafu* emerging as the top choice in this category.

These major players compete in their development of brand equity, as the industry's consumers generally develop affinities and loyalty to the brands that they patronize. GSMI effectively takes the lead as it continues to build upon the brand legacy that it has established in over a hundred years of operation through effective advertising and promotional programs.

As the spirits industry matures, major spirits players also compete by adopting a product portfolio that caters to shifting consumer preferences. GSMI is very receptive to these shifts, which, coupled with its ample resources, enables it to develop and mobilize new product variants for consumers to keep up with competition.

The highly elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing. In this area, GSMI employs rational pricing policies that are in line with prevailing consumer purchasing power and current operating cost levels. Also, GSMI ensures that its products provide utmost value for money to its consumers.

The spirits industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for bioethanol globally due to increasing ethanol blending policy requirements of different countries, including the Philippines, since the implementation of the Biofuel Act of 2006, further worsened the shortage of supply for beverage alcohol production. This led to multi-continent and sourcing diversification of alcohol supply to ensure supply security and partly offset higher raw material costs.

Spirits manufacturers also compete in terms of production efficiencies, as the price-sensitive nature of the industry's consumers makes them more reliant on cost improvements than on price increases to brace against profit squeezes from an inflationary operating environment. GSMI continues to implement strategies to maximize the retrieval of its second-hand bottles, the usage of which in production, may result to significant improvements in GSMI's cost structure.

Manufacturers further compete in the breadth of their distribution network.

Food Division

a) **Prepared and Packaged Food**

In recent years, the Prepared and Packaged Food segment has faced increased competition mainly from other local players, who employ aggressive pricing and promotion schemes. Competitors and competing brands in the branded processed meats category include Foodsphere, Inc. (*CDO*), Virginia Foods, Inc. (*Winner* and *Champion*), Pacific Meat Company Inc. (*Swift*, *Argentina* and *555*), Mekeni Food Corporation (*Mekeni*), Frabelle Food Corp. (*Bossing*), Sunpride (*Sunpride, Holiday* and *Good Morning*), and Century Pacific Foods, Inc (*Shanghai*).

For butter and spreadable fats, competitors include Fonterra Brands Philippines, Inc., New Zealand Creamery, Inc. and Arla Foods Corporation Philippines (for butter) and New Zealand Creamery, Inc., RFM Foods Corporation and San Pablo Manufacturing Corporation (for margarine). In the cheese category, the main competitor of the *Magnolia* brand is Mondelez International, Inc. (*Eden, Cheez Whiz*, and *Kraft*). In the ice cream market, Unilever-RFM Ice Cream Inc. (*Selecta*) is the dominant player. Competitors in the coffee-mix business include Nestle SA (*Nescafe*), PT Mayora Indah (*Kopiko*), and Universal Robina Corporation (*Great Taste*).

b) **Animal Nutrition and Health**

Animal Nutrition and Health segment is the largest producer of commercial feeds in the Philippines. Competitors under the Animal Nutrition and Health segment include major domestic producers such as Univet Nutrition and Animal Healthcare Co., Pilmico Foods Corporation ("Pilmico") and ADM Animal Nutrition Philippines, as well as numerous regional and local feedmills. There are also foreign feeds manufacturers which have established operations in the Philippines.

c) **Protein**

Major competitors under the Protein segment include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., and Charoen Pokphand. There are also occasional imports from the United States, Canada, and Brazil.

The Philippine fresh meats industry remains highly fragmented consisting mostly of backyard hog raisers. Its main competitors are Charoen Pokphand and Foremost Farms. It also competes with several commercial-scale and numerous small-scale hog and cattle farms that supply live hogs and cattle to live buyers, who in turn supply hog and cattle carcasses to wet markets and supermarkets.

d) **Others**

Major competitors of the flour milling business include Philippine Foremost Milling Corporation, Pilmico and URC.

Local players face competition from imported flour that primarily originates from Turkey, Malaysia and Indonesia. Imported flour has increased its presence in the country through low-cost flour offerings.

Petron Corporation

Petron operates in a deregulated oil industry which has seen the entry of more than 200 other industry market participants, rendering the petroleum business more competitive. The Philippine downstream oil industry is dominated by three major oil companies: Petron, Shell and Chevron. Petron competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers became more conscious of value.

San Miguel Properties, Inc.

Among SMPI's major competitors in the South are the Ayala West Grove Heights and Amaia Scapes by Ayala Land and Nuvali by Ayala Land Premier, South Forbes by Cathay Land, Solen Residences by Greenfield Properties, and Eton City by Eton Properties, Solviento by GeoEstate, Natania Homes and Sabella by My Citi Homes, Meridian Place by Filinvest and Cedarwood Residences by Asia Landbest.

For General Trias, Cavite project, major competitors include Pro-Friends, Vista Land, Filinvest, Ayala Land, Century Properties, Robinsons Land, Sun Trust and Northpine.

SMPI's competitors in Metro Manila are KMC Mag Group's Baron Residences, Federal Land's One Wilson Square, Ortigas & Company's Veridian Greenhills, Robinson Land's Chimes, and Shang Properties' Shangri-La Residences.

For the properties of SMPI generating lease income located in the Ortigas area, its competitors include the One Corporate Center, Philippine Stock Exchange Tower, Wynsum Corporate Plaza, IBP Tower, Cyberspace Gamma, Rockwell Business Center, and Estancia Offices.

San Miguel Global Power Holdings Corp.

San Miguel Global Power's main competitors are the Aboitiz Group, which holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others, AC Energy Corporation and First Gen Corporation.

Cement

The major competitors of ECC and NCC in the Luzon region, are Holcim Philippines, Inc., Cemex Holdings Philippines, Inc. and Republic Cement and Building Materials, Inc. ECC has an estimated market share of 27%, 33%, 44% and 29% in Luzon, NCR, Region 3 and Region 4A, respectively, based on internal market survey. Because of this, ECC is considered as one of the leading cement players in the areas with highest economic activities in the Philippines.

.

Sources and Availability of Raw Materials and Supplies

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group is not aware of any dependency upon one or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done on a regular basis. The Group has contracts with various suppliers for varying periods ranging from three to twelve months. All contracts contain renewal options.

Among the Group's third-party supplier of major raw materials in 2022 are as follows:

FOOD and BEVERAGE

Beer and NAB Division	
Malt and Hops	Boortmalt Asia Pacific Pty. Ltd. Malterurop Taiwan Hon Chuan Enterprise Co., Ltd.
Corn Grits/Tapioca/Rice/Sugar/Starch	Cagayan Corn Products Corp. Gusing Sur Agrarian Reform Limketkai Manufacturing Corporation All Asian Countertrade Inc. Southern Mindanao Commodities Binh Phuoc General Import Export Joint Stock Company T P K Advance Starct Co., Ltd. SCG International Corporation Malabon Longlife Trading Corporation Qingdao Defeng Cereal Trading Co., LTD Eiamheng Tapioca Starch Industry
Packaging Materials	Malinta Corrugated Boxes
Fuel	Mabuhay Vinyl Corporation
Spirits Division	
Alcohol	Shoalhaven Starches PTY LTD Raizen Trading S.A. Heindrich Trading Pte. Ltd. Kolmar Singapore Pte. Ltd. Thai San Miguel Liquor Co. LTD.
Molasses and Sugar	E D & F Man Molasses B.V. United Molasses Trading Ltd. Schuurmans & Van Ginneken Crystal Sugar Company Busco Sugar Milling Hawaiian-Philippine Company All Asian Bioethanol Corporation
Glass Bottles	Hicap AIOT Technologies (Yantai)
Flavoring	Firmenich Asia PTE LTD Givaudan Singapore Pte. Ltd.
Food Division	
Breeder Stocks	Aviagen Group Cobb Vantress Inc.
Beef Carcass	D'Meter Fields Corporation
Soybean Meal and Feed Wheat	Louis Dreyfus Commodities Asia Pte Ltd. Viterra B.V. CJ International Asia Pte Ltd. Bunge Agribusiness Singapore Pte. Ltd. Emerald Grain Australia Pty Ltd (Wheat)

Wheat	Bunge Agribusiness Singapore Pte. Ltd. CHS Inc. Toyota Tsusho Asia Pacific Pte. Ltd.
Imported Meat	Seara Singapore Pte. Ltd.
Cheese Curd and Anhydrous Milk Fat	Fonterra (SEA) Pte. Ltd.
Coffee Mixes	Jacobs Douwe Egberts RTL SCC SG PTE. LTD.

PACKAGING

Glass	
Silica Sand	Tochu Corporation
Soda Ash	Arvin International Marketing, Inc. Connell Bros Company Pilipinas, Inc. Alchemco Philippines, Inc.
Cullet	Lucky Real Junkstore INGCO Brothers Trading Corp.
Molds	
Casting Molds	Metals Engineering Resources Corp.
ACL Paints	Chemdis Manufacturing Corp Ferro Turkey Kaplama Cam Ve Renk
Plastics	
Colorants/Pigments	Esta Fine Colour Corp. Masterbatch Philippines, Inc.
Inks	MCR Industries, Inc. Union Inks and Graphics Philippines, Inc.
HDPE Resin	JG Summit Petrochemical Corporation Lotte Chemical Titan Corporation SDN. BHD. PTT Global Chemical Public Company Toyota Tsusho Asia Pacific Pte. Ltd.
Regrinds	Toyo Ink Compounds Corporation Octaplas Industrial Services Inc.
Tolling Services	Miyako Plastic Manufacturing Corporation Ecostorage Solutions Inc. Muzon Plastic Manufacturing Inc. Octaplas Industrial Services Inc.
Metal	
Inks and Coatings	Henkel Philippines Inc. The Valspar (Singapore) Corporation Pte. Ltd. Inkote Phils. Inc. CDI Sakata Inx

Plate, TFS	Nippon Steel Trading Corporation Jiangsu Suxun New Material Co., Ltd. Perstima (Vietnam) Co. Ltd. Toyota Tsusho Corporation
Aluminum Coil	Toyota Tsusho Corporation Shinko Shoji Singapore Pte. Ltd.
Lubricants	Elasco Int'l Corp.
Laminates	
PET/CPP/OPP and Other Films	AJ Plast Public Company Limited Polyplex Thailand Ltd. Pt Kolon Ina SRF Industries Thailand Ltd.
PE Films	Cofta Mouldings Corporation
Aluminum Foil	Shanghai Sunhuo Shandong Deli Eastern Valley Co., Ltd. Hangzhou Dingsheng Import and Export Co. Ltd. SNTO International Trade Limited
Resins	Dow Chemicals Pacific, Ltd. Itochu Plastics Pte. Ltd. JG Summit Petrochemical Corporation Sabic Asia Pacific Pte. Ltd.
Inks	Toyo Ink (Philippines) Co., Inc.
PET	
PET Resin	Far Eastern Polychem Industries Limited Guangdong IVL PET Polymer Co. Ltd. Jiangyin Xingyu New Material Co. Ltd.
PP Resin	Basell Asia Pacific Limited
CO2	Hannibal Industries Corporation
Paper	
Kraft Paper	Visy Trading Singapore Pte. Ltd. American Paper Export Inc. Klabin Trade Oji Fibre Solutions (NZ) Inc. Paper Resources Price & Pierce Cellmark, Inc.

FUEL AND OIL

Crude	Saudi Arabian Oil Company Shell International Eastern Trading Company

	Exxonmobil Exploration and Production Malaysia Inc. Unipec Asia Company Limited
Finished Product	PTT International Trading PTE Ltd. Trafigura Pte. Ltd. Aramco Trading Singapore Pte. Ltd. Unipec Singapore Pte. Ltd.

ENERGY

Coal	PT Bayan Resources Tbk Vitol Asia Pte Ltd. PT Trubaindo Coal Mining PT Kaltim Prima Coal PT Antang Gunung Meratus PT Kideco Jaya Agung Semirara Mining and Power Corporation
Other Consumables	Connel Bros. Co. Pilipinas, Inc. SI Resources Corporation Philippine Mining Services Corporation Nupur Merchandise Pvt. Ltd. B-Mirk Enterprises Corp.
Electricity	Independent Electricity Market Operator

Dependency Upon a Single Customer or a Few Customers

Due to constant drive toward customer satisfaction and continuous improvement, the Group is able to maintain its wide base of customers. The Group is not dependent upon a single or a few customers.

Transactions with and/or Dependence on Related Parties

The Group and certain related parties purchase products and services from one another in the normal course of business. Please see Note 33, Related Party Disclosures, of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Registered Trademarks/Patents, Etc.

All marks used by the Group in its principal products are either registered or pending registration in the name of the Parent Company or its subsidiaries in the Philippines and in foreign markets of said products.

The SMC Group uses various brand names and trademarks, including "San Miguel", "Ginebra San Miguel", "Purefoods", "Magnolia", "Star", "Dari Creme", "B-Meg", "Petron", "Gasul", "Eagle Cement" and other intellectual property rights to prepare, package, advertise, distribute and sell its products.

The disclosures on the Group's intangible assets are reflected in the following section of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Note 3	Significant Accounting Policies - Intangible Assets
Note 17	Goodwill and Other Intangible Assets
Note 34	Significant Agreements and Lease Commitments

Government Approvals and Compliance with Environmental Laws

Being an investment holding company, apart from its corporate registration with and primary franchise granted by the SEC, the Parent Company does not have any other government approvals which may be material to its operations. Likewise, the Parent Company is required to comply with environmental laws and regulations in respect of any of its operations.

The Group has obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

Government Regulation

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Group's business or financial condition.

Research and Development

The Parent Company's subsidiaries undertake regular research and development in the course of their regular business:

Food and Beverage

Beer and NAB Division

The Beer and NAB Division employs state-of-the-art brewing technology. Its highly experienced brewmasters and quality assurance practitioners provide technical leadership and direction to continuously improve and maintain high standards in product quality, process efficiency, cost effectiveness, and manpower competence.

Technology and processes are constantly updated and new product development is ensured through the research and development of beer and NAB products. Research and development activities are conducted in a technical center and pilot plant located in one of SMB's production facilities.

SMB also has a central analytical laboratory which is equipped with modern equipment necessary for strategic raw materials analysis and validation, alcoholic and NAB evaluation, and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyzer, laboratory scale mashing/milling system for malt analysis and wort extract analyzer. Analytical methods and validation procedures are constantly enhanced and standardized across all SMB laboratories. The central analytical laboratory likewise runs proficiency tests for brewery laboratories and suppliers to ascertain continuous reliability and quality of analytical test results. It is also tasked with ensuring compliance of all systems with international standards, specifically ISO 17025-2017.

To promote technical manpower development, SMB runs the San Miguel School of Brewing, which offers various programs spanning all levels of professional brewing technical training, starting from the basic brewing course for newly hired personnel to the advanced brewing course for senior technical personnel. Courses offered at the school include those highly-advanced classes necessary to qualify the most senior of its technical personnel known as brewmasters. Each of the approximately 40 brewmasters has extensive advanced coursework from both in-house and international institutions and over ten years of on-the-job-training experience with SMB.

Spirits Division

GSMI continuously focuses on research and development to stay attuned to the evolving market preferences. As such, GSMI has a dedicated Research and Development team which maintains a well-equipped laboratory and closely collaborates with the market research group to constantly develop and formulate innovative products. The Research and Development team's mandate is to enhance and further expand GSMI's product library that will allow timely product launches as the need arises.

Food Division

The Food Division has developed a systematic approach to new product development referred to as the stage-gate process, which is a five-step process comprising idea generation, feasibility testing, commercialization, launch and post-launch evaluations. The process optimizes returns on new product development by prioritizing innovations in the pipeline in a disciplined approach. New products that cater to the more sophisticated palates of consumers as well as address the health awareness and convenience food trends are continuously introduced.

The Food Division owns several research and development facilities used by its Animal Nutrition and Health business that analyze average daily weight gain, feed conversion efficiency, and other performance parameters. Results of these analyses are immediately applied to commercial feed formulations to minimize costs and maximize animal growth.

The Food Division has several research and development teams that engage in the development, reformulation and testing of new products. The teams believe that their continued success will be affected in part by their ability to be innovative and attentive to consumer preferences and local market conditions. Aside from product innovations, the research and development teams also look into efficiency improvement for operations through the use of new technology, a measure of increasing production cycles per farm per year, improving feed consumed to weight ratio and achieving better harvest recovery.

Packaging

The Packaging Group plans to enter new markets and market segments with new products such as semi-conductors and electronics (anti-static bags), food tubs, plastic wide-mouth jars, and various converted can ends. The Packaging Group expects the future consumer trend towards environmentally friendly products and environmentally sound manufacturing systems. Hence, the Packaging Group plans to increase investments into eco-friendly facilities, processes, and products.

Fuel and Oil

To enhance productivity, efficiency, reduce costs and strengthen its competitiveness, Petron engages in research and development to identify improvements that can be made to its products and production processes. Petron's Research and Development Departments ("R&D") engages in various technical research and testing activities to develop and enhance the performance of products and optimize production processes. In addition to research and product development, Petron also engages in quality control and technical training. The development, reformulation and testing of new products are continuing business activities of Petron.

Petron continuously develop and enhance its lubricants product range catering to top tier to cost-competitive customer requirements. Its Blaze Racing and Sprint 4T fully synthetic engine oils offer excellent engine cleanliness and protection, shear stability, and fuel economy for modern and high-performance gasoline engines and motorcycles. It has also developed quality lubricants that are reasonable to price-sensitive market.

In 2019, the R&D group also spearheaded the implementation of Total Quality Management ("TQM") at the terminals and Petron Research and Testing Centers ("PRTC") laboratories. TQM is a management system where all members of the organization participate and work together in improving processes by eliminating unnecessary steps and doing value-adding and innovative activities, thereby resulting to a more efficient, productive, and cost-saving operations.

With the implementation of TQM, Petron terminals were able to optimize resources and safeguard product quality with the use of quality assurance tools. PRTCs were also able to save on operating costs by rationalizing critical test properties and focusing on customer requirements. With this quality system, the laboratories were able to develop innovative procedures that enhance operating efficiency, reduce hazardous wastes, and provide customer-focused services. The Petron TQM program works in conjunction with Loss Prevention System wherein it focuses on quality management system without compromising loss in safety, business opportunity, and capital expenditures.

Petron is committed to continuously develop innovative and revolutionary products that meet and exceed the highest industry quality standards and the demands of the market. Petron believes that its continued success will be affected in part by its ability to be innovative and attentive to consumer preferences and local market conditions.

Petron's testing facilities are ISO/IEC17025 certified, a testament to its ability to perform tests and analyses in accordance with global standards. R&D also has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. In addition, it provides technical training to keep internal and external customers updated of the latest technology trends in the industry.

Energy

San Miguel Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon and Visayas grids, as well as the eventual interconnectivity of the Mindanao grid and implementation of WESM in Mindanao. In addition, San Miguel Global Power seeks to maintain the cost competitiveness of these new projects by exploring new technologies and strategically locating them in high-demand areas and in areas with the closest proximity to the grid.

San Miguel Global Power is considering the further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand. San Miguel Global Power plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. San Miguel Global Power is confident from its experience in building the Limay and Davao Greenfield Power Plants that it will be able to build new cost competitive plants. San Miguel Global Power also actively seeks to identify and pursue renewable energy investments such as hydroelectric power and solar power projects, subject to the outcome of viability and feasibility analyses. This is in line with San Miguel Global Power's objective to operate in an environmentally-responsible manner, while taking into consideration energy security and affordability to its consumers.

San Miguel Global Power intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each. Masinloc Power Plant Units 4 and 5 are targeted for completion in 2025. San Miguel Global Power has signed the Engineering, Procurement and Construction ("EPC") contract for the construction of Masinloc Power Plant Units 4 and 5 which are targeted for completion in 2025. San Miguel Global Power's other expansion projects include the 600 MW coal-fired power plant and associated facilities in Mariveles, Bataan, which is expected to commence commercial operations in 2023. MPGC is currently constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan, using HELE Technologies.

As part of the diversification of its power portfolio into LNG, San Miguel Global Power is constructing a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City. The projected construction period is expected to be shorter than the typical construction period for coal-fired power plants, with substantial completion of the first blocks expected in one and a half to two years, compared to three to four years for coal-fired power plants historically.

In addition to power generating plants, San Miguel Global Power is rolling out grid-wide BESS projects in addition to its existing BESS facilities in Masinloc, Zambales and Kabankalan, Negros Occidental. San Miguel Global Power is expanding its BESS portfolio nationwide with a capacity of up to 1,000 MWh through its subsidiaries UPSI, MPPCL, and SMCGP Philippines Energy, which have executed turnkey contracts with world-leading battery EPC contractors.

As a leading power company in the Philippines with a large customer base, San Miguel Global Power believes that it is in a strong position to leverage its relationships with its existing customers to service their expected increase in electricity demand.

Infrastructure

SMC's Infrastructure group is currently undertaking various research and development activities in relation to its infrastructure projects, such as transport planning, traffic, and ridership studies and analyses.

The Group's expenses for research and development are as follows (amounts in millions):

	2022	2021	2020
Research and Development	P305	P436	P344
Percentage to Net Income	1.14%	0.91%	1.57%

Cost of Compliance with Environmental Laws

On an annual basis, operating expenses incurred by the Group to comply with environmental laws are not significant or material relative to the Parent Company and its subsidiaries' total cost and revenues.

Human Resources and Labor Matters

As of December 31, 2022, the Group has about 50,496 employees and has entered into 34 collective bargaining agreements ("CBA"). Of the 34 CBAs, 7 will be expiring in 2023.

The list of CBAs entered into by the Parent Company and its subsidiaries with their different employee unions, is attached hereto as **Annex "F"**.

Major Business Risks

The major business risks facing the Group are as follows:

a) Competition Risks

The Group operates in highly competitive environments. New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

b) Operational Risks

The facilities and operations of the Group could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, public epidemics, outbreak of diseases, and other unforeseen circumstances and problems. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and unplanned inventory build-up, all of which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices.

c) Legal and Regulatory Risks

The businesses and operations of the Group are subject to a number of national and local laws, rules and regulations governing several different industries in the Philippines and in other countries where it conducts its businesses. The Group is also subject to various taxes, duties and tariffs.

In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the Group to pass on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group regularly consults relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are secured in a timely manner. Further, the Group strongly complies with and adheres to laws and regulations. In the event that the Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, SMC will work to amicably settle legal proceedings. In the event of any adverse ruling or decision, SMC will diligently exhaust all legal remedies available.

d) Social and Cultural Risks

The ability of the Group to successfully develop and launch new products and maintain demand for existing products depends on the acceptance of such products by consumers and their purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines. A significant decrease in disposable income levels or consumer purchasing power in the target markets of the food and beverage businesses could materially and adversely affect the financial position and financial performance of the Group. Consumer preferences may shift for a variety of reasons, including changes in culinary, demographic, and social trends or leisure activity patterns. Concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects or other factors may also affect consumer purchasing patterns for the beverage and food products. If the marketing strategies of the Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the Group could be materially and adversely affected.

Sales of beer are highly influenced by the purchasing power and disposable income levels of consumers. In periods of economic uncertainty or downturns, consumers may purchase fewer alcoholic beverages which could affect the financial performance of the beverage business. Likewise, demand for many of the food products is tied closely to the purchasing power of consumers.

The Group has introduced products that try to address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* and *San Mig Zero, a low-calorie beer,* were introduced to address increasing health consciousness and *San Mig Strong Ice* for the upwardly mobile market. Initiatives similar to this have been pushed in the food division for years.

e) Raw Materials Sourcing Risks

The products and businesses of the Group, specifically the beverage, food, packaging, fuel and oil and energy businesses, depend on the availability of raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. These raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, foreign exchange rate fluctuations, weather conditions, and governmental controls.

Movements in the supply of global crops may affect prices of raw materials, such as wheat, malted barley, adjuncts, and molasses for the beverage and food businesses.

The Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations or policies.

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins.

f) Financial Risks

In the course of its operations, the Group is exposed to financial risks, namely:

1. Interest Rate Risk

   The Group's exposure to changes in interest rates relates primarily to the long-term borrowings and investment securities. Investment securities acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

2. Foreign Currency Risk

   The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group.

3. Liquidity Risk

   Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

4. Credit Risk

   Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and investment securities.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations of interest rates, foreign currency rates, etc.

The Group uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure.

Liquidity risks are managed to ensure adequate liquidity of the Group through monitoring of accounts receivables, inventory, loans, and payables. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

Please refer to Note 39 of the Audited Consolidated Financial Statements attached hereto as **Annex "B"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

Item 2. Properties

A summary of information on the Parent Company and its significant subsidiaries principal properties and conditions thereof, is attached hereto as **Annex "D"**.

The Parent Company and its significant subsidiaries have no principal properties that are subject to a lien or mortgage, except for certain power plants, including all related facilities therein, that are mortgaged in favor of the lenders to secure the loan obligations. There are no imminent acquisitions of any material property that cannot be funded by working capital of the Group.

For additional information on the Group's properties, please refer to Note 13, Property, Plant and Equipment, and Note 15, Investment Property, of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Item 3. Legal Proceedings

The Group is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Group's financial performance.

For further details on pending legal proceedings of the Group, please refer to Note 43, Other Matters, of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters which were submitted to a vote of the Parent Company's stockholders, through the solicitation of proxies or otherwise, in 2022.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Company's common shares, Series "1" preferred shares and Series "2" preferred shares are listed and traded in the Philippine Stock Exchange. The percentage of public ownership of the Company as of December 31, 2022 is 20.46%.

The Company's high and low closing prices for each quarter of the last two (2) fiscal years and for the first quarter of 2023 are as follows:

	2022								2023	
	1st		2nd		3rd		4th		1st	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
Common	115.00	98.95	110.00	100.00	107.80	92.10	103.40	92.80	116.40	92.75
Preferred – 2F	79.75	75.05	78.20	75.00	77.50	75.30	76.50	74.00	76.00	74.00
Preferred – 2H	77.40	75.20	76.70	74.50	76.00	74.00	75.50	73.80	-	-
Preferred – 2I	79.60	76.00	80.00	76.00	77.00	75.30	75.75	72.00	75.95	70.50
Preferred – 2J	78.00	76.20	76.50	70.50	75.00	70.00	74.00	67.50	72.95	67.00
Preferred – 2K	77.00	74.25	76.00	72.15	74.50	71.15	73.00	67.10	73.90	62.00

	2021							
	1st		2nd		3rd		4th	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
Common	134.00	110.00	121.70	111.10	118.00	102.30	122.00	109.60
Preferred – 2C	80.90	77.70	80.00	77.65	79.90	75.90	-	-
Preferred – 2E	78.00	75.40	77.85	75.70	77.45	75.50	-	-
Preferred – 2F	79.75	77.25	79.90	78.00	79.90	77.60	80.00	78.25
Preferred – 2G	77.00	75.40	-	-	-	-	-	-
Preferred – 2H	79.00	75.65	78.85	76.00	78.20	76.60	77.50	75.60
Preferred – 2I	79.00	76.70	79.80	77.00	79.50	76.00	79.80	76.00
Preferred – 2J	77.20	75.10	80.00	75.00	77.00	75.50	77.80	76.25
Preferred – 2K	77.50	75.00	77.15	75.00	77.00	75.15	76.95	75.30

The closing prices as of December 31, 2022, and as of as of April 11, 2023, the latest practicable trading date, are as follows:

	December 31, 2022	April 11, 2023
Common	₱ 92.95	₱ 105.50
Series “2-F” Preferred	₱ 75.00	₱ 74.50
Series “2-I” Preferred	₱ 75.00	₱ 74.00
Series “2-J” Preferred	₱ 72.85	₱ 70.45
Series “2-K” Preferred	₱ 71.00	₱ 71.25

The approximate number of shareholders as of December 31, 2022 is 33,873.

The top 20 common and preferred stockholders as of December 31, 2022 are attached as **Annex “G”.**

The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders as follows:

The BOD of the Parent Company approved the declaration and payment of the following cash dividends for common and preferred shares as follows:

2022

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common				
	March 10, 2022	April 1, 2022	April 29, 2022	**P0.35**
	June 14, 2022	July 1, 2022	July 27, 2022	**0.35**
	September 22, 2022	October 7, 2022	October 28, 2022	**0.35**
	December 7, 2022	January 6, 2023	January 27, 2023	**0.35**
Preferred				
SMC2F	February 10, 2022	March 21, 2022	April 1, 2022	**1.27635**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.27635**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.27635**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.27635**
SMC2H	February 10, 2022	March 21, 2022	April 1, 2022	**1.1854125**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.1854125**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.1854125**

	November 14, 2022	December 21, 2022	January 3, 2023	**1.1854125**
SMC2I	February 10, 2022	March 21, 2022	April 1, 2022	**1.18790625**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.18790625**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.18790625**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.18790625**
SMC2J	February 10, 2022	March 21, 2022	April 1, 2022	**0.890625**
	May 5, 2022	June 21, 2022	July 4, 2022	**0.890625**
	August 4, 2022	September 21, 2022	October 4, 2022	**0.890625**
	November 14, 2022	December 21, 2022	January 3, 2023	**0.890625**
SMC2K	February 10, 2022	March 21, 2021	April 1, 2022	**0.84375**
	May 5, 2022	June 21, 2022	July 4, 2022	**0.84375**
	August 4, 2022	September 21, 2022	October 4, 2022	**0.84375**
	November 14, 2022	December 21, 2022	January 3, 2023	**0.84375**

<u>2021</u>

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common				
	March 11, 2021	April 5, 2021	April 30, 2021	**P0.35**
	June 8, 2021	July 2, 2021	July 28, 2021	**0.35**
	September 9, 2021	October 8, 2021	October 29, 2021	**0.35**
	December 2, 2021	January 4, 2022	January 21, 2022	**0.35**
Preferred				
SMC2C	January 21, 2021	March 19, 2021	April 5, 2021	**1.50**
	May 6, 2021	June 21, 2021	July 2, 2021	**1.50**
	August 5, 2021	September 21, 2021	October 1, 2021	**1.50**
SMC2E	January 21, 2021	March 19, 2021	April 5, 2021	**1.18603125**
	May 6, 2021	June 21, 2021	July 2, 2021	**1.18603125**
	August 5, 2021	September 21, 2021	October 1, 2021	**1.18603125**
SMC2F	January 21, 2021	March 19, 2021	April 5, 2021	**1.27635**
	May 6, 2021	June 21, 2021	July 2, 2021	**1.27635**
	August 5, 2021	September 21, 2021	October 1, 2021	**1.27635**
	November 11, 2021	December 21, 2021	January 7, 2022	**1.27635**
SMC2G	January 21, 2021	March 19, 2021	April 5, 2021	**1.23361875**
SMC2H	January 21, 2021	March 19, 2021	April 5, 2021	**1.1854125**
	May 6, 2021	June 21, 2021	July 2, 2021	**1.1854125**
	August 5, 2021	September 21, 2021	October 1, 2021	**1.1854125**
	November 11, 2021	December 21, 2021	January 7, 2022	**1.1854125**
SMC2I	January 21, 2021	March 19, 2021	April 5, 2021	**1.18790625**
	May 6, 2021	June 21, 2021	July 2, 2021	**1.18790625**
	August 5, 2021	September 21, 2021	October 1, 2021	**1.18790625**
	November 11, 2021	December 21, 2021	January 7, 2022	**1.18790625**
SMC2J	January 21, 2021	March 19, 2021	April 5, 2021	**0.890625**
	May 6, 2021	June 21, 2021	July 2, 2021	**0.890625**
	August 5, 2021	September 21, 2021	October 1, 2021	**0.890625**

	November 11, 2021	December 21, 2021	January 7, 2022	**0.890625**
SMC2K	January 21, 2021	March 19, 2021	April 5, 2021	**0.84375**
	May 6, 2021	June 21, 2021	July 2, 2021	**0.84375**
	August 5, 2021	September 21, 2021	October 1, 2021	**0.84375**
	November 11, 2021	December 21, 2021	January 7, 2022	**0.84375**

On January 26, 2023, the BOD of the Parent Company declared cash dividends to all preferred shareholders of record as at March 21, 2023 on the following shares to be paid on April 4, 2023, as follows:

Class of Shares	Dividends Per Share
SMC2F	P1.27635
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375

On March 9, 2023, the BOD of the Parent Company declared cash dividends at P0.35 per share to all common shareholders of record as at March 31, 2023 to be paid on April 28, 2023.

The Parent Company paid P1,957 million and P200 million to the holders of senior perpetual capital securities and redeemable perpetual securities, respectively, in 2022, and P1,804 million and P200 million to the holders of senior perpetual capital securities and redeemable perpetual securities, respectively, in 2021, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

Description of the securities of the Group may be found in Note 24, Equity, of the Audited Consolidated Financial Statements attached hereto as Annex "B".

There were no securities sold by the Parent Company within the past three (3) years which were not registered under the Securities Regulation Code.

Item 6. Management's Discussion and Analysis or Plan of Operation.

(A) Management Discussion and Analysis

The information required by Item 6 (A) may be found on **Annex "A"** hereto.

(B) Information on Independent Accountant and Other Related Matters

The accounting firm of R.G. Manabat & Co. served as the Parent Company's external auditors for the last sixteen fiscal years. The BOD will again nominate R.G. Manabat & Co. as the Parent Company's external auditors for this fiscal year.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

The Parent Company paid the external auditor the amount of P6 million and P8 million, respectively, for its services rendered in 2022 and 2021.

The stockholders approve the appointment of the Parent Company's external auditors. The Audit and Risk Oversight Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. The Parent Company's Audit and Risk Oversight Committee's approval policies and procedures for external audit fees and services are stated in the Parent Company's Manual of Corporate Governance.

Item 7. Financial Statements

The Audited Consolidated Financial Statements and Statement of Management's Responsibility are attached as **Annex "B"** with the Supplementary Schedules attached as **Annex "C"** hereto. The auditors' PTR, name of certifying partner and address are attached as **Annex "B-1"** hereto.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Parent Company's external auditors on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Board of Directors

Name	Age	Citizenship	Position
Ramon S. Ang	69	Filipino	Vice Chairman, President and Chief Operating Officer
John Paul L. Ang	43	Filipino	Director
Aurora T. Calderon	68	Filipino	Director
Joselito D. Campos, Jr.	72	Filipino	Director
Menardo R. Jimenez	90	Filipino	Director
Jose C. De Venecia, Jr.	86	Filipino	Director
Estelito P. Mendoza	93	Filipino	Director
Alexander J. Poblador	69	Filipino	Director
Ernesto M. Pernia	80	Filipino	Director
Iñigo Zobel	66	Filipino	Director
Ramon F. Villavicencio	81	Filipino	Director
Teresita J. Leonardo-De Castro	74	Filipino	Independent Director
Diosdado M. Peralta	71	Filipino	Independent Director
Reynato S. Puno	82	Filipino	Independent Director
Margarito B. Teves	79	Filipino	Independent Director

Ramon S. Ang is the Vice Chairman since January 28, 1999, President and Chief Operating Officer since March 6, 2002 of the Company. He has been a member of the Board of Directors of the Company for 23 years. On December 2, 2021, the Board of Directors confirmed the change in designation of Mr. Ang from "President and Chief Operating Officer" to "President and Chief Executive Officer" in accordance with the approval of the amended bylaws of the Corporation by the SEC on November 2, 2021. He is also a Member of the Executive Committee of the Company. He also holds, among others, the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel, Inc.; Chairman of the Board of Directors of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia) and Eagle Cement Corporation; and Vice Chairman of the Board, President and Chief Executive Officer of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc.; Chairman of the Board and Chief Executive Officer, and President and Chief Operating Officer of SMC Global Power Holdings Corp.; Chairman of the Board and President of San Miguel Holdings Corp., SMC SLEX, Inc., San Miguel Equity Investments Inc., San Miguel Properties, Inc., and San Miguel Aerocity Inc.; Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp.; Chairman of the Board of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc. and SEA Refinery Corporation; President and Chief Executive

Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years.

John Paul L. Ang was elected as a director of the Company on January 21, 2021 and has been a member of the Board of Directors for more than a year. Mr. Ang holds directorships in other listed companies namely, Petron Corporation (since 2021), and Top Frontier Investment Holdings, Inc. (since 2021). He is also the President and Chief Executive Officer of Eagle Cement Corporation since 2008, and Southwestern Cement Corporation since 2017. He is also the Vice Chairman of SMC Global Power Holdings Corp. since 2021. He is also a director of KB Space Holdings, Inc. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Aurora T. Calderon has been a director of the Company since June 10, 2014. She has been a member of the Board of Directors of the Company for 8 years. She is also Senior Vice President and the Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011. In line with the change in designation of the office of the "President and Chief Operating Officer" to "President and Chief Executive Officer," on December 2, 2021 her designation is now Senior Executive Assistant to the President and Chief Executive Officer. She is a member of the Corporate Governance Committee of the Company. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia). She is also a member of the Board of Directors of SMC Global Power Holdings Corp., SMC SLEX, Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp., and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries. As a director of a number of companies including listed companies, Ms. Calderon has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Joselito D. Campos, Jr. has been a Director since May 31, 2010. He has been a member of the Board of Directors of the Company for 12 years. He is a member of the Related Party Transactions Committee of the Company. He is the Managing Director and Chief Executive Officer of Del Monte Pacific Ltd., President and Chief Executive Officer of Del Monte Philippines, Inc. He is also the Chairman of the Board and Chief Executive Officer of the NutriAsia Group of Companies, Chairman of the Board of Fort Bonifacio Development Corp. and Vice Chairman of the Board of Ayala Greenfield Development Corp. He is also a Director of FieldFresh Foods (P) Ltd. He was the former Chairman of the Board and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and a member of the WWF (World Wildlife Fund) for Nature - Philippines. He graduated with a degree in BS Commerce, Major in International Business from the University of Santa Clara, California and a Masters in Business Administration degree from

Cornell University, New York. As a director of a number of companies including listed companies, Mr. Campos has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Jose C. De Venecia, Jr. is a Director of the Company since March 16, 2017. He has been a member of the Board of Directors of the Company for 5 years. He was former Speaker of the House of Representatives (from 1992 to 1998, and from 2001 to 2008). Before joining politics, he was an international entrepreneur, engaged in the business of port operations in Saudi Arabia, agriculture in Africa, mass housing in Iraq and oil exploration in the United Arab Emirates. He has a Bachelor of Arts degree in Journalism from the Ateneo de Manila University. He completed his secondary education at De La Salle College, Manila. As a director of a number of companies including listed companies, Mr. De Venecia has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Menardo R. Jimenez has been a Director of the Company since February 27, 2002 and a Member of the Executive Committee and Corporate Governance Committee of the Company. He has been a member of the Board of Directors of the Company for 20 years. He is also a Director of San Miguel Food and Beverage, Inc., a publicly listed company, and Magnolia, Inc. He is the Chairman of Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Majent Management and Development Corporation, Meedson Properties Corporation, Menarco Holdings, Inc., Next Century Building Systems, Inc., Television International Corporation and the Table Group, Inc. He is also Chairman Emeritus of Majent Agro Industrial Corporation, and Nuvoland Philippines, Inc. He is also a director of Cunickel Mining & Industrial Corporation, Dasoland Corporation, Menarco Development Corporation, Menarco Property Development & Management Corporation, Modesto Holdings Philippines, Inc., and Unicapital Equities Ventures Inc. He is a graduate of Far Eastern University with a degree of Bachelor of Science in Commerce and is a certified public accountant. As a director of a number of companies including listed companies, Mr. Jimenez has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Estelito P. Mendoza was first elected as a Director of the Company on October 30, 1991 and served until April 21, 1993. He was re-elected as Director of the Company on April 21, 1998 up to the present. He has been a member of the Board of Directors of the Company for a total of 30 years. He is a Member of the Executive Committee and the Audit and Risk Oversight Committee of the Company. He is also a Director of Petron Corporation and Philippine National Bank which are both publicly listed companies. He was formerly a director of the Manila Electric Company and Philippine Airlines Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office, and was also formerly Chairman of the Board of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank. He graduated from the University of the Philippines College of Law *cum laude*. He also holds a Master of Laws degree from Harvard Law School. As a director of a number of companies including listed companies, Atty. Mendoza has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Ernesto M. Pernia was elected as a Director of the Company on August 4, 2022. Mr. Pernia was the Secretary of Socioeconomic Planning and Director General of the National Economic and Development Authority of the Philippines from 2016 until 2020. Since 2013, he has served as Professor Emeritus of Economics, University of the Philippines (U.P.), after having been on the faculty of the U.P. School of Economics for several years. He likewise held the position of Lead Economist at the Asian Development Bank from 1999-2003. Mr. Pernia obtained his MA Economics degree from the University of Bridgeport, Connecticut in 1969, his AB Economics degree from the University of San Carlos in 1967, his degree of Bachelor of Theology from the UST Central Seminary in 1965, and his AB in Philosophy degree from the San Carlos Major Seminary (Cebu) in 1963. Mr. Pernia has served as Chairman of the Board of Trustees of the University of San Carlos, and a Director on the board of the Philippine-American Academy of Science and Engineering. He was also a former President of the Philippine Economic Society.

Alexander J. Poblador has been a Director of the Company since September 1, 2009 and a Member of the Related Party Transactions Committee of the Company. He has been a member of the Board of Directors of the Company for 13 years. He is the Founding Partner and Chairman of the Executive Committee of Poblador Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization. He also sits as a member of the Board of Directors of Alpha Aviation Group (Phil), Inc., Alsa Industries, Inc., Delfi Foods Inc., Delfi Marketing Inc., Xytron International, Inc. and B-Light Universal Trading, Inc. He is a graduate of the University of the Philippines with a degree in Bachelor of Laws *cum laude*, class valedictorian, and Bachelor of Arts in Political Science *cum laude*. He also holds a Master of Laws degree from the University of Michigan, at Ann Arbor, School of Law (De Witt Fellow). As a director of a number of companies including listed companies, Atty. Poblador has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Ramon F. Villavicencio is a Director of the Company since March 15, 2018. He has been a member of the Board of Directors of the Company for 4 years. Prior to his election as director of the Company, he owns the ICVI Financial Consultancy Services, has ownership interests in JoyToAll Amusement Corporation and is a consultant of Petro Finance Services, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Commerce and a Masters in Business Administration. As a director of a number of companies including listed companies, Mr. Villavicencio has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Iñigo U. Zobel has been a Director of the Company since October 2009 and was an Independent Director of the Company from May 5, 1999 until October 2009. He has been a member of the Board of Directors of the Company for 23 years. He is a Member of the Executive Committee of the Company. He holds the position of Chairman of the Board of Top Frontier Investment Holdings, Inc. and is a Director of PAL Holdings, Inc.which are both publicly listed companies. He is also the Chairman of the Board and President of Zygnet Prime Holdings Inc.; Chairman of the Board of IZ Investment Holdings, Inc. and E. Zobel, Inc.; Director of E. Zobel Foundation, Inc. Calatagan Golf Club, Inc., Calatagan Bay Realty, Inc., Hacienda Bigaa, Inc., MERMAC, Inc., among others. He was formerly Chairman (2015-2016), Vice Chairman (since 2016) and President (since 2015) of Manila North Harbour Port, Inc., Philippine Airlines, Inc., and President and Chief Operating Officer of Air Philippines Corporation. He was formerly an Independent Director of San Miguel Brewery Inc., San Miguel Pure Foods Company, Inc., San Miguel Properties, Inc., and Ginebra San Miguel, Inc. He attended Santa Barbara College, California, U.S.A. As a director of a number of companies including listed companies, Mr. Zobel has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Teresita J. Leonardo-de Castro was elected as an Independent Director of the Company on August 6, 2020. She has been a member of the Board of Directors of the Company for 2 years. She is also the Chairman of the Related Party Transactions Committee of the Company and a Member of the Audit and Risk Oversight Committee of the Company. She is currently an independent director of the following publicly listed companies: Top Frontier Investment Holdings, Inc. since July 9, 2019 and the Philippine Stock Exchange, Inc. She also sits as an independent director of the Securities Clearing Corporation of the Philippines. She is the President of the UP Sigma Alpha Sorority Alumnae Association, Inc. and Consultant of the Supreme Court Committee on Family Courts and Juvenile Concerns. In 2018, she was the Chief Justice of the Supreme Court until her retirement on October 10, 2018. She joined the Supreme Court as an Associate Justice on December 4, 2007. She was also the Presiding Justice of the Sandiganbayan from 2004 to 2007 and was previously Associate Justice of the Sandiganbayan (1997-2004). She completed her Bachelor of Laws in 1972 and Bachelor of Arts degree in political science *cum laude* in 1968, both from the University of the Philippines. As a director of a number of companies including listed companies, Madame De Castro has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Diosdado M. Peralta was elected as an Independent Director of the Company on June 8, 2021 and was appointed as a member of the Audit and Risk Oversight Committee and

Corporate Governance Committee. He has been a member of the Board of Directors of the Company for 1 year. He was the Chief Justice of the Supreme Court from October 23, 2019 until his early retirement on March 27, 2021. He joined the Supreme Court as an Associate Justice in 2011 and was previously Associate Justice of the Sandiganbayan since 2002 prior to his appointment to the Supreme Court. He was previously a judge at the Regional Trial Court of Quezon City, and prosecutor in the City of Manila and Laoag City, Ilocos Norte. He completed his Bachelor of Laws degree from the University of Santo Tomas in 1979 and his undergraduate degree from Colegio de San Juan de Letran in 1974. He was admitted to the Bar in 1980. As a director of a number of companies including listed companies, Mr. Peralta has attended various trainings and seminars on Corporate Governance.

Reynato S. Puno was elected to the Board as an Independent Director of the Company on January 20, 2011 and is the Chairman of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee of the Company. He has been a member of the Board of Directors of the Company for 11 years. He is also an independent director of San Miguel Brewery Hong Kong Ltd. (a company publicly listed in the Hong Kong Stock Exchange) and Union Bank of the Philippines, Inc., and a member of the Board of Commissioners of PT Delta Djakarta Tbk (a company listed in the Indonesia Stock Exchange). He is also the Chairman of the Environmental Heroes Foundation and World Vision; Vice Chairman of the Board of the GMA Kapuso Foundation; and Director of The New Standard newspaper. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Supreme Court as an Associate Justice on June 1993 and was previously Associate Justice of the Court of Appeals (1980, 1986 to 1993), Appellate Justice of the Intermediate Appellate Court (1983), Assistant Solicitor General (1974-1982) and City Judge of Quezon City (1972-1974). He also served as Deputy Minister of Justice from 1984-1986. He completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern Methodist University, Dallas, Texas (1967). As a director of a number of companies including listed companies, Mr. Puno has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Margarito B. Teves was elected as an Independent Director of the Company on June 14, 2012 and is the Chairman of the Audit and Risk Oversight Committee and a Member of the Corporate Governance Committee and Related Party Transactions Committee of the Company. He has been a member of the Board of Directors of the Company for 10 years. He is also an Independent Director of Petron Corporation, a publicly listed company, SMC Tollways Corporation (*formerly,* Atlantic Aurum Investments Philippine Corporation), AB Capital Investment Corp., Alphaland Corporation, Alphaland Balesin Island Club, Inc., Alphaland Marina Club, Inc., The City Club at Alpahaland Makati Place, Inc., and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of the Board of Think Tank Inc. and a director of Pampanga Sugar Development Co. He was Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics. As a director of a number of companies including listed companies, Mr. Teves has attended various trainings and seminars on Corporate Governance in the past five (5) years.

Officers

Name	Age	Citizenship	Position
Ferdinand K. Constantino	71	Filipino	Chief Finance Officer and Treasurer
Virgilio S. Jacinto	67	Filipino	Senior Vice President – General Counsel, Compliance Officer and Corporate Secretary
Joseph N. Pineda	59	Filipino	Senior Vice President – Deputy Chief Finance Officer and Head of Treasury
Aurora T. Calderon	68	Filipino	Senior Vice President – Senior Executive Assistant to the Office of the President and Chief Operating Officer
Lorenzo G. Formoso III	61	Filipino	Senior Vice President – Head of SMC Infrastructure Business

Ferdinand K. Constantino was a Director of the Company from May 31, 2010 to February 28, 2018. He is the Senior Vice President - Chief Finance Officer and Treasurer of the Company. He is also a Director of Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia), President of Anchor Insurance Brokerage Corporation; Director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, San Miguel Foods International Limited (*formerly,* San Miguel Pure Foods International Limited), SMC Skyway Corporation (*formerly,* Citra Metro Manila Tollways Corporation), San Miguel Aerocity Inc. and Northern Cement Corporation; and Chairman of the San Miguel Foundation, Inc. Mr. Constantino is also a member of the board of directors of The Philippine Stock Exchange, Inc. On September 3, 2021, October 15, 2021, and October 29, 2021, he attended the corporate governance trainings conducted by SGV & Co., the Risks, Opportunities, Assessment and Management (ROAM), Inc., and the Center for Global Best Practices, respectively. He was formerly a Director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009); Director of San Miguel Properties, Inc. (2001-2009); Chief Finance Officer of Manila Electric Company (2009); Director of Top Frontier Investment Holdings, Inc. (2010-2021); Director (2010-2021), Treasurer (2010-2011), and Vice Chairman (2011-2021) of SMC Global Power Holdings Corp.; and Director and Chief Finance Officer of San Miguel Northern Cement, Inc. (2017-2021). He has held directorships in various domestic and international subsidiaries of the Company during the last five (5) years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

Virgilio S. Jacinto is the Senior Vice President - Corporate Secretary, General Counsel, and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc. and Corporate Secretary of Ginebra San Miguel, Inc. and other subsidiaries and affiliates of SMC. He is a Director of Petron Corporation. He was formerly the Vice President and First Deputy General Counsel from 2006 to 2010 and appointed as SMC General Counsel in 2010. On October 15, 2021 and October 29, 2021, he attended the corporate governance trainings conducted by the Risks, Opportunities, Assessment and Management (ROAM), Inc. and the Center for Global Best Practices, respectively. He was Director and Corporate Secretary of United Coconut Planters Bank, Partner at Villareal Law Offices and Associate at SyCip, Salazar, Feliciano & Hernandez Law Office. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines *cum laude* where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard Law School. He holds various directorships in various local and offshore subsidiaries of SMC.

Joseph N. Pineda is the Senior Vice President and Deputy Chief Finance Officer. Effective June 1, 2021, he was also appointed Head of Treasury of SMC. On September 3, 2021, he attended the corporate governance training conducted by SGV & Co. He was formerly Vice President prior to his promotion on July 27, 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since

January 2005. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries.

Lorenzo G. Formoso III is the Senior Vice President and Head of SMC Infrastructure Business. Atty. Formoso holds various directorships in various local and offshore subsidiaries of SMC. He is a member of the Board of Directors of SMC SLEX, Inc. Previously, he was a consultant of the Company for Infrastructure and Transportation from July 2009 to August 2010. He was previously Assistant Secretary of the Department of Transportation and Communication of the Philippine Government from September 2006 to June 2009 and Deputy Commissioner of the Commission on Information and Communications Technology. He obtained his Juris Doctor degree from University of California, Davis School of Law and a degree in Bachelor of Arts in Philosophy from the University of the Philippines. Atty. Formoso is a director in various SMC subsidiaries.

Term of Office

Pursuant to the Company's By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Independent Directors

The independent directors of the Company are as follows:

1. Teresita J. Leonardo-De Castro
2. Diosdado M. Peralta
3. Reynato S. Puno
4. Margarito B. Teves

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of SMC have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in SMC.

Item 10. Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and senior executive officers of the Company are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers[1]	2023 (estimated) 2022 2021	₱182.3 Million ₱182.3 Million ₱171.7 Million	₱54.8 Million ₱149.7 Million ₱21.6 Million	₱15.1 Million ₱26.8 Million ₱30.8 Million	₱252.2Million ₱358.8 Million ₱224.1 Million
All other officers and directors as a group unnamed	2023 (estimated) 2022 2021	₱237.7 Million ₱240.9 Million ₱232.9 Million	₱71.5 Million ₱94.7 Million ₱35.7 Million	₱60.8 Million ₱63.3 Million ₱64.6 Million	₱370.0 Million ₱398.9 Million ₱333.2 Million
Total	2023 (estimated) 2022 2021	₱420.0 Million ₱423.2 Million ₱404.6 Million	₱126.3 Million ₱244.4 Million ₱57.3 Million	₱75.9 Million ₱90.1 Million ₱95.4 Million	₱622.2 Million ₱757.7 Million ₱557.3 Million

Section 10 of 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 therefrom 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. The Company provides each director with reasonable per diem of ₱50,000 and ₱20,000 for each Board and Committee meeting attended, respectively.

The Long-Term Incentive Plan for Stock Options ("LTIP") of the Company grants stock options to eligible senior and key management officers of the Company as determined by the Committee administering the said Plan. Its purpose is to further and promote the interests of the Company and its shareholders by enabling the Company to attract, retain and motivate senior and key management officers, and to align the interests of such officers and the Company's shareholders.

On November 10, 2005, the Company approved the grant of stock options to 1,096 executives and middle managers of about 4.43 million shares based on the closing price of the Company's shares, computed in accordance with the LTIP. Also on March 1, 2007, the Parent Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and June 26, 2008, the Parent Company approved the grant of options to 755 executives consisting of 5.77 million shares and to 742 executives consisting of 7.46 million shares, respectively. At the end of 2018, there are no more outstanding options to purchase the shares of the Company arising from the LTIP.

There were no employment contracts between the Company and a named executive officer. There were neither compensatory plans nor arrangements with respect to a named executive officer.

[1] *The Chief Executive Officer and senior executive officers of the Company for 2022 and 2021 are Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto and Joseph N. Pineda. For 2020, they are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, and Virgilio S. Jacinto.*

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of the Company's voting[2] securities as of December 31, 2022 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Total Outstanding Capital Stock
Common	Top Frontier Investment Holdings, Inc.[3] 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	Iñigo Zobel, Filipino, Director of the Company, and Ramon S. Ang, Filipino, the President and Chief Operating Officer of the Company, are beneficial owners of 59.96% and 26.03%[4] of the outstanding common stock of Top Frontier, respectively.	Filipino	1,472,668,340	45.63%
Common	PCD Nominee Corporation (Filipino) Makati City	Various individuals/ entities	Filipino	290,538,037	29.27%
Series “2” Preferred Shares	PCD Nominee Corporation (Filipino) Makati City	Various individuals/ entities	Filipino	944,571,964	
Common	Privado Holdings, Corp. Room 306 Narra Building, 2776 Pasong Tamo Extension, Makati City	Ramon S. Ang, Filipino, as beneficial owner of 100% of the outstanding capital stock of Privado.[5]	Filipino	373,623,796[6]	11.58%

---

[2] *Common stockholders have the right to vote on all matters requiring stockholders' approval The holders of the Series “2” Preferred shares shall not be entitled to vote except in matters provided for in the Revised Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation or other corporations; investment of corporate funds in another corporation or business; and dissolution.*

[3] *The shares owned by Top Frontier Investment Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of December 31, 2022, Top Frontier Investment Holdings, Inc. has voting rights to a total of 1,472,668,340 shares of the Company which represent about 61.77% of the outstanding common capital stock of the Company.*

[4] *As of December 31, 2022, through Privado Holdings, Corp and Master Year Limited, both stockholders of record of Top Frontier.*

[5] *As of December 31, 2022.*

[6] *Inclusive of 368,140,516 common shares held in the name of Privado Holdings Corp. and 5,483,280 common shares which are lodged with the PDTC.*

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the President, the directors, key officers of the Company, and nominees for election as director, as of December 31, 2022:

Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares and Percent to Total Outstanding Capital Stock
	Common	Preferred		
Ramon S. Ang	1,345,429 (D) 373,623,796 (I)[7] 220,311,756 (I)[8] 164,060,008 (I)[9] 335,720 (I)[10]		Filipino	758,676,709 (23.51%)
John Paul L. Ang	5,000 (D)		Filipino	5,000 (0.00%)
Aurora T. Calderon	22,600 (D)		Filipino	22,600 (0.00%)
Joselito D. Campos, Jr.	9,149 (D)		Filipino	9,149 (0.00%)
Teresita J. Leonardo-de Castro	5,000 (D)		Filipino	5,000 (0.00%)
Jose C. de Venecia	5,000 (D)		Filipino	5,000 (0.00%)
Menardo R. Jimenez	5,000 (D)		Filipino	5,000 (0.00%)
Estelito P. Mendoza	31,972 (D)		Filipino	31,972 (0.00%)
Diosdado M. Peralta	5,000 (D)		Filipino	5,000 (0.00%)
Ernesto M. Pernia	5,000 (D)		Filipino	5,000 (0.00%)
Alexander J. Poblador	5,000 (D)		Filipino	5,000 (0.00%)
Reynato S. Puno	5,000 (D)		Filipino	5,000 (0.00%)
Margarito B. Teves	5,000 (D)		Filipino	5,000 (0.00%)
Ramon F. Villavicencio	35,000(D) 9,000 (I)			44,000 (0.00%)
Iñigo U. Zobel	16,171 (D) 883,025,081 (I)[11]		Filipino	883,041,252 (27.36%)
Ferdinand K. Constantino	477,692 (D)		Filipino	477,692 (0.01%)
Virgilio S. Jacinto	180,830 (D)		Filipino	180,830 (0.00%)
Joseph N. Pineda	62,715 (I)		Filipino	62,715 (0.00%)
Lorenzo G. Formoso III	20,000(D)		Filipino	20,000 (0.00%)

The aggregate number of shares directly or indirectly owned of record by the President and Chief Executive Officer, key officers and directors (as a group) of the Company as of December 31, 2022 and March 31, 2023 is 1,642,611,919 or approximately 50.90% of the outstanding capital stock of the Company.

The aggregate number of shares owned of record of all officers and directors (as a group) of SMC as of December 31, 2022 is 1,642,947,677 shares or approximately 50.91% of the Company's outstanding capital stock.

There were no LTIP options exercised by the Chief Executive Officer, Chief Operating Officer, key officers and directors of the Company in 2022 and 2021.

Voting Trust

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

[7] Through his 100% shareholdings in Privado Holdings, Corp.
[8] Through his direct shareholdings in Master Year Limited which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.
[9] Through his direct shareholdings in Privado Holdings Corporation which has shares in Top Frontier Investment Holdings, Inc. which in turn has shares in the Company.
[10] Through his direct shareholdings in Top Frontier Investment Holdings, Inc. which has shares in the Company.
[11] Through his 59.96% shareholdings in the common stock of Top Frontier Investment Holdings, Inc.

Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

Foreign Ownership

As of December 31, 2022, the following is the foreign ownership of the shares of stock of the Company:

Share Class	Foreign Shares	Percentage of Foreign Ownership	Local Shares/ Shares held by Filipinos	Percentage of Filipino Ownership	Total Shares Outstanding
Common	128,010,846	5.37%	2,255,885,742	94.63%	2,383,896,588
Preferred Series "2-F"	1,833,852	0.82%	221,499,648	99.18%	223,333,500
Preferred Series "2-I"	1,920,950	1.13%	167,412,450	98.87%	169,333,400
Preferred Series "2-J"	754,760	0.28%	265,911,907	99.72%	266,666,667
Preferred Series "2-K"	2,314,340	1.26%	181,590,560	98.74%	183,904,900
Total	**134,834,748**	**4.18 %**	**3,092,300,307**	**95.82%**	**3,227,135,055**

Item 12. Certain Relationships and Related Transactions

Related Party Disclosures

SMC, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. SMC requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the total consolidated assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31, 2022 and 2021:

(Amounts in Million	**Year**	**Revenue from Related Parties**	**Purchases from Related Parties**	**Amounts Owed by Related Parties**	**Amounts Owed to Related Parties**	**Terms**	**Conditions**
Ultimate Parent Company	**2022**	**P11**	**P -**	**P -**	**P515**	On demand; non-interest bearing	Unsecured
	2021	8	-	3,652	551		
	2022	**-**	**-**	**3,037**	**-**	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing	Unsecured; no impairment
	2021	-	-	3,037	-		
Retirement Plans	**2022**	**23**	**-**	**3,480**	**-**	On demand; non-interest bearing	Unsecured; no impairment
	2021	23	-	4,433	-		
	2022	**246**	**-**	**4,127**	**-**	On demand; interest bearing	Unsecured; no impairment
	2021	266	-	4,371	-		
Associates	**2022**	**1,970**	**11**	**888**	**74**	On demand; non-interest bearing	Unsecured; no impairment
	2021	2,045	46	1,245	30		
	2022	**6**	**-**	**12,346**	**19,875**	Less than 1 to 12 years; interest bearing	Unsecured and secured; no impairment
	2021	9	-	140	18,817		
Joint Ventures	**2022**	**63**	**471**	**117**	**17**	On demand; non-interest bearing	Unsecured; no impairment
	2021	321	1,681	81	177		

	2022	**-**	**-**	**621**	**-**	On demand;	Unsecured;
	2021	-	-	621	-	interest bearing	with impairment
	2022	**59**	**-**	**1,135**	**-**	Less than 1 to 10.5 years;	Unsecured;
	2021	24	-	1,170	-	interest bearing	no impairment
Shareholders	**2022**	**184**	**890**	**91**	**2,658**	On demand;	Unsecured;
in subsidiaries	2021	79	1,757	123	2,454	non-interest bearing	no impairment
Others	**2022**	**6,157**	**4,284**	**173**	**13**	On demand;	Unsecured;
	2021	3,178	2,649	837	61	non-interest bearing	no impairment
Total	**2022**	**P8,719**	**P5,656**	**P26,015**	**P23,152**		
Total	2021	P5,953	P6,133	P19,710	P22,090		

1. Revenue consists of sale of power, fuel and other products and services to related parties.

2. Purchases consist of purchase of inventories, power and other products and services from related parties.

3. Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 million and the assignment of certain receivables of the Ultimate Parent Company amounting to P725 million.

      i) *Amounts owed by the Ultimate Parent Company amounting to P2,312 million:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099 million, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213 million, plus 6.00% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. As a result, no accrual of interest was made as at December 31, 2022 and 2021. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statement of financial position as at December 31, 2022 and 2021.

      ii) *Amounts owed by the Ultimate Parent Company amounting to P725 million:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As a result, no accrual of interest was made as at December 31, 2022 and 2021. These amounts are included as part of noncurrent receivables and deposit under "Other noncurrent assets - net" account in the consolidated statements of financial position as at December 31, 2022 and 2021.

   b) Amounts owed by related parties include investments in debt securities under investment agreement with BOC for a total amount of P12,250 million as at December 31, 2022.

   c) The amounts owed by related parties include non-interest bearing receivable from joint ventures included as part of "Trade and other receivables - net" account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 million as at December 31, 2022 and 2021.

4. Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of “Lease liabilities - current portion” amounted to P6 million as at December 31, 2022, and as part of “Lease liabilities - current portion” and “Lease liabilities - net of current portion” amounted to P2 million and P1 million, respectively, as at December 31, 2021. The amount owed to the Ultimate Parent Company pertains to dividends payable.

5. The amounts owed to associates include interest bearing loans payable to BOC presented as part of “Loans payable” account amounting to P8,172 million and P6,994 million and “Long-term debt” account amounting to P11,703 million and P11,823 million in the consolidated statements of financial position as at December 31, 2022 and 2021, respectively.

   The amounts owed to associates include syndicated project finance loans amounting to P10,913 million and P10,444 million as at December 31, 2022 and 2021, respectively, which were secured by certain property, plant and equipment and other intangible assets.

There were no known transactions with parties that fall outside the definition of "related parties" under PAS 24 but with whom SMC or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

Pursuant to SEC Memorandum Circular 15, Series of 2017, the Integrated Annual Corporate Governance Report (I-ACGR) of the Company for 2022 will be filed with the SEC on or before May 30, 2023.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The Audited Consolidated Financial Statements are attached as **Annex “B”** and the Supplementary Schedules are attached as **Annex “C”** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Parent Company and its subsidiaries or require no answer.

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed during the last six-month period covered by this report is attached as **Annex “H”**.

(c) Sustainability Report

Attached as “**Annex I**” is the 2022 Sustainability Report of SMC.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code of the Philippines, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on APR 14 2023.

By:

RAMON S. ANG
Vice Chairman
President and Chief Executive Officer

FERDINAND K. CONSTANTINO
Chief Finance Officer and Treasurer

BELLA O. NAVARRA
Comptrollership Manager/
Principal Accounting Officer

VIRGILIO S. JACINTO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2023 at Mandaluyong City, the following persons with their Competent IDs, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ramon S. Ang	P2247867B	May 22, 2019	DFA-Manila
Ferdinand K. Constantino	P6892447B	June 2, 2021	DFA-NCR-East
Bella O. Navarra	P8424946B	December 10, 2021	DFA-Manila
Virgilio S. Jacinto	P3157226B	September 12, 2019	DFA-NCR-East

Doc. No. : 13 ;
Page No.: 04 ;
Book No.: II ;
Series of 2023.

MA. KRISTINA S. ZAMORA NOTARY PUBLIC ROLL NO. 61379 MANDALUYONG CITY, PHILS.

MA. KRISTINA S. ZAMORA
Commission No. 0513-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 61379
PTR No. 5111180; 01/05/23; Mandaluyong City
IBP Lifetime Member No. 018307; 12/14/17; RSM
MCLE Compliance No. VII-0023074; 07/07/22; Pasig City

ANNEX “A”

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

SAN MIGUEL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation ("SMC" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2022. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2022 and the financial performance and cash flows for the year ended December 31, 2022 and for all the other periods presented, have been made.

The financial information appearing in this report is presented in Philippine Peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following tables.

	Years Ended December 31		
	2022	2021	2020
		(In Millions)	
Sales	**P1,506,591**	P941,193	P725,797
Cost of Sales	**1,288,086**	741,303	573,868
Gross Profit	**218,505**	199,890	151,929
Selling and Administrative Expenses	**(83,972)**	(77,991)	(77,872)
Operating Income	**134,533**	121,899	74,057
Interest Expense and Other Financing Charges	**(60,795)**	(49,265)	(52,035)
Interest Income	**7,108**	3,591	6,182
Equity in Net Earnings of Associates and Joint Ventures	**1,197**	1,040	417
Gain (Loss) on Sale of Investments and Property and Equipment	**733**	167	(491)
Other Income (Charges) - net	**(42,699)**	(11,480)	9,280
Net Income	**26,760**	48,159	21,879
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**(12,968)**	13,925	2,973
Net Income Attributable to Non-controlling Interests	**39,728**	34,234	18,906

2022 vs. 2021

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
	(In Millions)					
Sales	**P1,506,591**	P941,193	P565,398	60%	**100%**	100%
Cost of Sales	**1,288,086**	741,303	546,783	74%	**85%**	79%
Gross Profit	**218,505**	199,890	18,615	9%	**15%**	21%
Selling and Administrative Expenses	**(83,972)**	(77,991)	5,981	8%	**(6%)**	(8%)
Operating Income	**134,533**	121,899	12,634	10%	**9%**	13%
Interest Expense and Other Financing Charges	**(60,795)**	(49,265)	11,530	23%	**(4%)**	(5%)
Interest Income	**7,108**	3,591	3,517	98%	**0%**	0%
Equity in Net Earnings of Associates and Joint Ventures	**1,197**	1,040	157	15%	**0%**	0%
Gain on Sale of Investments and Property and Equipment	**733**	167	566	339%	**0%**	0%
Other Charges - Net	**(42,699)**	(11,480)	31,219	272%	**(2%)**	(1%)
Income Before Income Tax	**40,077**	65,952	(25,875)	(39%)	**3%**	7%
Income Tax Expense	**13,317**	17,793	(4,476)	(25%)	**1%**	2%
Net Income	**P26,760**	P48,159	(P21,399)	(44%)	**2%**	5%
Net Income (Loss) Attributable to:						
Equity Holders of the Parent Company	**(P12,968)**	P13,925	(P26,893)	(193%)	**(1%)**	1%
Non-controlling Interests	**39,728**	34,234	5,494	16%	**3%**	4%
Net Income	**P26,760**	P48,159	(P21,399)	(44%)	**2%**	5%

The Group recorded an all-time high consolidated sales of P1,506,591 million, up 60% from P941,193 million in the previous year, beating its pre-pandemic 2019 sales of P1,020,502 million by 48%.

The Group's cost of sales increased by P546,783 million or 74% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron Corporation (Petron); (b) higher cost of coal and higher power purchases of the Energy business; and (c) higher prices of major raw materials of the Food division under the Food and Beverage business.

The increase in selling and administrative expenses by 8% to P83,972 million was mainly due to higher: (a) personnel expenses of Petron and the Energy business; (b) advertising and promotions of Petron and the Beer and Non-alcoholic Beverages (NAB) and Spirits divisions of the Food and Beverage business; (c) impairment loss on receivables of the Energy business and on deferred containers of the Beer and NAB division under the Food and Beverage business; (d) repairs and maintenance of Petron; and (e) taxes and licenses of the Energy business.

Consolidated income from operations rose 10% to P134,533 million, mainly driven by the strong topline growth of Petron, the Food and Beverage, Packaging and Infrastructure businesses coupled with group-wide cost management and initiatives which mitigated the continuing challenges of increasing raw material costs, inflationary pressures, and foreign exchange movements. This was however tempered by the Energy business which was weighed down by the significant increase in fuel costs.

The increase in interest expense and other financing charges was mainly due to the higher average loan balance of SMC, Petron and the Infrastructure business, partly offset by the declining outstanding lease liabilities of entities under the Independent Power Producer Administration (IPPA) Agreements and long-term debt of the Energy business.

The increase in interest income was mainly due to the higher interest rates on cash and cash equivalents of SMC and higher balance of short-term placements of the Group.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of Manila North Harbour Port, Inc. (MNHPI) partly offset by the share on the higher net loss of Angat Hydro Corporation (Angat Hydro).

The gain on sale of investments and property and equipment in 2022 primarily represents the sale by: (a) San Miguel Global Power Holdings Corp. [San Miguel Global Power; formerly SMC Global Power Holdings Corp.] of its investment in shares of stock of Strategic Energy Development, Inc., owner of real properties, including land with 15 megawatts (MW) heavy fuel oil power plant located in Tagum City, Davao del Norte; and by (b) Sual Power Inc. [SPI; formerly San Miguel Energy Corporation of its investments in Daguma Agro-Minerals, Inc., Sultan Energy Phils. Corp. and Bonanza Energy Resources, Inc. The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel Baoding Brewery (SMBB) and San Miguel China Investment Co. Ltd. (SMCIC).

Other charges - net increased primarily due to the: (a) higher net loss on foreign exchange from the revaluation of foreign-currency denominated net liabilities of the Group, as a result of the higher depreciation of Philippine Peso against the US Dollar (P4.76 in December 2022 as compared to P2.98 in December 2021), and (b) higher loss on commodity hedging of Petron.

The lower income tax expense was primarily due to the recognition in 2022 of deferred tax benefit on: (a) Net Operating Loss Carry Over (NOLCO) by SPI and South Premiere Power Corp. (SPPC); and (b) unrealized net foreign exchange loss by SMC. This was partly offset by the: (a) impact for 2020 of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which was adjusted in the first quarter of 2021 and reduced income tax expense by P3,607 million in 2021; and (b) higher income tax from the improved performances of the Beer and NAB division under the Food and Beverage business, the Infrastructure business and other subsidiaries of the Energy business.

Excluding the significant effect of foreign exchange losses recognized during the period and the adjustment in 2021 of the impact of CREATE Act for 2020, consolidated core net income amounted to P43,216 million, down by 8% from last year’s P47,042 million.

With higher interest expense and foreign exchange losses, consolidated net income ended at P26,760 million.

The share of non-controlling interests (NCI) on the Group's net income increased in 2022 mainly due to the: (a) higher amount of distribution on Senior Perpetual Capital Securities (SPCS) of San Miguel Global Power and Petron and (b) higher net income of the Food and Beverage and Infrastructure businesses. The increase was partly offset by the lower dividend on preferred shareholders of Petron.

The following are the highlights of the performance of the individual business segments:

1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) posted full year consolidated sales of P358,853 million, 16% increase from last year mainly driven by sustained volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income grew 11% to P48,711 million and net income rose 10% to P34,665 million compared to 2021.

a. Beer and NAB Division

San Miguel Brewery Inc. (SMB) sustained its growth trend in 2022 delivering consolidated volumes of 224.6 million cases, up 10% from the previous year, primarily driven by the positive impact of relaxed mobility and continued re-opening of markets in both domestic and international operations. Consolidated sales amounted to P136,235 million, an increase of 17% from last year.

Accordingly, consolidated operating income and net income ended at P29,516 million and P21,750 million, higher by 10% and 6% from the previous year, respectively.

Domestic Operations

SMB's domestic beer volumes reached 198.9 million cases, 9% higher than 2021, the result of continuous brand-building and demand-generating programs in key channels capitalizing on the further easing of restrictions and expanded mobility beginning end of March of 2022 which paved the way for the reopening of on-premise outlets.

This was further supported by effective volume-generating programs and marketing in traditional and modern trade channels from core brands such as Pale Pilsen's ongoing *"Gintong Dagat"* campaign and new digital materials for "*Sarap Laging Kasama*" alongside online posts in SMB Viber Community; Red Horse' new digital contents including the "*Muziknuman*" and "*Lakas Sa-Rap Battle*" episodes on Red Horse Beer's "*Lakas Tama*" YouTube channel, continued airing of "*Una*" Entry Point Drinker and "*Spirit Horse*" core campaigns; and San Mig Light's ongoing "*Bright Side*" thematic campaign, New "*Speakeasy*" podcast episode and "*The Light Space*" live Twitter Space, together with other trade and social media marketing programs.

With higher volumes and reflecting the full impact of the price increase implemented in October 2021, SMB's domestic sales grew 16% to P121,849 million. Operating income reached P26,993 million, 7% higher than last year on the back of cost saving initiatives and improvements in operational efficiencies.

International Operations

SMB's international operations sustained its strong performance, ending 2022 with a double-digit volume growth of 15% compared to last year brought about by the consistent volume gains recorded from Thailand, Indonesia and Export businesses. These were the result of continued re-opening of the economy, revival of tourism supported by distributor and wholesaler incentive programs implemented and Exports growth to the United States of America, Bahrain, Middle East and new markets in Asia and Africa. Meanwhile, Hong Kong, South China and Vietnam have shown signs of recovery but still remained lower compared to the previous year.

b. Spirits Division

Ginebra San Miguel Inc. (GSMI) delivered another record-breaking performance in 2022 registering its highest-ever net income of P4,547 million, exceeding last year by 9%.

Volumes reached an all-time high of 44.6 million cases, surpassing 2021 levels by 7%. Growth was supported by effective marketing campaigns which resonated well with consumers, such as Ginebra San Miguel's award-winning "*Hanggang Huling Patak ng Bagong Tapang*", Vino Kulafu's "*Lakas Ka Namo*" and GSM Blue's "*Choose What's True*" advertising campaigns alongside the on-ground market penetration promos such as "*Kusog Kulafu Buenas Grasya*" and expanded distribution.

Full year 2022 sales reached P47,341 million, 11% higher from the P42,534 million reported in 2021. Operating income ended at P5,987 million, 13% higher than the year before on account of the increase in selling price implemented in February 2022, operational efficiency improvements and rationalization of fixed expense offsetting the impact of inflationary pressures on raw materials and other inputs.

c. Food Division

The Food division sustained its robust top line performance throughout the year 2022, delivering consolidated sales of P175,288 million, 16% higher than last year. Amidst rising inflation, volumes in most segments grew, boosted by intensified distribution, aggressive promotional activities, launch of new products and utilization of additional capacity from new facilities. Faced with escalating raw material prices, most businesses implemented price increases to partly recover rising costs.

Despite the challenges brought about by rising commodity prices, inflation and depreciating peso, the Food Division managed to grow operating income by 15% to P13,270 million on the back of optimized utilization of company-owned facilities and strategic spending on revenue-generating advertising and promotions.

Net income stood at P9,218 million, a 21% increase compared to last year's level.

- The Protein segment, comprised of the Poultry and Meats businesses, registered sales 4% higher than the previous year. Poultry's sales climbed 9% mainly on account of better selling prices as volumes were constrained by capacity shortages. Notwithstanding, Poultry benefitted from the strong recovery of food service and positive market acceptance of marinated *Timplados* products. Meanwhile, the decline in meats' sales is reflective of deliberate moves to downsize hog operations due to the African Swine Fever (ASF).

- The Animal Nutrition and Health segment posted 26% growth in sales compared to a year ago, propelled by volume growth and better selling prices. Volume grew on the back of higher sales of broiler, layer, and hog feeds, as well as growing demand for its Nutri Chunks pet care and San Miguel Animal Health Care veterinary medicine products.

- The Prepared and Packaged Food segment sales exceeded last year by 17%. Growth was led by flagship products - *Purefoods Tender Juicy Hotdogs, Purefoods Chicken Nuggets*, whole hams, and Magnolia butter and cheese, with significant contribution from newly launched products under the Purefoods native line and Magnolia salad aids. Significant volume growth along with market share gains was seen across multiple categories.

- Revenue of the Flour segment soared 38%, mainly driven by higher prices, as the business had to cover for higher wheat cost.

2. PACKAGING

The Packaging business generated consolidated sales of P37,039 million for 2022, 10% higher than the previous year, boosted by the increase in domestic demand for Glass, Metal, two-piece Aluminum Cans, Beverage Filling and Logistics Services operations from domestic food and beverage customers combined. International operations in China, Vietnam, Malaysia, and Australia also grew from last year.

Better productivity, management of expenses along with cost saving programs implemented across all business units propelled operating income to increase by 42% at P1,648 million compared to the same period last year.

3. ENERGY

San Miguel Global Power recorded offtake volumes of 27,402 gigawatt hours (GWh) in 2022, higher by 181 GWh from last year mainly driven by the increase in energy demand from distribution utilities with the recovery in economic activities.

Consolidated sales amounted to P221,389 million, up by 66% from P133,710 million in the previous year, brought about by the increase in average realization prices reflecting higher fuel costs, increase in spot sale prices, and improved power nominations. In addition, the commencement of commercial operations of the 20 MW Kabankalan Battery Energy Storage System (BESS) in January 2022 likewise contributed to the increase.

The unprecedented spikes in coal prices during the year has challenged San Miguel Global Power's operating performance, with prices soaring from US$65 or P3,340.00 per metric tons (at P51.30 per US$1) at execution date of contract to as high as US$434 or P25,430.00 per metric tons (at P58.59 per US$1). This resulted in incremental supply costs that the Energy business had absorbed to cover the 1,000 MW of capacity contracted to Manila Electric Company (Meralco) alone. This, along with the increase in power purchase costs driven by elevated spot sale prices combined with the deration of the Ilijan Power Plant resulting from the Malampaya gas supply restriction and the plant's shutdown for inspection, repairs, and maintenance since June 5, 2022, all translated to a significant increase in supply costs. Hence, operating income declined by 22% from P36,841 million last year to P28,886 million.

With lower margins and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of Philippine Peso against the US dollar during the year, net income amounted to P3,134 million, 80% behind from the previous year. Without the recognized foreign exchange losses and CREATE Act adjustments in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from last year.

Despite these challenges, San Miguel Global Power has remained focused on its goal to provide stable and reliable power to the country through its baseload capacities. Construction of committed additional capacities located in Mariveles, Bataan, Masinloc, Zambales and the Liquefied Natural Gas (LNG) Power Plant in Ilijan, Batangas that will provide additional 2,600 MW are progressing well, along with the 1,000 MW BESS and 800 MW from Solar. These will boost the baseload power capacity of the country in the next two years. In particular, the BESS and LNG Power Plants is San Miguel Global Power's path to transitioning its power generation to more renewable sources.

4. FUEL AND OIL

Petron ended the year strong mainly driven by the recovery in demand specifically from the industrial and aviation sectors. Combined sales volumes from its Philippine and Malaysia operations reached 112.8 million barrels, 37% higher compared to last year. The Philippine operation registered 68.5 million barrels, 43% higher than the 47.9 million barrels in 2021. Demand for gasoline and diesel products remained high with notable increases as well in the sales of jet fuel, liquefied petroleum gas and polypropylene products, as Petron resumed its production of polypropylene in 2022.

Consolidated sales rose 96% to P857,638 million mainly driven by growth in fuel demand and higher crude oil prices. Dubai crude oil averaged at US$96 per barrel in 2022, nearly 40% higher than last year's average of US$69 per barrel. The year 2022 was characterized with high volatility in crude oil prices. Dubai crude oil surged to as high as US$113 per barrel in June, dropping by 32% in the second half to US$77 per barrel in December, due to global inflationary and recession fears.

Consolidated operating income ended 12% higher at P19,213 million, compared to P17,215 million in 2021, despite external headwinds and lower prices in the second semester. Operating costs were contained, further supported by continued optimization of refining assets. Petron ramped up its refinery production to take advantage of favorable refining cracks, partly countered by more expensive crude and finished product import costs, higher working capital requirements and borrowing rates.

Consolidated net income settled at P6,697 million, up 9% from last year's P6,136 million.

5. INFRASTRUCTURE

The Infrastructure business continued its growth momentum for the year 2022 recording a 25% increase in combined average daily traffic volumes. Travel and mobility have returned to normal with the resumption of onsite work and classes and increased outdoor activities. Consolidated revenues ended at P29,008 million, 47% higher than last year's level.

Operating income soared 110% to P14,244 million, mainly driven by the sustained double-digit volume growth in all operating toll roads.

The Group's major ongoing infrastructure projects are all on track.

The railway component of the Metro Rail Transit Line 7 (MRT 7) Project which include the guideway and stations is already 60% completed. The detailed engineering design and site development of the depots are ongoing. The road component is undergoing the study of the realignment.

The Southern Luzon Expressway - Toll Road 4 (SLEX - TR4) Project is progressing well with ongoing right-of-way (ROW) acquisition, construction of underpass, bridges, earthworks and embankments including installation of reinforced concrete pipe culvert and concrete box culvert, including clearing works.

The Supplemental Toll Operation Agreement (STOA) for the SLEX - TR5 Project was signed on June 3, 2022 and was approved by the Office of the President on June 27, 2022. Detailed engineering design studies, ROW acquisitions and awarding of independent contractor contract are in progress.

The Ninoy Aquino International Airport Expressway (NAIAx) Tramo Connecting Ramp has been issued the Notice to Proceed on May 16, 2022 by the Department of Public Works and Highways (DPWH), with variation order approval issued on July 6, 2022. Ongoing works for the bored piling are almost complete. Delivery of universal beams girders and accessories has been completed. Civil works for the columns and fabrication of the pre-cast coping beam are set to begin.

Skyway Stage 4 Project is also progressing well with ongoing ROW acquisition, detailed engineering design either already approved or undergoing review and evaluation by the Toll

Regulatory Board (TRB) and pre-construction activities already started which include inspection of seedlings for the planting of trees.

The STOA for Pasig River Expressway (PAREX) Project has been signed on September 21, 2021 and approved by the Office of the President on March 13, 2022. Environmental Compliance Certificate application and detailed engineering design services are in progress while ongoing activities are still limited to site development and river dredging.

The Northern Access Link Expressway and Southern Access Link Expressway's STOA have been signed on March 21 and June 20, 2022 and approved by the Office of the President on May 6 and June 27, 2022, respectively. Detailed engineering design studies are ongoing while awarding of the independent contractor contract is in progress.

On March 31, 2022, SMC entered into a loan facility agreement with several lenders amounting to US$2,165 million for the financing of the Land Development Works for the Manila International Airport (MIA) Project, of which US$871 million has been drawn as of December 31, 2022. SMC has received the initial certification from the Independent Environmental and Social Consultant of the Airport land development works lenders and is in continuous compliance with the International Finance Corporation Performance Standards. The project team together with the consultants and third-party providers are currently working on the Airport Masterplan along with the critical components of the airport. Site clearing activities is almost complete while land filling and ground improvement works are almost 50% done.

2021 vs. 2020

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**
	(In Millions)					
Sales	**P941,193**	P725,797	P215,396	30%	**100%**	100%
Cost of Sales	**741,303**	573,868	167,435	29%	**79%**	79%
Gross Profit	**199,890**	151,929	47,961	32%	**21%**	21%
Selling and Administrative Expenses	**(77,991)**	(77,872)	119	0%	**(8%)**	(11%)
Operating Income	**121,899**	74,057	47,842	65%	**13%**	10%
Interest Expense and Other Financing Charges	**(49,265)**	(52,035)	(2,770)	(5%)	**(5%)**	(7%)
Interest Income	**3,591**	6,182	(2,591)	(42%)	**0%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**1,040**	417	623	149%	**0%**	0%
Gain (Loss) on Sale of Property and Equipment	**167**	(491)	658	134%	**0%**	(0%)
Other Income (Charges) – Net	**(11,480)**	9,280	(20,760)	(224%)	**(1%)**	1%
Income Before Income Tax	**65,952**	37,410	28,542	76%	**7%**	5%
Income Tax Expense	**17,793**	15,531	2,262	15%	**2%**	2%
Net Income	**P48,159**	P21,879	P26,280	120%	**5%**	3%
Net Income Attributable to:						
Equity Holders of the Parent Company	**P13,925**	P2,973	P10,952	368%	**1%**	0%
Non-controlling Interests	**34,234**	18,906	15,328	81%	**4%**	3%
Net Income	**P48,159**	P21,879	P26,280	120%	**5%**	3%

The Group performed very well in 2021, with some of the businesses considered fully recovered and even registered improvements over pre-pandemic 2019 performance. The Group's consolidated sales rose 30% to P941,193 million from P725,797 million in 2020, with the Food and Beverage, Energy, Fuel and Oil and Infrastructure businesses all delivering double-digit revenue growth. This is still 8% behind 2019 pre-pandemic level but is nevertheless a big improvement coming from the 29% decline in 2020.

The Group's cost of sales increased by P167,435 million or 29% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron; (b) higher cost of coal, full-year 2021 operations of Unit 3 of the Masinloc Power Plant, which started commercial operations on September 26, 2020 and higher power purchases from the spot market and external suppliers of the Energy business; and (c) increase in sales volume and higher excise tax of the Food and Beverage business.

As a result of group-wide cost management efforts and the adoption of enhanced operational efficiencies, consolidated operating income grew 65% to P121,899 million from P74,057 in 2020. This surpassed the Group's 2019 pre-pandemic operating income of P116,886 million by 4%.

The decrease in interest expense and other financing charges was mainly due to lower average interest rates and borrowing level of SMC, Petron and the Food and Beverage business, partly offset by the higher interest from higher loan balance of the Infrastructure business.

The decrease in interest income was primarily due to lower interest rates and average balance of cash and cash equivalents.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share in the higher net income of Bank of Commerce (BOC) and MNHPI and in the lower net loss of Angat Hydro.

The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by SMBB and SMCIC. The loss in 2020 mainly represents the retirement by San Miguel Yamamura Packaging Corporation (SMYPC) of the fixed assets of its Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020.

Other charges - net in 2021 primarily consist of the commodity hedging loss of Petron and the loss on the revaluation of foreign currency-denominated net liabilities of the Group as a result of the depreciation of Philippine Peso against the US Dollar by P2.98 in December 2021. Other income - net in 2020 pertains mainly to the: (a) gain on the revaluation of foreign-currency denominated net liabilities of the Group as a result of the appreciation of Philippine Peso against the US Dollar by P2.61 in December 2020; (b) settlement received by the Energy business from third party contractors on account of damages arising from the latter's nonfulfillment of obligations under procurement-related contracts; and (c) income recognized by the Group from the Tax Credit Certificates (TCC) issued by the Bureau of Internal Revenue (BIR) in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light.

The increase in income tax expense in 2021 was primarily due to the turnaround of Petron resulting to an income tax expense in 2021 compared to income tax benefit in 2020. This was partly offset by the impact of the adoption of the CREATE Act in 2021 and 2020, which reduced the income tax rate from 30% to 25%. The effect of the adoption of CREATE Act in 2020 was adjusted in the first quarter of 2021.

Consolidated net income reached P48,159 million, up 120% from the P21,879 million reported in 2020. More significantly, this is almost at par with pre-pandemic net income level.

The share of NCI on the Group's net income increased in 2021 mainly due to the: (a) net income of Petron in 2021 compared to a net loss in 2020, (b) higher amount of distribution on SPCS of San Miguel Global Power and Petron and (c) higher net income of the Food and Beverage business.

The following are the highlights of the performance of the individual business segments:

1. FOOD AND BEVERAGE

SMFB delivered sustained growth throughout the year 2021, posting consolidated revenues of P309,778 million, an increase of 11% from 2020, as the Food, Beer and NAB and Spirits divisions all turned in solid results.

SMFB's consolidated operating income improved 31% to P43,695 million while net income rose 40% to P31,417 million, a significant achievement considering the implementation of community lockdowns and liquor bans in many areas throughout the year 2021, coupled with increasing raw material prices.

a. Beer and NAB Division

SMB continued its recovery in 2021, as consolidated volumes slightly improved to 204.4 million cases. SMB conducted programs to spur consumption to mitigate pandemic restrictions implemented in various parts of the country. Consolidated sales amounted to P116,286 million, 8% higher compared to 2020.

Consolidated operating income grew 10% to P26,915 million on account of continuing cost management initiatives. Net income rose 17% to P20,449 million.

Domestic Operations
SMB's domestic beer volumes moderately increased in 2021 while non-alcoholic beverage volumes ended significantly higher than 2020. This represents a gradual recovery, coming from the large decline experienced in 2020. Beer volumes improved through various thematic campaigns, activations and consumer promos, which boosted demand and consumption, and softened the effects of liquor bans and mobility restrictions. Domestic beer sales amounted to P105,114 million, up 7% from 2020, brought about by the full year 2021 impact of the price increase implemented in March 2020 and October 2021. Operating income amounted to P25,224 million, an 8% increase over year 2020.

Recovery was further reinforced by nationwide marketing programs and thematic campaigns. San Miguel Pale Pilsen's *"Beer Call Muna Tayo"* and San Mig Light's *"Imagine"* campaigns boosted brand equity while at the same time promoting home consumption and pushing for *"e-numan"* online gatherings. While Red Horse's *"Patak"* and *"Lakas"* advertisements reinforced the brand's leadership and value-for-money proposition. Domestic operations also sustained visibility for Gold Eagle Beer, through distinctive out-of-home installations and improved penetration in Visayas region.

International Operations
SMB's international operations likewise sustained its growth in 2021, posting an 8% and 11% volume and revenue improvement versus year 2020, respectively. This was primarily driven by volume expansion in Indonesia and Exports, offsetting shortfalls in South China, Vietnam, Hong Kong and Thailand which experienced extended and varied pandemic restrictions. With cost management programs and improved sales and operational efficiencies, operating income similarly grew compared to 2020.

b. Spirits Division

GSMI capped off another stellar year with volumes reaching an all-time high of 41.9 million cases, an 8% increase from 2020, and 17% higher than 2019 pre-pandemic levels.

Growth was mainly the result of its successful marketing campaigns, namely: *"Bagong Tapang"* for GSM, *"Kusog Kulafu*" under-the-cap consumer promo in the Visayas and Mindanao regions for Vino Kulafu, and the *"Choose What's True"* campaign for GSM Blue. These were further supported by national and local consumer promos, aggressive market penetration activities for push brands and continued expansion of distribution channels throughout the year 2021.

Revenues reached P42,534 million, 17% higher from the P36,202 million reported in 2020. Operating income grew 39% to P5,293 million while net income amounted to P4,179 million, 52% higher than 2020 and 150% higher than 2019 pre-pandemic earnings.

c. Food Division

The Food division posted consolidated revenues of P150,970 million in 2021, 12% higher compared to 2020 and 8% higher than pre-pandemic levels in 2019.

Growth was driven by the robust performance of the Protein, Animal Nutrition and Health, Value-Added Meats and Flour segments, all of which grew double-digits, boosted by favorable pricing and volume gains.

These brought the Food Division's consolidated operating income to P11,506 million, a sizeable 122% increase from 2020, in spite of rising costs of major raw materials which put some pressure on margins. This was partly mitigated by the group-wide cost containment efforts, efficiency improvement initiatives, and the optimized utilization of company-wide production facilities.

As a result, consolidated net income surged to P7,610 million, a 165% increase from 2020 and 121% higher than the 2019 pre-pandemic earnings.

- The Protein segment, consisting of the Magnolia Chicken and Monterey Meats businesses, revenues grew 14% buoyed by improvements in chicken prices as the Food division was able to keep its inventory at optimal level, even as industry supply was augmented by imported frozen chicken. The Protein segment's performance received a boost from the growing network of community sellers, and the gradual recovery of *lechon manok* outlets.

- The Animal Nutrition and Health segment expanded revenues by 12% owing to sustained volume increases of free-range fowl, layer, duck, and aquatic feeds. This was brought about by the successful conversion campaigns, intensive penetration and sales activities targeting backyard and medium scale farms. Meanwhile, as hog farms started to slowly repopulate with the waning of ASF, sales of hog feeds showed slight recovery in the last quarter of 2021. Likewise, demand for broiler feeds picked up with improved availability of day-old chicks.

- Prepared and Packaged Food segment's consolidated revenues grew 6% from 2020, mainly driven by growth of Value-Added Meats, led by core, flagship products *Purefoods Tender Juicy* hotdog, chicken nuggets, and bacon. Newly launched ready-to-eat products such as meat-free product line *Veega*, Purefoods spaghetti sauce and seafood nuggets also delivered remarkable growth in 2021.

  Meanwhile, Magnolia's revenues was lower than 2020 as home-baking activities receded, while foodservice recovery remained limited. Nonetheless, margarine, cheese, and San Mig Coffee Sugar free variant grew steadily while sales of newly launched retail packs of Magnolia Salad Aids have been promising.

- The Flour segment maintained its upward momentum with revenues ending 17% higher versus 2020. Growth in all geographical areas, led by Mindanao and the Greater Manila Area was driven by strong volumes due to an expanded distribution network and the recovery in existing customers' operations.

2. PACKAGING

The Packaging business registered sales of P33,703 million in 2021, a 7% increase from 2020, mainly driven by increase in volumes from food and beverage accounts, improved performance from the glass, plastics, metal crowns, and two-piece aluminum cans, and flexibles businesses, as well as better results from the Australasian and Malaysian operations.

Operating income amounted to P1,162 million, 21% higher compared to 2020, on account of higher sales, effective cash management and maximization of cost containment measures.

3. ENERGY

San Miguel Global Power delivered offtake volumes of 27,221 GWh in 2021, a 4% growth versus 2020, as industrial activities started to pickup with relatively lighter Corona Virus Disease (COVID)-19 quarantine restrictions compared to 2020. Correspondingly with higher spot and average bilateral rates, consolidated revenues for year 2021 rose by 16% to P133,710 million.

Operating income declined by 7% to P36,841 million on account of a significant rise in average coal input costs and higher power purchases. The higher power purchases were the result of lack of peak capacity to serve the Energy Group's improved bilateral requirements, with the continued deration of the Ilijan Power Plant due to gas supply restriction and the extended outages in Sual Power Plant.

Consequently, net income amounted to P15,978 million, down by 15% from 2020. Without the recorded liquidated damages from a third-party contractor arising from non-fulfillment of obligations under its procurement-related contracts in 2020, net income would have been higher by around 5%.

4. FUEL AND OIL

Petron continued to bounce back from the pandemic, delivering a net income of P6,136 million, reversing the P11,413 million net loss in 2020.

Petron's consolidated sales volume grew 5% to 82.2 million barrels, made possible by the easing of pandemic restrictions and the re-start of economic activities that improved overall demand.

Petron Philippines' retail volumes increased by 6% brought about by volume-generating programs amid the implementation of granular lockdowns. Industrial sales grew by 2% as travel restrictions eased out and more industries reopened. Petron's lubricant sales likewise grew which recorded the highest growth at 11%, highlighting the strong performance and presence of its locally produced engine oils and other lubricant products in the market.

Consolidated sales for year 2021 reached P438,057 million, up 53% from year 2020, driven by the increase in international prices and higher local demand. Recovering oil demand and tightened supply caused Dubai crude oil prices to breach the US$80 per barrel level in the fourth quarter which averaged nearly US$70 per barrel in 2021, 64% higher than 2020's US$42 per barrel, the highest annual average price in the past three years.

With improved refining margins and various operational efficiencies continuously enacted, operating income grew 472% to P17,215 million, an immense turnaround from the P4,629 million operating loss reported in 2020.

5. INFRASTRUCTURE

The Infrastructure business sales rose 35% to P19,690 million, mainly driven by a 35% combined increase in average daily traffic volume in all operating toll roads namely, SLEX, Skyway Stages 1, 2 and 3, Southern Tagalog Arterial Road (STAR) Tollway, Tarlac-Pangasinan-La Union Expressway (TPLEX) and NAIAx, all posted double digit growth, indicating that more motorists are enjoying improving travel movement.

Operating income grew by 164% to P6,788 million, mainly driven by volume increase and margin improvements backed by cost management initiatives.

In 2021, the Infrastructure business continued its aggressive expansion, fully opening the Skyway Stage 3 on January 14 and opening the Northbound section of the SLEX Elevated Extension on April 11. The SLEX Elevated Extension was formally inaugurated on February 15, 2022, which can accommodate around 200,000 cars per day. This is seen to further ease travel in and out of Metro Manila.

On September 21, 2021, San Miguel Holdings Corp. (SMHC) through its subsidiary Pasig River Expressway Corporation, together with the DPWH, Department of Transportation and TRB, signed the Execution of the STOA for the financing, construction, operation and maintenance of the P91,800 million PAREX. PAREX is an elevated and hybrid 19.37 kilometer-expressway, that would pass along the banks of Pasig River from Manila to Taguig. The groundbreaking was held last September 24, 2021.

The 22-km MRT 7 Project is likewise on-track, with construction steadily progressing. The Infrastructure business unveiled six brand new trainsets, a total of 18 cars, for the much-anticipated MRT 7 mass transit project. These are the first batch of 36 train sets or a total of 108 cars.

The SLEX - TR4 and Skyway Stage 4 Projects are also progressing well. SLEX - TR4 pre-construction activities along Santo Tomas-Makban; Makban-San Pablo and San Pablo to Tiaong as well as ROW acquisition are ongoing. The construction of Skyway Stage 4 workable areas along C-5 road is almost complete while the detailed engineering designs of several sections are either being reviewed by the independent consultant or pending approval and signing of the TRB.

The Bulacan Bulk Water Project’s Stages 1 and 2 facilities are already operational and has started on Stage 3. The Memorandum of Agreement for the pipe conveyance extension was approved on December 22, 2021, while undergoing bidding process for Norzagaray Water System and Angat-Bustos Water System, as well as ROW acquisitions.

2020 vs. 2019

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2020	**2019**	**Amount**	**%**	**2020**	**2019**
		(In Millions)				
Sales	**P725,797**	P1,020,502	(P294,705)	(29%)	**100%**	100%
Cost of Sales	**573,868**	817,644	(243,776)	(30%)	**79%**	80%
Gross Profit	**151,929**	202,858	(50,929)	(25%)	**21%**	20%
Selling and Administrative Expenses	**(77,872)**	(85,972)	(8,100)	(9%)	**(11%)**	(8%)
Operating Income	**74,057**	116,886	(42,829)	(37%)	**10%**	12%
Interest Expense and Other Financing Charges	**(52,035)**	(56,019)	(3,984)	(7%)	**(7%)**	(5%)
Interest Income	**6,182**	10,675	(4,493)	(42%)	**1%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**417**	105	312	297%	**0%**	0%
Loss on Sale of Property and Equipment	**(491)**	(237)	254	107%	**(0%)**	(0%)
Other Income - Net	**9,280**	5,677	3,603	63%	**1%**	0%
Income Before Income Tax	**37,410**	77,087	(39,677)	(51%)	**5%**	8%
Income Tax Expense	**15,531**	28,513	(12,982)	(46%)	**2%**	3%
Net Income	**P21,879**	P48,574	(P26,695)	(55%)	**3%**	5%
Net Income Attributable to:						
Equity Holders of the Parent Company	**P2,973**	P21,329	(P18,356)	(86%)	**0%**	2%
Non-controlling Interests	**18,906**	27,245	(8,339)	(31%)	**3%**	3%
Net Income	**P21,879**	P48,574	(P26,695)	(55%)	**3%**	5%

Sales and margin improvements in the second half of 2020 reduced overall decline with the Group’s consolidated sales and operating income reaching P725,797 million and P74,057 million, 29% and 37% lower than 2019, respectively. The decline in revenue was mainly caused by lower sales volume of Petron and the Beer and NAB division under the Food and Beverage business. This was due to lockdown and strict quarantine restrictions implemented by the government in the early part of 2020 coupled with lower selling price per liter of fuel products of Petron as a result of the volatility of global crude oil prices. Sales of the Energy business also declined due to the deferment of the power supply agreements with Meralco and lower contract rates under the new power supply agreements that took effect on December 26, 2019 compared to the previous agreements. The Infrastructure business likewise registered a decline in sales which was mainly brought about by the decline in average daily traffic volume in all the operating toll roads which have been weighed down by the different levels of travel restrictions in 2020.

Cost of sales was lower by 30% to P573,868 million mainly due to the: (a) decrease in sales volume and lower cost per liter of fuel products of Petron; (b) lower power purchases, decline in net generation cost due to lower average cost of coal and natural gas prices, and lower energy fees due to the decline in net generation of the Sual, Ilijan and San Roque Power Plants; and (c) lower sales volume from Beer and NAB and Food divisions partly offset by the increase in sales volume of the Spirits division under the Food and Beverage business.

The decrease in selling and administrative expenses by 9% to P77,872 million was mainly due to lower advertising and promotion, and freight, trucking and handling expenses primarily from the Beer and NAB and Food divisions under the Food and Beverage business, and reduction in outsourced services of Petron due to the pandemic. Advertising campaigns and promotions were suspended and reduced, respectively, due to quarantine restrictions while the decline in freight, trucking and handling was brought about by lower sales volume.

The decrease in interest expense and other financing charges was mainly due to the: (a) lower average interest rate of Petron and (b) lower interest expense of the Energy business from the declining principal balance of its finance lease liabilities.

The decrease in interest income was primarily due to lower interest rates and average balance of cash and cash equivalents.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of MNHPI.

The loss on sale of property and equipment mainly pertains to the retirement of the fixed assets of SMYPC Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020. The loss which represents a 1% reduction in the Group's total net income did not have a significant impact on the Group's results of operations.

The increase in other income - net was mainly due to the: (a) settlement received by the Energy business from third party contractors on account of damages arising from the latter's nonfulfillment of obligations under procurement-related contracts and (b) income recognized by SMC from the TCC issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light.

The lower income tax expense was primarily due to the: (a) tax benefit by Petron from the loss before tax in 2020 compared to tax expense on the income before tax in 2019, (b) lower taxable income of the Beer and NAB division under the Food and Beverage business and Infrastructure business, and (c) derecognition by SMC of deferred income tax asset on NOLCO which expired in 2019.

Consolidated net income for the year 2020 amounted to P21,879 million, 55% lower than 2019. Consolidated net income in the second half of 2020 amounted to P25,867 million, 15% higher than the same period in 2019, reversing the first half net loss of P3,988 million, which was due largely to the economy's contraction and quarantine restrictions. The improvement in the performance for the second half of 2020 was mainly brought about by the sustained performance recoveries from all major businesses, combined with effective cost saving initiatives implemented throughout the Group.

The share of NCI on the Group's net income decreased in 2020 mainly due to the net loss of Petron in 2020 as compared to a net income in 2019 and lower net income of the Beer and NAB division under the Food and Beverage business and SMC Tollways Corporation (SMC Tollways, formerly Atlantic Aurum Investments Philippines Corporation). The decrease was offset by the higher amount of distribution on San Miguel Global Power's SPCS.

The following are the highlights of the performance of the individual business segments:

1. FOOD AND BEVERAGE

SMFB registered consolidated sales of P279,290 million for the full year of 2020, 10% lower than 2019. Its strong rebound in the second half of 2020 narrowed its 19% decline in the first half of 2020, as a result of continuous volume improvements from its Beer and NAB division, the all-time high performance of its Spirits division, and steady growth of the Prepared and Packaged Food segment of the Food division. This was, however, slightly tempered by lower volumes from the Food division's Protein and Animal Nutrition and Health segments.

SMFB's consolidated operating income ended at P33,412 million, a 30% decline, while net income closed at P22,401 million, down 31% from 2019.

a. Beer and NAB Division

SMB recorded consolidated sales of P107,928 million in 2020, 24% lower than 2019. The decline was a direct effect of the Enhanced Community Quarantine (ECQ) restrictions throughout the country, as well as its regional markets. SMB saw significant sales recovery in the second half of 2020, posting a 52% sales improvement over the first half, delivering volumes of 202 million cases.

Operating income amounted to P24,467 million, down 37%, and net income stood at P17,455 million.

Domestic Operations

Domestic operations recorded robust volume growth in the first two months of 2020, but quarantine lockdowns resulted to the closure of all on and off-premise outlets, limited transport activities, and the banning of the sale of liquor products in many markets. All these took a toll on beer sales, particularly in the second quarter of 2020.

The easing of restrictions paved the way for the gradual, partial re-opening of the economy. As a result, performance began to pick-up in mid-May of 2020, with significant volume recovery in June 2020, and sustained month-on-month sales improvements until December 2020. Sales for 2020 amounted to P97,828 million, buoyed by the price increase implemented on March 1, 2020, but remained 24% lower versus 2019. Combined with cost containment efforts, operating income ended at P23,259 million.

SMB boosted its presence in digital, e-premise, and other appropriate channels for sustained brand equity. It also tapped opportunities for selling especially in emerging and relevant channels, to mitigate the impact of the pandemic and adapt to the new normal. SMB also put in place programs to further support the shift from on-premise to home consumption. Effective cost management, rationalized spending, tighter business controls, and other cost saving initiatives were also implemented, helping sustain the domestic operations' positive profit level.

To support recovery, SMB strengthened its marketing campaigns with TV and radio placements namely, the *"Inom Sweet Home 5+1"* promo and *"Pass the Bottle"* with the San Miguel Beermen. Digital brand campaigns were also rolled out to supplement traditional media. For the first time, the yearly SMB *Oktoberfest* event was held virtually over Facebook.

International Operations

International operations were also affected by the pandemic, as governments in countries where there are operations implemented their own containment measures. This resulted to the temporary closure of manufacturing plants, as well as the closure of on-premise outlets, which resulted to a decline in consumption. The operations in Indonesia and Thailand were particularly affected, as on-premise consumption in these markets are relatively high.

Meanwhile, the Hong Kong, South China, and Vietnam markets were less affected, as evidenced by significantly improved profits compared to 2019. The Exports business also recorded consistent improvements, brought about by the continuous growth of off-trade channels and brand focused distribution.

SMB International continues to implement its marketing programs, volume incentive initiatives, and market penetration and distribution activities, to sustain and improve volumes and profitability.

b. Spirits Division

GSMI started with a healthy volume growth in the first two months of 2020. Volumes shrank during the ECQ, but quickly recovered after. Trade replenishments boosted sales, leading to June 2020 volumes reaching the highest monthly levels on record.

Coming from a volume decline in the first half of 2020, GSMI's sustained, strong month-on-month volume rebound resulted to full-year 2020 volumes of 38.6 million cases, up 8% from 2019. This is attributable to the expansion of distribution reach, continued efforts to maintain brand relevance, prompt replenishment of stocks in outlets, utilization of e-commerce channels via the San Miguel online store "*The Mall*", and promotion through the online *Ginumanfest* live concert.

In July 2020, GSMI resumed its "*Lakas sa Magandang Bukas"* and *"I Choose Mojito"* marketing campaigns on radio and television, as the economy reopened.

GSMI launched a new thematic campaign in September 2020, *"One Ginebra Nation 2.0"*, sending out a message of hope, resiliency and unity, attuned to the call of this ongoing challenges which further helped bump up volumes. This was supported by localized consumer promos and the expansion of distribution coverage. Another campaign, *"GSM Blue I Choose Mojito 2.0"*, also contributed to volume increase.

Consolidated sales for the year 2020 reached P36,202 million, up 25% from P29,063 million in 2019.

With better operational efficiencies and effective alcohol sourcing, operating income amounted to P3,806 million, up 32% versus 2019. Net income hit P2,757 million, 65% higher from 2019, the highest ever recorded by GSMI as at December 2020.

c. Food Division

The Food division's consolidated sales declined by 3% to P135,170 million from 2019, reflecting the full impact of ECQ in its basic food segments which was partly moderated by the solid performance of the Prepared and Packaged Food segment as packaged food became an essential item in consumers' grocery baskets as they settled into their home-based- work-from-home and online classes lifestyle.

Sales in the first three quarters of 2020 followed a downward trend but slowly returned to growth as quarantine restrictions were eased in September 2020. While institutional sales remained weak due to limited dine-in activities of food service, incremental sales from alternative trade channels partly offset this and the usual demand surge from Christmas spending boosted revenues in the fourth quarter of 2020.

Operating income dropped by 17% to P5,185 million in 2020 primarily due to the impact of the pandemic on revenues and operating expenses.

- The Protein segment, consisting of the Magnolia Chicken and Monterey Meats businesses, was most affected by the pandemic as revenues declined by 10%. Many of the foodservice customers, including fast food chains and *"lechon manok"* outlets, were forced to close shop during the ECQ. This resulted in a massive build-up of frozen chicken inventory in the second quarter of 2020, which pushed down prices. In response, aggressive move-out plans were implemented, such as developing alternative trade channels, notably community resellers, to push volumes and help bring down inventory. Poultry volumes in the fourth quarter of 2020 posted double-digit growth quarter-on-quarter, buoyed by a moderate uptick during the holiday season and incremental sales from alternative channels, particularly community resellers which accounted for 11% of total volumes in 2020. From 192 community resellers in March 2020, it expanded to over 13,000 by end-December 2020 and this was still expanding. Chicken prices likewise improved since October 2020 and reached around P125/kilo in December 2020. Meanwhile, the Monterey Meats business experienced lower revenues brought about by the restrictions on the movement of pork imposed by some local government units to combat ASF.

- Animal Nutrition and Health segment revenues registered a slight decrease of 2% due to the continuing effects of the ASF which affected hog feeds sales. Proving to be a reliable supplier during the ECQ and able to implement more competitive selling prices has allowed the business to grab market share. Volumes ended slightly higher than 2019, registering robust growth in free range fowl, duck and aquatic feeds, as customers opted for superior product quality produced in the new feed mills.

- Prepared and Packaged Food segment, composed of the processed meats, dairy, spreads, ice cream, biscuits and coffee businesses, posted 10% revenue growth as restricted living led to more in-home cooking and consumption. This pushed demand for breakfast items and benefitted the premium processed meats, margarine, cheese, and pancake mixes which all registered double-digit growth rates. Flagship product, *Purefoods Tender Juicy* Hotdog, saw volumes grow across all retail channels with the chicken variant - *Tender Juicy Chicken* Hotdog - registering the highest growth at 98% during the pandemic. *Purefoods* Hams and *Magnolia* Cheeseballs performed strongly in December 2020 as special Christmas bundles were created so that more families could celebrate despite tight budgets.

  Changes in consumer behavior and increased demand for in-home food driven by lockdown restrictions, gave opportunity to push new products such as the ready-to-cook *Magnolia* Fried Chicken, the newly-launched plant-based food products under the *Veega* brand, the *Purefoods* seafood line, and the *Purefoods* Heat and Eat slow-cooked viands. New product launches also included ready-to-eat viands under the *Cook Express* and *Chef's Selections* brands targeted at foodservice outlets and home-based businesses.

- Revenues of the Flour segment were down by 2% mainly from a slowdown in volumes from institutional customers as well as lower selling prices. Price rollbacks were made for hard flour due to aggressive competition in the industry. However, the retail sector continued to grow on the strength of increased demand for Bake Best flour premixes and baking ingredients arising from heightened consumer interest in home baking.

2. PACKAGING

The Packaging business registered sales of P31,504 million in 2020, down 17% from 2019, similarly reflecting the effects of the ECQ. Volumes were dragged down by lower orders from its major beverage customers. This was partly offset by increased deliveries to healthcare and pharmaceutical customers, growth in sales from the food and liquor sectors, mainly for home consumption due to the gradual re-opening of the economy and improvements in the export market. On the other hand, the performance of Australia, Malaysia, and China operations remained stable.

With effective cost management initiatives, the Packaging business generated operating income of P961 million.

3. ENERGY

San Miguel Global Power registered sales of P115,029 million in 2020, 15% lower versus 2019, as offtake volumes of 26,291 GWh declined by 7%. This was primarily due to the deferment of commencement of the 290 MW mid-merit power supply agreement with Meralco, where the provisional approval of the Energy Regulatory Commission was posted and distributed to the parties only on March 16, 2020 and the expiration of the 260 MW power supply agreement of Masinloc Power Partners Co. Ltd. (MPPCL).

In addition, the new Meralco baseload power supply agreements that took effect on December 26, 2019 have lower contract rates compared to the previous power supply agreements.

Sales volumes were affected by a decline in demand from industrial and contestable customers during the lockdown period, which gradually improved with the reopening of economic activities after the easing of the ECQ restrictions. This was, however, mitigated by improved utility demand as household consumption increased.

With lower fuel costs and spot purchases and effective implementation of power dispatch strategies, operating income ended 6% higher at P39,591 million. Net income, on the other hand, amounted to P18,874 million, 31% higher than 2019.

San Miguel Global Power also increased its total capacity during 2020. On September 26, 2020, it officially started commercial operations of its Masinloc Unit 3, with 335 MW capacity. On December 15, 2020, it attained substantial completion, including testing and commissioning by the National Grid Corporation of the Philippines, of its 20 MW BESS facility in Kabankalan, Negros Occidental.

With this, San Miguel Global Power’s total capacity reached 4,697 MW as at December 31, 2020, accounting for 20% of the National Grid, 27% of the Luzon Grid, and 8% of the Mindanao Grid.

It has also started to undertake the expansion of its portfolio of BESS Projects that will provide an additional 1,000 MW.

4. FUEL AND OIL

Petron faced significant challenges throughout the year 2020. Global oil prices, which had already been volatile, plunged in March 2020 as a price war broke among the top oil producing countries. Dubai crude oil prices collapsed by around 33%, from an average of US$63.5 per barrel in 2019 to US$42 per barrel in 2020, resulting to successive rollbacks in pump prices.

Oil prices fell to as low as US$13 per barrel in daily trading, reaching record low levels in 26 years. Refining margins also remained weak in the region as oil consumption declined. Demand for fuel also fell as transportation and mobility were severely restricted throughout the ECQ period.

Petron posted successive recoveries in the last two quarters of 2020, resulting in net profit of P2,823 million in the second half, as world crude oil prices stabilized and rallied towards end of 2020, bringing subsequent inventory gains. Consolidated volumes also improved, from a slump in the second quarter of 2020. Still, these were not enough to compensate for losses incurred in the first half of 2020, which resulted from demand contraction in both domestic and international markets, poor refining margins, and the collapse in world crude oil prices.

As a result, Petron's consolidated sales amounted to P286,033 million, down 44% from 2019. Volumes were likewise down 27% to 78.6 million barrels. Petron recorded consolidated operating loss of P4,629 million and net loss of P11,413 million in 2020.

Petron continues to implement measure to maximize productivity and reduce expenses in order to cope with the pandemic's impacts. Cash preservation initiatives are in place, as Petron continues to find new ways to adapt, given that the economy's recovery may take longer than initially expected.

5. INFRASTRUCTURE

The Infrastructure business recorded a 33% volume drop for 2020, reflecting the effect of travel restrictions throughout Luzon. Despite this, the business continued to waive toll fees to help the medical front liners. Following the easing of restrictions, a significant recovery in traffic volumes was seen, with some operating toll roads registering daily traffic at almost pre-pandemic levels.

Combined average vehicle daily traffic in the fourth quarter of 2020 reached 80% of 2019 levels, with notable recoveries from SLEX and STAR Tollway.

As a result, 2020 sales amounted to P14,565 million, 38% lower than 2019, while operating income ended 78% lower at P2,571 million.

The Infrastructure business, nevertheless, delivered on its commitments and completed two major projects. The entire stretch of the TPLEX from Tarlac up to Rosario, La Union was completed and opened to the public. The construction of the Skyway Stage 3 Project, linking SLEX and North Luzon Expressway (NLEX) was also completed. Skyway Stage 3 was soft-opened on December 29, 2020, and was inaugurated and opened to motorists on January 14, 2021.

The MRT 7 Project is progressing well, with construction returning to normal levels. Work on sections from Quezon Memorial Circle to Quirino Highway traversing Commonwealth Avenue and Regalado Avenue is ongoing.

Construction of the SLEX - TR4 Project, which will extend SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province is ongoing along the Alaminos-Tiaong area. Coordination with the DPWH is also ongoing to expedite the acquisition of ROW.

Meanwhile, the SLEX Elevated Extension Project was in an advanced stage of completion. The construction of Skyway Stage 4 has also started at workable areas along C-5. Acquisition of ROW properties is ongoing. The TRB has given the Group permission to proceed with detailed engineering design on realignments.

Stages 1 and 2 of the Bulacan Bulk Water Treatment facilities are now complete. Feasibility study of Stage 3 has also been completed, while work on the preliminary engineering design is ongoing.

II. FINANCIAL POSITION

A. The following are the major developments in 2022:

INVESTING ACTIVITIES

Acquisition by SMC through San Miguel Equity Investments, Inc. (SMEII) of Eagle Cement Corporation (ECC)

On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc., the parent company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares (Sale Shares) representing approximately 88.50% of the total outstanding and issued capital stock of ECC for a total consideration of P97,441 million or P22.02 per Sale Share.

ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

On October 27, 2022, the Philippine Competition Commission issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the Philippine Stock Exchange (PSE) after the required written assent of the stockholders of ECC was secured.

The tender offer period ended on December 5, 2022, with a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding common shares of ECC were tendered (Tendered Shares) for a total consideration of P12,613 million or P22.02 share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As at December 31, 2022, SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding common shares of ECC.

The total acquisition cost of ECC amounting to P110,054 million was funded by short-term loan availed by SMC and existing cash balance.

Redemption of Investment in Preferred Shares of Top Frontier Holdings, Inc. (Top Frontier)

On December 20, 2022, the Board of Directors (BOD) of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by SMC. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424 million, corresponding to the original issue price, plus unpaid cash dividends amounting to P267 million.

In 2022, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **SMC SLEX Holdings Company Inc. (SSHCI, formerly MTD Manila Expressways Inc.)**

  On various dates in 2022, SSHCI availed of a total of P15,800 million term loans from the P20,000 million term loan facility agreement executed on December 3, 2021. The loans are subject to floating interest rate and will mature on January 3, 2025. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

- **Petron**

  a. On May 19, June 15 and 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of power plant project, (b) payment of the remaining balance of US dollar term loan, and (c) payment of various loan facilities. The P15,000 million term loan is divided into three P5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and 16, 2027, respectively.

  b. On September 8 and 30, 2022, Petron availed of a total of P3,000 million term loans for the repayment of indebtedness. The loans are subject to fixed interest rates and will mature on September 8, 2025.

- **SMC NAIAX Corporation (SMC NAIAX; formerly Vertex Tollways Devt. Inc.)**

  On December 28, 2022, SMC NAIAX availed of a P3,124 million term loan from its P5,656 million Omnibus Loan and Security Agreement (OLSA) with various banks executed on December 21, 2022. The loan is subject to a fixed interest rate and will mature on June 21, 2030. The proceeds of the loan were used to prepay the balance of the 2014 OLSA and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- **SMB**

  On December 20, 2022, SMB availed of a P5,000 million five-year term loan from its P10,000 million loan facility with a local bank. The loan is subject to fixed interest rate and will mature on December 20, 2027. The proceeds of the loan were used to partially finance capital expenditures.

- **Northern Cement Corporation (NCC)**

  On various dates in 2022, NCC availed of a total of P1,674 million term loan from its existing P12,500 million OLSA executed in June 2021. The loan is subject to fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to finance the ongoing cement plant project in Sison, Pangasinan. Total drawdowns from the OLSA as of December 31, 2022 amounted to P8,749 million.

FOREIGN-CURRENCY DENOMINATED LOANS

- **San Miguel Global Power**

  a. On January 21, 2022, San Miguel Global Power availed of a US$200 million term loan from the loan facility agreement executed on September 8, 2021. Proceeds of the loan were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility. The term of the loan is for three years and is subject to a floating interest rate.

  b. On May 24, 2022, San Miguel Global Power availed of a US$100 million term loan from the loan facility agreement executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of BESS and LNG Projects, for general corporate requirements and payment of other transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in May 2025.

  c. On August 26, 2022, San Miguel Global Power availed of a US$300 million term loan from its loan facility agreement executed on August 18, 2022. Proceeds of the loan were used mainly for general corporate purposes, including capital expenditures and refinancing of short-term loan. The loan is subject to a floating interest rate and will mature in August 2027.

- **SMC**

  a. On February 18 and April 20, 2022, SMC availed of a total of US$450 million term loan from the US$900 million loan facility agreement executed on October 21, 2021 for general corporate purposes. The loan is subject to a floating interest rate and will mature on October 21, 2026.

  b. On various dates in June, August and September 2022, SMC availed of a total of US$700 million term loan from the US$700 million loan facility agreement executed on March 28, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on March 29, 2027.

  c. On various dates in 2022, SMC availed of a total of US$871 million term loan from the US$2,165 million loan facility executed on March 31, 2022 for the financing of the MIA Project's Land Development Works. The term of the loan is 13 years and is subject to a floating interest rate.

  d. On August 2, 2022, SMC availed of a US$100 million loan from the US$100 million term loan facility executed on May 27, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on May 27, 2027.

- **PETRON**

  In November and December 2022, Petron availed of US$267 million and US$228 million loans, respectively, from the US$550 million term loan facility executed on November 8, 2022. The loan is amortized over five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to partially prepay the US$800 million term loan facility availed in 2019 and the US$150 million term loan availed in 2020.

ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

Issuance of P30,000 Million Fixed Rate Bonds by SMC

On March 4, 2022, SMC issued and listed on the Philippine Dealing & Exchange Corporation (PDEx) P17,440 million Series J and P12,560 million Series K Fixed Rate Peso-denominated Bonds from the P60,000 million Shelf Registered Fixed Rate Bonds. The bonds are due in March 2027 and 2029 with interest rates of 5.2704% and 5.8434% per annum, respectively.

The proceeds from the issuance of the bonds were used to refinance short-term loan facilities and other general corporate purposes.

Registration and Issuance of P60,000 Million Fixed Rate Peso-denominated Bonds by SMC

On December 14, 2022, SMC issued and listed on the PDEx a total of P60,000 million Fixed Rate Peso-denominated Bonds comprising of P27,101 million Series L, P9,712 million Series M and P23,187 million Series N bonds which were approved by the Securities and Exchange Commission (SEC) on November 22, 2022. The Series L, Series M and Series N bonds are due in December 2028, 2029 and 2032 with interest rates of 7.4458%, 7.8467% and 8.4890% per annum, respectively.

Portion of the proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Subseries “2-H” Preferred Shares; and (ii) the repayment of Peso-denominated short-term loan facilities used to redeem the Series A and Series D Bonds, and the remaining balance will be used for (iii) the final redemption and payment of the Series E Bonds due in 2023; and (iv) the refinancing of certain US Dollar-denominated obligations.

Registration of P60,000 Million-Worth of Fixed Rate Peso-Denominated Bonds and Issuance of P40,000 Million Series K, L and M Bonds by San Miguel Global Power

On July 26, 2022, San Miguel Global Power issued and listed with the PDEx a total of P40,000 million Fixed Rate Peso-denominated Bonds, the first tranche of the P60,000 million shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

The bonds comprised of P5,000 million Series K Bonds due 2025, P25,000 million Series L Bonds due 2028 and P10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

The proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power’s investments in power-related assets, particularly LNG projects and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

Payment of Fixed Rate Peso-Denominated Series A and D Bonds by SMC

On March 1 and April 7, 2022, SMC paid its Series A and D Fixed Rate Peso-denominated Bonds amounting to P6,683 million and P10,000 million, respectively. The Series A and Series D Bonds matured on their respective payment dates and were issued by SMC in 2017.

The Series A and D Bonds were paid using the proceeds from short-term loan facilities.

Payment of Fixed Rate Peso-Denominated Series D and Series H Bonds by San Miguel Global Power

On April 25 and December 22, 2022, San Miguel Global Power paid its P13,845 million Series H and P9,913 million Series D Fixed Rate Peso-denominated Bonds, which matured on the same dates. The Series D and Series H Bonds were issued in 2017 and 2019, respectively by San Miguel Global Power.

The Series H Bonds were paid partly from the proceeds of short-term loan facilities and from cash generated from operations.

Payment of Fixed Rate Peso-Denominated Series F Bonds by SMB

On April 2, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds were issued in 2012 by SMB.

The payment was funded by the proceeds from the P7,000 million term loan availed on April 1, 2022 from a local bank. The loan is subject to a fixed interest rate and will mature in 2025 and 2027.

Payment of Fixed Rate Peso-Denominated Series B Bonds by SMC SLEX Inc. (SMC SLEX, formerly South Luzon Tollway Corporation)

On May 22, 2022, SMC SLEX paid its Series B Fixed Rate Peso-denominated Bonds amounting to P2,400 million, which matured on the same day. The Series B Bonds were issued by SMC SLEX in 2015.

The Series B Bonds were paid using internally generated funds.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the year, the Group paid a total of P22,074 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Infrastructure, Energy, Petron, Packaging, Food and Beverage and SMC paid a total of P8,575 million, P6,824 million, P3,430 million, P2,902 million, P183 million and P160 million, respectively, of their maturing obligations.

REDEMPTION OF PREFERRED SHARES BY SMC

Redemption of Series "2" Preferred Shares - Subseries "2-H" by SMC

On December 21, 2022, SMC redeemed its outstanding 164,000,000 Subseries "2-H" Preferred Shares issued in March 2016. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries "2-H" Preferred Shares was approved by the BOD of SMC on September 22, 2022.

The Subseries "2-H" Preferred Shares were redeemed using part of the proceeds of the P60,000 million Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

REPURCHASE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US-dollar denominated SPCS listed with the Singapore Exchange Securities Trading Limited (SGX-ST) to purchase for cash up to US$400 million SPCS. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 million in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the expiration deadline and which San Miguel Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

The payment for the repurchased SPCS was funded by San Miguel Global Power's issuance of Redeemable Perpetual Securities (RPS) to SMC.

EVENT AFTER THE REPORTING DATE

Partial Redemption of SPCS by Petron

On January 4, 2023, Petron conducted a tender offer of up to US$50 million to the holders of its outstanding US$500 million SPCS issued and listed with the SGX-ST in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US$22 million (P1,118 million) in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US$927.00 per US$1,000.00 SPCS on January 19, 2023.

B. The following are the major developments in 2021:

INVESTMENT IN SUBSIDIARIES

Merger of NCC and San Miguel Northern Cement, Inc. (SMNCI)

On March 3, 2021, the BOD and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving entity.

On June 14, 2021, the SEC approved the Articles and Plan of Merger executed by NCC and SMNCI, whereby the entire assets and liabilities of SMNCI were transferred to and absorbed by NCC, the surviving Company.

On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 million as consideration for the net assets of SMNCI in accordance with the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of NCC, which was approved by the SEC on June 14, 2021.

The merger of NCC and SMNCI is considered to be a business combination under common control. The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interest method.

The assets and liabilities of the combining entities are reflected in the consolidated statement of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination.

On October 6, 2021, the BIR issued Ruling No. S40M-371-2021 which confirmed the tax-free exchange of investment relative to the merger of NCC and SMNCI.

Investment by SMC Equivest Corporation (SMCEC) in Preferred Shares and Common Shares of BOC

On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BOC at P132.00 per share or a total of P5,500 million.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BOC and subject to the other terms and conditions as may be fixed by the BOD of BOC, required under regulations, and to the extent permitted by applicable law.

On October 20, 2021, SMCEC acquired 1,571,600 common shares of BOC at P226.48 per share or P357 million, including transaction cost, representing additional 1.4% ownership interest.

The *Bangko Sentral ng Pilipinas* (BSP) and SEC approved the Amendment of Articles of Incorporation of BOC on October 4 and November 2, 2021, respectively, for the change in the par value of BOC's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BOC on May 25 and July 8, 2021, respectively. As a result, San Miguel Properties, Inc. (SMPI) and SMCEC's investment in BOC's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BOC's preferred shares also increased from 41,666,667 shares to 416,666,670 shares.

As at December 31, 2021, SMC through SMPI and SMCEC, respectively, has 39.93% and 6.09% equity ownership interests in BOC.

On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BOC from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license.

On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BOC to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BOC, which includes the 280,602,800 common shares subject of the initial public offering. On March 31, 2022, BOC listed its common shares with the PSE.

In 2021, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **San Miguel Global Power**

  On May 28, 2021, San Miguel Global Power availed of P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to fixed interest rate and will mature on May 28, 2025.

- **SMC Tollways**

  On March and June 2021, SMC Tollways drew a total of P12,900 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. The proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction-related fees, taxes and expenses. The loan is subject to a fixed interest rate and repricing on the fifth year from initial drawdown date, and payable in 40 quarterly installments up to December 14, 2029. As at December 31, 2021, the total amount of the P41,200 million facility has been fully drawn.

- **NCC**

  On June 30, 2021, SMNCI availed of P7,075 million from the P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan. On July 1, 2021, the balance of the loan was transferred to NCC following the merger of NCC and SMNCI.

- **The Purefoods-Hormel Company, Inc. (PF-Hormel)**

  On September 29, 2021, PF-Hormel availed of a P7,000 million term loan, subject to a fixed interest rate and will mature on September 29, 2026. The proceeds of the loan were used for the refinancing of existing indebtedness and general corporate purposes.

- **Southern Concrete Industries, Inc. (SCII, formerly Oro Cemento Industries Corporation)**

  On December 29, 2021, SCII fully availed the P4,800 million loan from the OLSA executed on December 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on December 31, 2028. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

FOREIGN-CURRENCY DENOMINATED TERM LOANS

- **San Miguel Global Power**

  a. On March 9, 2021, San Miguel Global Power executed a five-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021. On May 21, 2021, the loan facility agreement was amended to increase the amount from US$200 million to US$300 million.

     On June 7, 2021, San Miguel Global Power availed of the remaining US$100 million from its amended loan facility agreement. Total amount of draw down as at December 31, 2021 is US$300 million. The proceeds of the loan were used mainly for the payment of Series A Fixed Rate Bonds in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

  b. On April 12, 2021, San Miguel Global Power availed of US$50 million from its term loan facility with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures of the Batangas Combined Cycle Power Plant (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities, pre-operating and operating working capital requirements for the BESS Projects, and transaction-related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.

- **SMC**

  a. On October 21, 2021, SMC executed a five-year term loan facility agreement for the amount of US$700 million. The facility agreement was amended on November 29, 2021 increasing the amount from US$700 million to US$900 million. On October 28 and December 23, 2021, SMC drew a total of US$450 million from the facility. The loan is subject to a floating interest rate and will mature on October 21, 2026. The proceeds of the loan were and will be used for general corporate purposes.

  b. On December 13, 2021, SMC executed a five-year term loan facility agreement for the amount of US$100 million. Drawdown was completed on December 23, 2021. The loan is subject to a floating interest rate and will mature on December 14, 2026. The proceeds of the loan were used for general corporate purposes.

<u>ISSUANCE AND PAYMENT OF BONDS</u>

Shelf-registration of P50,000 Million Fixed Rate Peso-Denominated Bonds by SMC and Issuance of P30,000 Million Bonds

On June 21, 2021, the SEC approved the shelf-registration of P50,000 million fixed rate Peso-denominated bonds of SMC.

On July 8, 2021, SMC issued and listed in the PDEx P30,000 million Series I Bonds. The bonds are due in 2027, with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

The proceeds from the issuance of the Bonds were used to repay existing obligations.

Issuance of P18,000 Million Fixed Rate Bonds by Petron

On October 12, 2021, Petron issued and listed in the PDEx P18,000 million fixed rate, Peso-denominated bonds, the first tranche of the P50,000 million shelf-registered fixed rate bonds approved by the SEC.

The bonds consist of P9,000 million Series E Bonds maturing in 2025 with an interest rate of 3.4408% per annum and P9,000 million Series F Bonds maturing in 2027 with an interest rate of 4.3368% per annum. Interest shall be payable quarterly in arrears every 12th of January, April, July and October of each year.

The proceeds from the issuance of the bonds were used primarily for the payment of the outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

Payment of Fixed Rate Peso-Denominated Series G Bonds by SMB

On April 5, 2021, SMB paid its Series G Fixed Rate Bonds amounting to P12,462 million, which matured on the same day. The Series G Bonds form part of the P15,000 million fixed rate bonds that were issued by SMB in 2014.

The payment was financed from the proceeds of the P12,000 million term loans availed on March 30, 2021 from four banks. The loans are subject to fixed interest rates, where P10,000 million are due on March 30, 2026 and P2,000 million are due on March 30, 2028.

Payment of Fixed Rate Peso-Denominated Series A Bonds by San Miguel Global Power

On July 12, 2021, San Miguel Global Power paid its Series A Fixed rate Bonds amounting to P6,153 million. The Series A Bonds, which forms part of the P15,000 million Series ABC Fixed Rate Bonds issued by San Miguel Global Power in 2016, matured on the same date.

The Series A Bonds were paid partly from the proceeds of the US$100 million out of the US$300 million Syndication Agreement availed in June 2021 and partly from the P5,000 million term loan availed in May 2021.

PAYMENT OF OTHER MATURING OBLIGATIONS

In 2021, the Group paid P18,686 million of maturing obligations funded by cash generated from operations.

Energy, Petron, Infrastructure, Packaging and other businesses paid a total of P7,293 million, P4,785 million, P3,778 million, P2,488 million and P342 million, respectively, of their maturing long-term debt.

ISSUANCE OF CAPITAL SECURITIES BY SUBSIDIARIES

Issuance of US$550 Million SPCS by Petron

On April 19, 2021, Petron issued US$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed in the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

Issuance of US$750 Million SPCS by San Miguel Global Power

On June 9, 2021, San Miguel Global Power issued US$600 million SPCS at an issue price of 100%, with an initial distribution rate of 5.45% per annum. The securities were listed in the SGX-ST on June 10, 2021.

On September 15, 2021, San Miguel Global Power issued US$150 million SPCS at an issue price of 100.125%, with an initial distribution rate of 5.45% per annum. The additional securities which were listed on the SGX-ST on September 16, 2021 were consolidated into single series with the securities issued in June 2021.

The net proceeds will be used primarily for the 1,313.1 MW Batangas Combined Cycle Power Plant and for general corporate purposes.

REDEMPTION OF PREFERRED SHARES BY SMC

Redemption of Series “2” Preferred Shares - Subseries “2-G”, Subseries “2-C” and Subseries “2-E” by SMC

On March 30 and September 21, 2021, SMC redeemed its outstanding 66,666,600 Subseries “2-G”, 255,559,400 Subseries “2-C” and 134,000,100 Subseries “2-E” Preferred Shares issued in March 2016, September 2012 and 2015, respectively. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries “2-G” Preferred Shares was approved by the BOD of SMC on March 11, 2021 while the redemption of Subseries “2-C” and Subseries “2-E” Preferred Shares was approved by the BOD of SMC on August 5, 2021.

The Subseries “2-G” Preferred Shares were redeemed using the proceeds of the US$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US$2,000 million.

The Subseries “2-C” and Subseries “2-E” Preferred Shares were redeemed from short-term loan availments.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

REDEMPTION OF SERIES 2B PREFERRED SHARES BY PETRON

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The Series 2B Preferred Shares were redeemed from short-term loan availments. The redemption was approved by the BOD of Petron on March 9, 2021.

REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 million Undated Subordinated Capital Securities (USCS) issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$300 million USCS were redeemed using part of the proceeds of the US$350 million SPCS issued on December 15, 2020.

C. **The following are the major developments in 2020:**

INVESTMENT IN SUBSIDIARIES

Merger of SMYPC with San Miguel Yamamura Asia Corporation (SMYAC)

On October 23 and December 20, 2019, the Plan of Merger and Articles of Merger, respectively, were executed by and between SMYPC and SMYAC, whereby the entire assets and liabilities of SMYAC were transferred to and absorbed by SMYPC, the surviving entity.

On February 24, 2020, the SEC approved the merger and the increase in the authorized capital stock of SMYPC. On the same date, the Certificate of Filing of the Articles and Plan of Merger were issued.

On March 1, 2020, the effective date of the merger, SMYPC issued 3,901,011 and 2,100,544 common shares to SMC and Nihon Yamamura Glass Co., Ltd. (NYG), respectively, for a total amount of P6,002 million as consideration for the net assets of SMYAC pursuant to the terms of the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of SMYPC. With the completion of the merger, SMC and NYG retained their respective ownership in SMYPC of 65% and 35%, respectively.

The merger of SMYPC and SMYAC is considered to be a business combination under common control. The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interest method.

The assets and liabilities of the combining entities are reflected in the consolidated statement of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination.

On November 15, 2021, the BIR issued Ruling No. S40M-426-2021 which confirmed the tax-free exchange of investment relative to the merger of SMYPC and SMYAC.

Consolidation of NCC

On June 12, 2020, the BOD and stockholders of NCC approved the amendment of the Articles of Incorporation of NCC relating to the reclassification of 194,000,000 common shares to Series “2” Preferred Shares, the option of the stockholders of the common shares to convert to Series “2” Preferred Shares and renaming the existing 3,000,000 preferred shares of NCC to Series “1” Preferred Shares. On August 6, 2020, the SEC approved the amendment of the Articles of Incorporation of NCC to reflect the amendments.

On August 24, 2020, the stockholders of NCC which collectively own 65% of the common shares, exercised the option to convert their common shares to a total of 194,000,000 Series “2” Preferred Shares. SMEII did not exercise its option to convert its common shares to Series “2” Preferred Shares. With the conversion of the common shares, SMEII gained control of NCC, exercising 100% of voting rights.

As a result, SMEII recognized its investment in NCC at fair market value and the net assets of NCC was consolidated to SMEII as at August 24, 2020. The fair valuation of the net assets and investment in NCC resulted to the recognition of a total gain of P1,657 million, included as part of “Other income (charges) - net” account, in the consolidated statements of income in 2020.

In 2020, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **SMC Tollways**

  On various dates in 2020, SMC Tollways availed of a total of P11,000 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks, to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate requirements and finance transaction related fees, taxes and expenses. The loan is payable in 40 quarterly installments up to December 14, 2029 and subject to fixed interest rate.

- **San Miguel Foods, Inc. (SMFI)**

  On various dates in April and May 2020, SMFI drew the remaining P8,000 million from the P18,000 million term loan facility for the purpose of refinancing its existing short-term loan obligations, to fund capital expansion projects and for other general corporate requirements. The loan is subject to a floating interest rate with a one-time option to convert to fixed rate. The loan is payable in ten years, in quarterly installments, which will commence in March 2023. The maturity date of the loan is on December 12, 2029.

- **Petron**
  On April 27, 2020, Petron availed of P5,000 million term loan which will be amortized quarterly for five years beginning July 27, 2021 and is subject to fixed interest rate. The maturity date of the loan is on April 27, 2025. The proceeds were used for general corporate purposes.

FOREIGN-CURRENCY DENOMINATED TERM LOANS

- **Petron**

  a) On August 26, 2020, Petron availed of US$150 million three-year long-term debt, subject to floating interest rate, that will mature on August 7, 2023. The proceeds were used to prepay part of US$1,000 million term loan facility and US$800 million loan.

  b) On April 22, 2020, Petron availed of JPY15,000 million term loan, subject to floating interest rate. Repayment of principal will be made in seven equal semi-annual amortization beginning March 27, 2022. The maturity date of the loan is on March 27, 2025. The proceeds were used to prepay part of US$1,000 million term loan facility.

- **MPPCL**

  On March 31, 2020, MPPCL drew US$43 million from the US$525 million Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335 MW (Unit 3 of Masinloc Power Plant) coal-fired power plant. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

- **SMC**

  On March 19, 2020, SMC drew US$1,950 million from the remainder of the term loan facility amounting to US$2,000 million for general corporate purposes. The loan is subject to floating interest rate and will mature on September 27, 2024.

ISSUANCE OF FIXED RATE PESO-DENOMINATED BONDS AND REDEMPTION OF PREFERRED SHARES BY SMFB

On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 million fixed rate bonds, consisting of five-year Series A Bonds due in 2025 and seven-year Series B Bonds due in 2027.

SMFB was able to issue P8,000 million and P7,000 million of the Series A and B Bonds, respectively, and these were listed on the PDEx on March 10, 2020.

The Series A and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively.

The proceeds were used to redeem the outstanding perpetual Series “2” Preferred Shares on March 12, 2020 and payment of transaction-related fees, costs and expenses. The redemption was approved by the BOD of SMFB on February 3, 2020.

PAYMENT OF FIXED RATE PESO-DENOMINATED NOTES BY SMC

On May 25, 2020, SMC paid the P10,000 million two-year fixed rate Peso-denominated notes issued on May 25, 2018.

The notes were paid from the proceeds of the US$1,950 million loan drawn in March 2020.

ISSUANCE OF PREFERRED SHARES AND CAPITAL SECURITIES BY SMC

Preferred Shares

Issuance of Series “2” Preferred Shares - 266,666,667 Subseries “2-J” and 183,904,900 Subseries “2-K” Preferred Shares by SMC

On October 29 and December 10, 2020, SMC issued and listed on the PSE 266,666,667 Subseries “2-J” Preferred Shares (inclusive of the oversubscription of 133,333,267 shares) and 183,904,900 Subseries “2-K” Preferred Shares (inclusive of the oversubscription of 50,571,500 shares) under the 533,333,334 Series “2” Shelf Registered Preferred Shares. The shares were issued at an offer price of P75.00 per share for a total amount of P33,793 million. Dividend rates for Subseries “2-J” and Subseries “2-K” Preferred Shares are 4.75% and 4.50% per annum, respectively. The net proceeds from issuance of the Subseries “2-J” Preferred Shares were used for the Infrastructure projects, particularly the MIA and MRT 7 Projects, while the net proceeds from the issuance of Subseries “2-K” Preferred Shares were used for investments in BOC and airport and airport related projects and for refinancing of existing obligations.

Capital Securities

Issuance of RPS by SMC

On various dates in June and July 2020, SMC issued a total of P14,810 million RPS at an issue price of 100%, with an initial distribution rate of 5% per annum.

On September 29 and October 19, 2020, SMC purchased and cancelled a total of P10,810 million RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by SMC to purchase the RPS. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

The net proceeds were used for general corporate requirements.

Issuance of US$500 Million SPCS by SMC

On July 29, 2020, SMC issued US$500 million SPCS at an issue price of 100%, with an initial distribution rate of 5.5% per annum. The securities were issued under SMC's US$3,000 Million Medium Term Note and Securities Programme. The net proceeds were used to finance investments and various projects, to refinance existing obligations, and for general corporate purposes.

ISSUANCE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On various dates in 2020, San Miguel Global Power issued and listed on the SGX-ST SPCS for a total amount of US$1,350 million. These are as follows:

AMOUNT	ISSUANCE/ LISTING DATE	ISSUE PRICE	DISTRIBUTION RATE	USE OF PROCEEDS
US$600 million	Issued January 21, 2020; Listed January 22, 2020	100%	5.7%	For the funding requirements of the development and completion of the BESS Projects and for general corporate purposes.
US$400 million (“Original Securities”)*	Issued October 21, 2020; Listed October 22, 2020	100%	7.0%	For capital expenditures and investments in LNG facilities and related assets, for the refinancing of expiring commitments whether debt or perpetual securities, and for general corporate purposes.
US$350 million (“Additional Securities”)*	Issued December 15, 2020; Listed December 16, 2020	102.457%	7.0%	For the repurchase, refinancing and/or redemption of existing USCS, for investments in LNG facilities and related assets, or for general corporate purposes.

** The Additional Securities are consolidated into and form a single series with the Original Securities, bringing the total securities to US$750 million.*

REDEMPTION OF PREFERRED SHARES BY SMC

As approved by the BOD on March 12, 2020 and August 6, 2020, SMC redeemed on April 14, 2020 and September 21, 2020 all the outstanding 279,406,667 Series “1” Preferred Shares and 89,333,400 Subseries “2-D” Preferred Shares, respectively, at a redemption price of P75.00 per share, plus any accumulated unpaid cash dividends. SMC paid a total of P27,656 million to the holders of Series “1” Preferred Shares and Subseries “2-D” Preferred Shares.

The Subseries “1” Preferred Shares and Subseries “2-D” Preferred Shares were redeemed using the proceeds of the US$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US$2,000 million.

The redeemed shares were not considered retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the said shares is merely suspended until re-issued by SMC, upon the approval with the PSE of the application for lifting of trading suspension in accordance with the listing rules.

PAYMENT OF OTHER MATURING OBLIGATIONS

In 2020, the Group paid P34,898 million of maturing obligations funded by cash generated from operations.

Petron, Infrastructure, Energy, SMC, GSMI and other businesses paid a total of P15,555 million, P6,794 million, P6,262 million, P4,148 million, P882 million and P1,257 million, respectively, of their maturing long-term debt.

D. MATERIAL CHANGES PER LINE OF ACCOUNT

2022 vs. 2021

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	**2022**	2021
Cash and cash equivalents	**P318,214**	P300,030	P18,184	6%	**13%**	15%
Trade and other receivables - net	**238,782**	161,808	76,974	48%	**10%**	8%
Inventories	**190,193**	141,209	48,984	35%	**8%**	7%
Current portion of biological assets - net	**3,418**	3,106	312	10%	**0%**	0%
Prepaid expenses and other current assets	**133,691**	108,689	25,002	23%	**6%**	5%
Total Current Assets	**884,298**	714,842	169,456	24%	**37%**	35%
Investments and advances - net	**32,523**	55,002	(22,479)	(41%)	**1%**	3%
Investments in equity and debt instruments	**18,921**	41,966	(23,045)	(55%)	**1%**	2%
Property, plant and equipment - net	**708,192**	567,609	140,583	25%	**30%**	28%
Right-of-use assets - net	**112,067**	163,364	(51,297)	(31%)	**5%**	8%
Investment property - net	**74,660**	69,825	4,835	7%	**3%**	3%
Biological assets - net of current portion	**2,671**	2,244	427	19%	**0%**	0%
Goodwill - net	**184,100**	130,081	54,019	42%	**8%**	6%
Other intangible assets - net	**249,321**	190,979	58,342	31%	**10%**	9%
Deferred tax assets	**22,554**	17,141	5,413	32%	**1%**	1%
Other noncurrent assets - net	**102,518**	98,600	3,918	4%	**4%**	5%
Total Noncurrent Assets	**1,507,527**	1,336,811	170,716	13%	**63%**	65%
Total Assets	**P2,391,825**	P2,051,653	P340,172	17%	**100%**	100%
Loans payable	**P267,704**	P190,779	P76,925	40%	**11%**	9%
Accounts payable and accrued expenses	**227,126**	194,579	32,547	17%	**9%**	10%
Lease liabilities - current portion	**21,020**	23,423	(2,403)	(10%)	**1%**	1%
Income and other taxes payable	**37,694**	23,102	14,592	63%	**2%**	1%
Dividends payable	**4,037**	4,296	(259)	(6%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**170,032**	88,857	81,175	91%	**7%**	4%
Total Current Liabilities	**727,613**	525,036	202,577	39%	**30%**	25%

__Forward__

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	**2022**	2021
Long-term debt - net of current maturities and debt issue costs	**P918,164**	P725,108	P193,056	27%	**39%**	35%
Lease liabilities - net of current portion	**54,455**	71,569	(17,114)	(24%)	**2%**	4%
Deferred tax liabilities	**26,297**	28,742	(2,445)	(9%)	**1%**	1%
Other noncurrent liabilities	**26,144**	19,959	6,185	31%	**1%**	2%
Total Noncurrent Liabilities	**1,025,060**	845,378	179,682	21%	**43%**	42%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**0%**	0%
Additional paid-in capital	**177,719**	177,719	-	0%	**7%**	9%
Capital securities	**24,211**	28,171	(3,960)	(14%)	**1%**	1%
Equity reserves	**12,753**	14,136	(1,383)	(10%)	**1%**	1%
Retained earnings:						
Appropriated	**71,004**	66,630	4,374	7%	**3%**	3%
Unappropriated	**129,239**	157,707	(28,468)	(18%)	**6%**	8%
Treasury stock	**(156,763)**	(144,363)	(12,400)	(9%)	**(7%)**	(7%)
Equity Attributable to Equity Holders of the Parent Company	**284,793**	326,630	(41,837)	(13%)	**12%**	16%
Non-controlling Interests	**354,359**	354,609	(250)	(0%)	**15%**	17%
Total Equity	**639,152**	681,239	(42,087)	(6%)	**27%**	33%
Total Liabilities and Equity	**P2,391,825**	P2,051,653	P340,172	17%	**100%**	100%

Consolidated total assets as at December 31, 2022 amounted to P2,391,825 million, P340,172 million higher than December 31, 2021. The increase was primarily due to the higher balance of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P18,184 million was mainly due to net proceeds from short-term loans and long-term debt, redemption of investment in equity securities and collection of advances for investments. This was partly offset by the capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, acquisition of subsidiaries, payment of lease liabilities and dividends and distributions and repurchase and redemption of equity and capital securities.

The increase in trade and other receivables - net by P76,974 million was mainly attributable to higher trade customer balances from: (a) the Energy business on account of higher average realization prices driven by higher coal prices and overall spot market rates; and (b) Petron brought about by the increase in prices of fuel products.

The increase in inventories by P48,984 million was mainly due to the: (a) higher prices of both crude oil and finished products coupled with higher volume of finished products of Petron; (b) higher prices of imported raw materials and higher level of finished goods relative to increase in demand and prices of the Food division under the Food and Beverage business; and (c) higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P739 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P25,002 million was primarily due to the: (a) higher input taxes of the Energy business from vatable purchases for the period; (b) additional restricted cash funding by the Energy and Infrastructure businesses for the payment of long-term debt; and (c) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron.

The decrease in investments and advances - net by P22,479 million mainly represents the collection of advances for investment to Bryce Canyon Investments Limited in accordance with an investment agreement executed in 2016 for the sale and purchase of assets as defined in the agreement. In December 2022, the agreement was terminated as agreed by both parties.

The decrease in investments in equity and debt instruments by P23,045 million mainly represents the redemption of SMC's investments in preferred stocks of Top Frontier partly offset by the investment in debt securities under investment agreement with BOC by SMB, GSMI and Petrogen.

The increase in property, plant and equipment-net by P140,583 million and the decrease in right-of-use assets-net of P51,297 million were mainly due to the reclassification by SPPC of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) and subsequent acquisition in June 2022, including directly attributable costs. The increase in property, plant and equipment-net was also due to the consolidation of the cement plant and properties of ECC, the costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions under the Food and Beverage business.

The increase in investment property - net by P4,835 million was mainly due to the acquisition of a property in Mandaluyong by SMPI, reclassification of properties from property, plant and equipment due to change in use and acquisition of various properties in Bulacan.

The increase in goodwill - net by P54,019 million mainly represents the goodwill recognized as a result of the consolidation of ECC.

The increase in other intangible assets - net by P58,342 million was mainly due to the: (a) additions to concession rights for the MIA Project and for the various ongoing Infrastructure projects; and (b) the mining rights recognized upon the consolidation of ECC. The increase was partly offset by the total amortization for the period.

The increase in deferred tax assets by P5,413 million was mainly due to: (a) the recognition by SMC and San Miguel Global Power of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign-currency denominated long-term debt; and (b) the recognition by SMC of deferred tax on the remeasurement of its retirement plan assets.

The increase in loans payable by P76,925 million was mainly due to the net availments by Petron and Food Group for working capital requirements and San Miguel Global Power to partly finance the payment of Series H Bonds in April 2022 and for general corporate requirements.

The increase in accounts payable and accrued expenses by P32,547 million was mainly due to: (a) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects; (b) higher coal purchases of the Energy business on account of the surge in coal prices; and (c) consolidation of the balances of ECC.

The increase in income and other taxes payable by P14,592 million was mainly due to higher Value-Added Tax (VAT) and withholding tax payable of the Energy business and higher excise tax liability of Petron Philippines.

The decrease in dividends payable by P259 million was mainly due to payment to preferred shareholders of Petron for dividends which was declared in 2021.

The increase in total long-term debt, net of debt issue costs, by P274,231 million was primarily due to the: (a) issuance of P90,000 million and P40,000 million fixed rate Peso-denominated bonds by SMC and San Miguel Global Power, respectively; (b) the availment by the Group of various foreign and Peso term loans; and (c) the revaluation of foreign-currency denominated loans by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds by SMC, San Miguel Global Power, SMC SLEX and SMB and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P19,517 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized for the period by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,445 million was mainly attributable to the recognition of deferred tax benefit on NOLCO by the Energy business partly offset by the deferred tax liability recognized from the differences in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P6,185 million was mainly due to increase in retention payable for: (a) the Mariveles Power Plant and BESS Projects of the Energy business and (b) the land development works for the MIA Project and the increase in retirement liabilities of SMB and SMC as a result of the higher actuarial loss on defined benefit obligation and remeasurement loss on retirement plan assets, respectively.

The decrease in the balance of capital securities by P3,960 million represents the RPS of SMC issued to ECC in 2020 which was eliminated upon consolidation of ECC in 2022.

The decrease in equity reserves by P1,383 million was mainly due to the remeasurement loss on the retirement plan assets of SMC, SMB and Petron partly offset by the gain on exchange differences on the translation of foreign operations for the year.

The increase in appropriated retained earnings by P4,374 million was due to the appropriations by: (a) Multi-Ventures Investment Holdings, Inc. for the expansion projects located in Cavite; and (b) SMC Shipping and Lighterage Corporation (SMCSLC) for the acquisition of new bulk carriers and vessel. The increase was partly offset by the reversal of appropriation for the final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant in June 2022.

The decrease in unappropriated retained earnings by P28,468 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends declared and distributions and the net reversal of appropriations for the period.

The increase in treasury stock by P12,400 million mainly represents the redemption by SMC of the Subseries "2-H" Preferred Shares.

2021 vs. 2020

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	2020	Amount	%	**2021**	2020
Cash and cash equivalents	**P300,030**	P347,209	(P47,179)	(14%)	**15%**	18%
Trade and other receivables - net	**161,808**	124,369	37,439	30%	**8%**	7%
Inventories	**141,209**	102,822	38,387	37%	**7%**	5%
Current portion of biological assets - net	**3,106**	3,401	(295)	(9%)	**0%**	0%
Prepaid expenses and other current assets	**108,689**	94,610	14,079	15%	**5%**	5%
Total Current Assets	**714,842**	672,411	42,431	6%	**35%**	35%
Investments and advances - net	**55,002**	50,495	4,507	9%	**3%**	3%
Investments in equity and debt instruments	**41,966**	41,766	200	0%	**2%**	2%
Property, plant and equipment - net	**567,609**	511,624	55,985	11%	**28%**	27%
Right-of-use assets - net	**163,364**	169,208	(5,844)	(3%)	**8%**	9%
Investment property - net	**69,825**	60,678	9,147	15%	**3%**	3%
Biological assets - net of current portion	**2,244**	2,352	(108)	(5%)	**0%**	0%
Goodwill	**130,081**	129,733	348	0%	**6%**	7%
Other intangible assets - net	**190,979**	169,532	21,447	13%	**9%**	9%
Deferred tax assets	**17,141**	20,946	(3,805)	(18%)	**1%**	1%
Other noncurrent assets - net	**98,600**	83,462	15,138	18%	**5%**	4%
Total Noncurrent Assets	**1,336,811**	1,239,796	97,015	8%	**65%**	65%
Total Assets	**P2,051,653**	P1,912,207	P139,446	7%	**100%**	100%
Loans payable	**P190,779**	P140,645	P50,134	36%	**9%**	8%
Accounts payable and accrued expenses	**194,579**	153,249	41,330	27%	**10%**	8%
Lease liabilities - current portion	**23,423**	25,759	(2,336)	(9%)	**1%**	1%
Income and other taxes payable	**23,102**	20,998	2,104	10%	**1%**	1%
Dividends payable	**4,296**	4,231	65	2%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**88,857**	74,502	14,355	19%	**4%**	4%
Total Current Liabilities	**525,036**	419,384	105,652	25%	**25%**	22%

Forward

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	2020	Amount	%	**2021**	2020
Long-term debt - net of current maturities and debt issue costs	**P725,108**	P692,407	P32,701	5%	**35%**	36%
Lease liabilities - net of current portion	**71,569**	91,278	(19,709)	(22%)	**4%**	5%
Deferred tax liabilities	**28,742**	27,749	993	4%	**1%**	2%
Other noncurrent liabilities	**19,959**	26,301	(6,342)	(24%)	**2%**	1%
Total Noncurrent Liabilities	**845,378**	837,735	7,643	1%	**42%**	44%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**0%**	1%
Additional paid-in capital	**177,719**	177,719	-	0%	**9%**	9%
Capital securities	**28,171**	28,171	-	0%	**1%**	1%
Equity reserves	**14,136**	10,131	4,005	40%	**1%**	1%
Retained earnings:						
Appropriated	**66,630**	60,155	6,475	11%	**3%**	3%
Unappropriated	**157,707**	162,204	(4,497)	(3%)	**8%**	8%
Treasury stock	**(144,363)**	(110,146)	(34,217)	(31%)	**(7%)**	(6%)
Equity Attributable to Equity Holders of the Parent Company	**326,630**	354,864	(28,234)	(8%)	**16%**	18%
Non-controlling Interests	**354,609**	300,224	54,385	18%	**17%**	16%
Total Equity	**681,239**	655,088	26,151	4%	**33%**	34%
Total Liabilities and Equity	**P2,051,653**	P1,912,207	P139,446	7%	**100%**	100%

Consolidated total assets as at December 31, 2021 amounted to P2,051,653 million, P139,446 million higher than December 31, 2020. The increase was primarily due to the higher balance of trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in cash and cash equivalents.

The decrease in cash and cash equivalents by P47,179 million was mainly due to capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, payment of lease liabilities and dividends and distributions and the redemption of equity securities. This was partly offset by the cash generated from operations and net proceeds from short-term loans, long-term debt and issuance of capital securities.

The increase in trade and other receivables - net by P37,439 million was mainly attributable to the higher trade customer balances of Petron and the Energy business and higher receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia.

The increase in inventories by P38,387 million was mainly due to the: (a) higher prices of crude oil and finished products of Petron; (b) increase in prices of imported raw material purchases by the Feeds and Flour segments of the Food division under the Food and Beverage business; and (c) higher average cost of coal inventory by the Energy business.

The decrease in total biological assets by P403 million was due to lower cost of poultry and retirement of breeding stocks.

The increase in prepaid expenses and other current assets by P14,079 million was primarily due to the: (a) additional restricted cash funding for the payment of contractors and long-term debt of Infrastructure and Energy businesses; (b) higher input taxes from the ongoing projects of the Energy and Infrastructure businesses, and (c) higher advances to suppliers of coal by the Energy business.

The increase in investments and advances - net by P4,507 million was mainly due to the advances for investment by SMC, San Miguel Global Power and SMEII.

The increase in property, plant and equipment - net by P55,985 million was mainly due to costs of the: (a) ongoing projects of the Energy and Cement businesses, Petron and the Food and Beer and NAB divisions under the Food and Beverage business. This was partly offset by the depreciation in 2021.

The increase in investment property - net by P9,147 million was mainly due to the acquisition of various properties by SMPI and SMHC.

The increase in other intangible assets - net by P21,447 million was mainly due to the costs of the various ongoing projects of the Infrastructure business net of amortization in 2021.

The decrease in deferred tax assets by P3,805 million was mainly due to the lower income tax rates on NOLCO, allowance for impairment of receivables and inventory losses, unrealized gross profit and foreign exchange losses as a result of the implementation of CREATE Act.

The increase in other noncurrent assets - net by P15,138 million was due to the advances to contractors and suppliers for the ongoing projects of the Energy business and capitalized expenditures, including revaluations for the MRT 7 Project of the Infrastructure business. This was partly offset by the reduction in MPPCL's restricted cash used for payment of loan and interests and suppliers and contractors.

The increase in loans payable by P50,134 million was mainly due to the net availments by SMC and Petron for general corporate purposes, net of payments made by SMFB and SMCSLC.

The increase in accounts payable and accrued expenses by P41,330 million was mainly due to Petron’s higher liabilities for crude oil and petroleum products on account of the increase in prices as at end of 2021 versus end of 2020, and additional payable to contractors for the ongoing projects of the Energy business.

The increase in income and other taxes payable by P2,104 million was mainly due to higher VAT payable of the Energy business, and higher excise tax liability and withholding taxes payable of Petron Philippines.

The increase in total long-term debt, net of debt issue costs, by P47,056 million was due to the availments made by SMC, SMC Tollways, PF Hormel, NCC and SCII and the revaluation of foreign currency-denominated loans. This was partly offset by the payments of Petron, the Infrastructure, Packaging and Energy businesses.

The decrease in total lease liabilities, by P22,045 million was primarily due to the payments made to PSALM by the Energy business’ entities under the IPPA Agreements.

The decrease in other noncurrent liabilities by P6,342 million mainly pertains to the payment by Keen Value Investments Limited of its noncurrent liability to a related party.

The increase in equity reserves by P4,005 million was mainly due to the gain on exchange differences on the translation of foreign operations in 2021 resulting from the depreciation of Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P6,475 million was mainly due to the appropriation for the period by: (a) SSHCI to fund the construction of the SLEX - TR4 Project, (b) SMC SLEX for funding of capital expenditures, (c) Magnolia, Inc. to fund its Butter, Margarine and Cheese Plant expansion projects, and (d) San Roque Hydropower Inc. [SRHI; formerly Strategic Power Devt. Corp.] for fixed monthly payments to PSALM. This was partly offset by the reversal of appropriations of Petron for capital projects that were already completed and SPPC for the portion of paid fixed monthly payments to PSALM.

The increase in treasury stock by P34,217 million represents the redemption by SMC of the Subseries “2-G”, Subseries “2-C” and Subseries “2-E” Preferred Shares.

The increase in NCI by P54,385 million was mainly due to the (a) issuance of US$750 million and US$550 million SPCS by San Miguel Global Power and Petron, respectively, and (b) share of NCI on the Group's net income. This was partly offset by the share of NCI on cash dividends and distributions declared and the redemption by San Miguel Global Power of its US$300 million USCS and by Petron of its Series 2B Preferred Shares.

2020 vs. 2019

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2020	2019	Amount	%	**2020**	2019
Cash and cash equivalents	**P347,209**	P286,457	P60,752	21%	**18%**	16%
Trade and other receivables - net	**124,369**	136,488	(12,119)	(9%)	**7%**	7%
Inventories	**102,822**	127,463	(24,641)	(19%)	**5%**	7%
Current portion of biological assets - net	**3,401**	4,151	(750)	(18%)	**0%**	0%
Prepaid expenses and other current assets	**94,610**	86,585	8,025	9%	**5%**	5%
Total Current Assets	**672,411**	641,144	31,267	5%	**35%**	35%
Investments and advances - net	**50,495**	52,861	(2,366)	(4%)	**3%**	3%
Investments in equity and debt instruments	**41,766**	42,055	(289)	(1%)	**2%**	2%
Property, plant and equipment - net	**511,624**	463,614	48,010	10%	**27%**	26%
Right-of-use assets - net	**169,208**	173,604	(4,396)	(3%)	**9%**	10%
Investment property - net	**60,678**	51,779	8,899	17%	**3%**	3%
Biological assets - net of current portion	**2,352**	2,808	(456)	(16%)	**0%**	0%
Goodwill	**129,733**	130,073	(340)	(0%)	**7%**	7%
Other intangible assets - net	**169,532**	149,014	20,518	14%	**9%**	8%
Deferred tax assets	**20,946**	18,052	2,894	16%	**1%**	1%
Other noncurrent assets - net	**83,462**	92,730	(9,268)	(10%)	**4%**	5%
Total Noncurrent Assets	**1,239,796**	1,176,590	63,206	5%	**65%**	65%
Total Assets	**P1,912,207**	P1,817,734	P94,473	5%	**100%**	100%

Forward

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2020	2019	Amount	%	**2020**	2019
Loans payable	**P140,645**	P169,492	(P28,847)	(17%)	8%	9%
Accounts payable and accrued expenses	**153,249**	176,037	(22,788)	(13%)	**8%**	10%
Lease liabilities - current portion	**25,759**	24,979	780	3%	**1%**	1%
Income and other taxes payable	**20,998**	21,185	(187)	(1%)	**1%**	1%
Dividends payable	**4,231**	4,116	115	3%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**74,502**	43,808	30,694	70%	**4%**	3%
Total Current Liabilities	**419,384**	439,617	(20,233)	(5%)	**22%**	24%
Long-term debt - net of current maturities and debt issue costs	**692,407**	638,996	53,411	8%	36%	35%
Lease liabilities - net of current portion	**91,278**	117,269	(25,991)	(22%)	**5%**	7%
Deferred tax liabilities	**27,749**	25,265	2,484	10%	**2%**	1%
Other noncurrent liabilities	**26,301**	22,192	4,109	19%	**1%**	1%
Total Noncurrent Liabilities	**837,735**	803,722	34,013	4%	**44%**	44%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**1%**	1%
Additional paid-in capital	**177,719**	177,938	(219)	(0%)	**9%**	10%
Capital securities	**28,171**	-	28,171	-	**1%**	0%
Equity reserves	**10,131**	14,390	(4,259)	(30%)	**1%**	1%
Retained earnings:						
Appropriated	**60,155**	56,689	3,466	6%	**3%**	3%
Unappropriated	**162,204**	173,092	(10,888)	(6%)	**8%**	9%
Treasury stock	**(110,146)**	(116,283)	6,137	5%	**(6%)**	(6%)
Equity Attributable to Equity Holders of the Parent Company	**354,864**	332,456	22,408	7%	**18%**	19%
Non-controlling Interests	**300,224**	241,939	58,285	24%	**16%**	13%
Total Equity	**655,088**	574,395	80,693	14%	**34%**	32%
Total Liabilities and Equity	**P1,912,207**	P1,817,734	P94,473	5%	**100%**	100%

Consolidated total assets as at December 31, 2020 amounted to about P1,912,207 million, P94,473 million or 5% higher than December 31, 2019. The increase was primarily due to the higher balance of cash and cash equivalents, property, plant and equipment and other intangible assets. This was partly offset by the decrease in inventories and trade and other receivables.

The increase in cash and cash equivalents by P60,752 million was mainly due to the: (a) net proceeds from the issuance by SMC of US$1,950 million long-term corporate notes and preferred shares (Subseries “2-J” and Subseries “2-K” Preferred Shares), and (b) issuance by SMC and San Miguel Global Power of US$500 million and US$1,350 million SPCS, respectively. The increase was reduced by the: (a) funding of the various capital expenditures of the Group, (b) payment of long-term debt and short-term loans by the Group, and (c) redemption of Series “1” Preferred Shares and Subseries “2-D” Preferred Shares by SMC.

The decrease in trade and other receivables - net by P12,119 million was mainly due to lower trade customer balances of Petron attributable to lower fuel prices and drop in sales volume.

The decrease in inventories by P24,641 million was attributable mainly to lower prices and volume of both crude oil and finished products of Petron Philippines and Petron Malaysia.

The decrease in total biological assets by P1,206 million was mainly due to the closure of some farms affected by the ASF.

The increase in prepaid expenses and other current assets by P8,025 million was primarily due to: (a) higher specific tax and product replenishment claims and unused creditable withholding taxes by Petron; (b) increase in input taxes by Universal Power Solutions, Inc. related to the importations of equipment for the BESS Projects; and (c) receipt by SMC of TCC issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light.

The increase in property, plant and equipment-net by P48,010 million was mainly due to the: (a) ongoing projects of the Energy business, the Food and Beer and NAB divisions under the Food and Beverage business; and (b) various fixed asset purchases by Petron.

The increase in investment property - net by P8,899 million was mainly due to the acquisition of: (a) land in Pandacan, Manila by SMHC; (b) various properties by SMPI; and (c) various properties in Bulacan.

The increase in other intangible assets - net by P20,518 million was mainly due to the costs of various projects of the Infrastructure business, net of amortization for 2020, and the mineral rights recognized upon consolidation of NCC.

The increase in deferred tax assets by P2,894 million was mainly due to the recognition of deferred tax on NOLCO by Petron and SMYPC.

The decrease in other noncurrent assets - net by P9,268 million was due to the: (a) application of advances to contractors on progress billings by SMC Skyway Stage 3 Corporation (MMSS3, formerly Citra Central Expressway Corp.) and Mariveles Power Generation Corporation (MPGC) for the Skyway Stage 3 Project and Mariveles Power Plant Project, respectively; (b) reclassification from noncurrent to current assets of subsidy receivable due for collection in 2021 by SMCTC, (c) reclassification to debt issue costs of the loan facilitation fees and other filing and agency fees on loan facilities entered in 2019 by SMC, and (d) decrease in restricted cash balance of MPPCL.

The decrease in loans payable by P28,847 million was mainly due to the net payment of loans made by SMC and refinancing of short-term loans to long-term debt by the Food division under the Food and Beverage business and Packaging business.

The decrease in accounts payable and accrued expenses by P22,788 million was mainly due to lower liabilities for crude oil and petroleum products primarily from the drop in prices as at end of 2020 versus end of 2019 and lower outstanding liabilities to contractors and vendors for services purchased by Petron. The decrease was partly offset by the additional payables recognized for the construction of Mariveles Power Plant.

The increase in total long-term debt, net of debt issue costs, by P84,105 million was due mainly to the: (a) issuance of US$1,950 million corporate notes by SMC; (b) issuance of P15,000 million fixed rate Peso-denominated bonds by SMFB; and (c) availment by the Group of long-term debt. The increase was offset by the payment of maturing obligations and translation adjustments on the foreign currency-denominated loans.

The increase in deferred tax liabilities by P2,484 million was due to the higher deferred tax liability recognized by the Energy business arising from the differences in actual PSALM payments over finance lease liability-related expenses, offset by the recognition of deferred tax on NOLCO for 2020 by Petron.

The decrease in total lease liabilities by P25,211 million was primarily due to the payments made to PSALM by the Energy business entities under the IPPA Agreements.

The increase in other noncurrent liabilities by P4,109 million was mainly due to the: (a) recognition by MPGC of retention payable related to the ongoing Mariveles Power Plant Project, (b) remeasurement by Petron of asset retirement obligation, and (c) increase in derivative liability of SMC due to fair valuation and foreign exchange translation.

The balance of capital securities in 2020 amounting to P28,171 million pertains to the US$500 million SPCS and P4,000 million RPS issued by SMC, net of documentary stamp taxes and other expenses directly related to the issuances.

The decrease in equity reserves by P4,259 million pertains mainly to the currency translation adjustments for 2020 resulting from the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P3,466 million was due to additional appropriation by: (a) SMB for the Series G Bond which will mature in 2021; (b) SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) for the SLEX Elevated Extension Project, and (c) SMCSLC for various expansion projects. The increase was partly offset by the reversals made by SPPC and SRHI for the portion of paid fixed monthly payments to PSALM.

The decrease in unappropriated retained earnings by P10,888 million was mainly due to the dividends declared and distributions paid by SMC.

The decrease in treasury stock by P6,137 million represents the issuance by SMC of the Subseries “2-J” and Subseries “2-K” Preferred Shares, reduced by the redemption by SMC of the Series “1” Preferred Shares and Subseries “2-D” Preferred Shares.

The increase in NCI by P58,285 million was mainly due to the: (a) issuance of SPCS by San Miguel Global Power, (b) consolidation of NCC through SMEII effective August 12, 2020, (c) issuance of RPS by SMEII on July 1, 2020, and (d) share of NCI on the Group's net income. This was partly offset by the: (a) redemption of Series "2" Preferred Shares by SMFB, and (b) share of NCI on cash dividends and distributions declared and currency translation adjustments for 2020.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2022	2021	2020
		(In Millions)	
Net cash flows provided by (used in) operating activities	**(P12,393)**	P50,138	P52,932
Net cash flows used in investing activities	**(201,528)**	(127,572)	(84,707)
Net cash flows provided by financing activities	**224,298**	21,096	101,979

Net cash flows from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others. Net cash flows used in operations in 2022 basically consists of increase in noncash current assets mainly trade receivables and finished goods and raw materials inventory, changes in certain current liabilities and others partly offset by cash generated from operations for the year.

Net cash flows provided by (used in) investing activities are as follows:

	December 31		
	2022	2021	2020
		(In Millions)	
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**(P97,204)**	P -	P -
Additions to property, plant and equipment	**(75,986)**	(74,421)	(60,629)
Additions to intangible assets	**(58,162)**	(26,007)	(16,618)
Additions to investments in equity and debt instruments	**(12,937)**	(6,101)	(70)
Additions to advances to contractors and suppliers	**(11,449)**	(16,067)	(4,855)
Decrease (increase) in other noncurrent assets and others	**(6,330)**	(7,053)	358
Additions to investment property	**(4,415)**	(6,546)	(8,711)
Additions to investments and advances	**(2,432)**	(5,223)	(4,001)
Proceeds from the redemption and disposal of investments in equity and debt instruments	**35,454**	6,509	108
Collection of advances for investments	**22,870**	-	-
Interest received	**5,973**	3,313	6,402
Dividends received	**2,452**	2,674	1,344
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	**385**	-	-
Proceeds from sale of property and equipment	**253**	1,350	912
Cash and cash equivalents of a consolidated subsidiary	-	-	1,053

Net cash flows provided by (used in) financing activities are as follows:

	December 31		
	2022	2021	2020
		(In Millions)	
Net proceeds from long-term borrowings	**P237,503**	P27,358	P101,524
Net proceeds from (payments of) short-term borrowings	**74,582**	49,599	(28,588)
Cash dividends and distributions paid	**(42,123)**	(39,310)	(31,508)
Payments of lease liabilities	**(26,031)**	(26,151)	(24,825)
Redemption of preferred shares	**(12,300)**	(34,217)	(27,656)
Repurchase and redemption of capital securities and preferred shares of subsidiaries	**(4,703)**	(17,459)	(15,000)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	**(2,630)**	(623)	(1,526)
Net proceeds from issuance of capital securities and preferred shares of subsidiaries	**-**	61,899	67,799
Proceeds from reissuance of treasury shares	**-**	-	33,588
Net proceeds from issuance of capital securities	**-**	-	28,171

The effect of exchange rate changes on cash and cash equivalents amounted to P7,807 million, P9,159 million and (P9,452) million in 2022, 2021 and 2020, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 million in 2022, 2021 and 2020, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Items I "Financial Performance" and II "Financial Position" of the MD&A for the discussion of certain Key Performance Indicators.

	December 31	
	2022	2021
Liquidity:		
Current Ratio	**1.22**	1.36
Quick Ratio	**0.77**	0.88
Solvency:		
Debt to Equity Ratio	**2.74**	2.01
Asset to Equity Ratio	**3.74**	3.01
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(4.24%)**	4.09%
Interest Rate Coverage Ratio	**1.66**	2.34
Return on Assets	**1.20%**	2.43%
Operating Efficiency:		
Volume Growth	**20%**	4%
Revenue Growth	**60%**	30%
Operating Margin	**9%**	13%

The manner by which the Group calculates the key performance indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets - Inventories - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$

KPI	Formula
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) -1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) -1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VI. OTHER MATTERS

- Commitments

  The outstanding purchase commitments of the Group amounted to P266,580 million as at December 31, 2022.

  These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position, Financial Performance and Cash Flows.

- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2022.

- There are no significant elements of income or loss that did not arise from continuing operations.

- Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.