COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

Atty. Mary Rose S. Tan
Contact Person

(632) 632-3000
Company Telephone Number

1	2		3	1

Month / Day

SEC FORM

		1	7	-	A		

FORM TYPE

2nd Tuesday of June

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

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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, 2021**

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, 2021)
Common Shares	2,383,896,588
Series "2-F" Preferred Shares	223,333,500
Series "2-H" Preferred Shares	164,000,000
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	3,391,135,055
Total Liabilities	**Php1,370,414 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 377,080,088 voting shares held by non-affiliates of the Company as of December 31, 2021 is Php43,326,502,111.20 (based on the closing price as of December 31, 2021 of Php114.90 per share. The aggregate market value of the 381,018,051 voting shares held by non-affiliates of the Company as of March 31, 2022 is Php41,911,985,610.00 (based on the closing price as of March 31, 2022 of Php110.00 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 4.9% of the Philippine gross domestic product in 2021.

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 45,614 regular employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2021. 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"), Fuso Machine & Mold Mfg. Co. Ltd. ("Fuso") and Can Pack S.A. ("Can Pack") 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* and *Purefoods Tender Juicy*, for 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, Cerveza Negra*, *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), as well as *Cali*, a sparkling malt-based non-alcoholic drink.

San Miguel Brewing International Limited and its subsidiaries ("SMBIL") also offer the *San Miguel Pale Pilsen, San Mig Light, Red Horse, San Miguel Cerveza Negra* and *San*

Miguel Cerveza Blanca brands in managed countries, which are also available in more than seventy (70) markets worldwide. In addition to the San Miguel brands, SMBIL's portfolio also includes locally available brands: *Valor* and *Blue Ice* (Hong Kong), *Dragon* (South China), *W1N Bia* (Vietnam) and *Anker* and *Kuda Putih* (Indonesia).

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 96% of GSMI's total revenues. The other products that complete the liquor business of GSMI comprise about 4% 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 and Hong Kong, Canada and the United States as well as in Vietnam, 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 and in Thailand through GSMI's joint venture with Thai Life Group of Companies via Thai Ginebra Trading Company Limited.

With the onset of the 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 meats, 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, jelly-based snacks and desserts, specialty oils, salad aids, flour mixes, and coffee and coffee-related 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, franchising, 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 oils, and coffee. Purefoods-Hormel is a 60:40 joint venture with Hormel Netherlands, B.V., which was entered into in 1998 that 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 shareholder 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, seafood lines and meat free products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, Star, Higante, Purefoods Beefies, Vida, Purefoods Nuggets and Veega*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads, ready-to-eat viands and tuna, are sold under the *Purefoods, Star, Ulam King* and *Delmar* 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. Magnolia rationalized its jelly-based snacks, biscuits, and cooking oil product lines during the year as it streamlined its product portfolio. 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 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.

   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 and coffee-related products 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.

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 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, franchising 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, fresh meats, poultry, dairy, oil, 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 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, 2021:

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 Ltd. 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 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 Corp., 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 holds 18 international packaging companies, particularly, located in China (glass, plastic, and paper 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. SMYPC formed CAI, a joint venture with Can Pack, for the modernization of the two-piece aluminum can manufacturing business. Utilizing the know-how and technologies of Can Pack Group 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.

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 non-alcoholic beverages in PET and two-piece aluminum cans. The business also expanded its capability to include retort process to serve coffee, milk, and chocolate drinks and glass filling.

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, 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, 2021:

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, Cospak Limited, SMYV Pty Ltd, SMYB Pty Ltd, SMYP Pty Ltd, 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 SMC Global Power Holdings Corp. ("SMC Global Power"), together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,714 MW of combined capacity as of December 31, 2021. SMC Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and most recently, the 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, the 1200 MW Ilijan Natural Gas Fired Combined Cycle Power Plant in Ilijan, Batangas, and the 345 MW San Roque Multipurpose Hydroelectric Power Plant in San Manuel, Pangasinan, the output of which are being administered by San Miguel Energy Corporation ("SMEC"), South Premiere Power Corp. ("SPPC"), and Strategic Power Devt. Corp. ("SPDC"), respectively, all wholly-owned subsidiaries of SMC Global Power;

b) the 218 MW Angat Hydroelectric Power Plant in Angat, Bulacan, owned by Angat Hydropower Corporation ("AHC"), whose outstanding capital stock is 60% owned by SMC Global Power through its wholly-owned subsidiary, PowerOne Ventures Energy Inc. ("PVEI");

c) 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 SMC 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;

d) the greenfield power plants owned and developed by SMC 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, SMC Consolidated Power Corporation ("SCPC") 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, San Miguel Consolidated Power Corporation ("SMCPC"). 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; and

e) the 15 MW Multi-Fuel Peaking Power Plant in Tagum City, Davao del Norte ("Tagum Peaking Power Plant") acquired by SMC Global Power through its wholly owned subsidiary, Strategic Energy Development Inc. ("SEDI") 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. 05, Series of 2021 dated March 11, 2021 (A resolution Setting the Installed Generating Capacity and Market Share Limitation per Grid and National Grid for 2021), SMC Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 27% of the Luzon Grid and 8% of the Mindanao Grid, in each case, as of December 31, 2021.

SMC Global Power is also engaged in distribution and retail electricity services. Its wholly-owned subsidiary, Albay Power and Energy Corp. ("APEC") operates and maintains Albay Electric Cooperative, Inc. ("ALECO"), which is the franchise holder for the distribution of electricity in the province of Albay in Luzon by virtue of a concession agreement with ALECO. SMC Global Power was also issued retail electricity supplier licenses, through San Miguel Electric Corp. ("SMELC"), SCPC and MPPCL, which allow it to enter into contracts with contestable customers and expand its customer base.

SMC Global Power, through its subsidiaries SMEC, SPDC, SPPC, AHC, SCPC, SMCPC, SMELC, SEDI 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").

SMC 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 Storage Co. Ltd. ("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 attained 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.

The Pagbilao Greenfield Power Plant project with planned installed capacity of 600 MW, to be carried out through Central Luzon Premiere Power Corp. in Pagbilao, Quezon, will no longer be pursued in line with SMC Global Power's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy.

In addition, SMC Global Power, through SMEC and its subsidiaries, Bonanza Energy Resources, Inc., Daguma Agro Minerals, Inc. and Sultan Energy Phils. Corp., also owns coal exploration, production, and development rights over approximately 17,000 hectares of land in Mindanao. While SMC Global Power does not intend to develop these sites in the near future, depending on prevailing global coal prices and the related logistical costs, it may consider eventually tapping these sites to serve as a significant additional source of coal fuel for its planned and existing greenfield coal-fired power plants.

Below is a list of the major energy subsidiaries as of December 31, 2021:

SMC Global Power Holdings Corp. and subsidiaries [including SMEC and subsidiaries, SPPC, SPDC, SMELC, SCPC, SMCPC, SMC Power Generation Corp., PVEI, APEC, Lumiere Energy Technologies Inc., UPSI, MPGC, SEDI, EERI, CLPPC, Prime Electric Generation Corporation and subsidiary, Alpha Water and Realty Services, Corp., SMCGP Philippines Energy Storage Co. Ltd., and SMCGP Masin Pte. Ltd. and subsidiaries (including MPPCL)]. SMCGP Masin Pte. Ltd. is in the process of liquidation as of December 31, 2021.

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 more than 2,000 retail service stations in the Philippines and more than 720 retail service stations in Malaysia as of December 31, 2021. 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, 2021:

SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, 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]

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"), Skyway Stages 1, 2 and 3, the Southern Tagalog Arterial Road ("STAR"), Tarlac-Pangasinan-La Union Toll Expressway ("TPLEX"), NAIA Expressway ("NAIAx") and the newly opened Alabang South Skyway Extension ("SLEX Elevated Extension") tollways. 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"), 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. The SLEX Elevated Extension has already been opened to motorists while awaiting the Toll Operating Permit from the Toll Regulatory Board of the Department of Transportation.

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. Its newly opened 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). The project aims to decongest traffic along SLEX heading to Alabang and the Alabang viaduct.

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 ("SMCTC"; formerly Private Infra Dev Corporation). SMCTC 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 (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 18.83 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

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 22-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, 2021. 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.

On April 26, 2019, MNHPI ceased to be a subsidiary of SMHC following the increase in shareholdings of non-controlling interest and was deconsolidated from the Group effective as of the same date. As a result, MNHPI became a joint venture of SMHC.

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.

Manila International Airport Project

On September 18, 2019, San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport" ("SMAI"), a wholly-owned subsidiary of SMHC, signed a Concession Agreement ("CA") with the Department of Transportation for the development of the Manila International Airport ("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 Concession Agreement 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.

Pasig River Expressway Project

PAREX is a joint project agreement 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 execution of the Supplemental Toll Operations Agreement 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).

South Luzon Expressway Toll Road 5 ("SLEX TR5")

SLEX TR5, also known as the Quezon-Bicol Expressway, is a 416.81 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. 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.

Below is a list of the major infrastructure subsidiaries as of December 31, 2021:

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, Sleep International (Netherlands) Cooperatief U.A. and Wiselink Investment Holdings, Inc. {collectively own Cypress Tree Capital Investments, Inc. and subsidiaries including Star Infrastructure Development Corporation and Star Tollway Corporation (collectively the Cypress 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., San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport", and Pasig River Expressway Corporation].

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, respectively, approved the merger of NCC and SMNCI, with NCC as the surviving corporation. 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. OCIC is expected to commence commercial operations by first semester of 2022.

Below is a list of the major cement subsidiaries as of December 31, 2021:

San Miguel Equity Investments Inc. and subsidiaries [including Northern Cement Corporation, Southern Concrete Industries, Inc. (formerly Oro Cemento Industries Corporation), First Stronghold Cement Industries, Inc., Ionic Cementworks Industries Inc., Artholand Property Development Inc. (formerly Arthocem Concrete Industries Inc.), Southstrong Cement Industries Corp., East Star Cement Phils., Inc., Integrated Concrete Consolidated Industries Inc., Primero Cemento Industries Corp. and E-Novate Holdings, Inc.]

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, 2021:

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

Banking

SMC, through SMPI, made a series of acquisitions of Bank of Commerce ("BOC") common shares in 2007 and 2008 which represents 39.93% of the outstanding common stock of BOC as of December 31, 2021.

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 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. The 1,403,013,920 common shares of BOC were listed with the Main Board of the PSE on March 31, 2022.

Others

Other major subsidiaries include the following as of December 31, 2021:

- 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. and subsidiary
- Anchor Insurance Brokerage Corporation
- SMC Asia Car Distributors Corp. and subsidiaries
- SMC Equivest Corporation
- Davana Heights Development Corporation and subsidiaries
- 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 2021 foreign operations contributed about 25.73% of consolidated sales and 14.30% of consolidated net income. Foreign sales is broken down by market as follows:

	% to Consolidated Sales		
Market	**2021**	**2020**	**2019**
Malaysia	15.95	14.31	18.51
Singapore	7.21	2.50	2.45
Australia	1.09	1.31	1.06
China	0.54	0.64	0.68
Indonesia	0.48	0.53	0.59
Vietnam	0.22	0.28	0.21
Others	0.24	0.30	0.27

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 main competitor is AB Heineken Philippines Inc. ("ABHP"), a joint venture formed in 2016 between domestic brewer Asia Brewery Inc. ("Asia Brewery") and Heineken International B.V. ("Heineken International"). ABHP offers a portfolio of local beers, foreign beers, some of which are produced under license from foreign brewers, and alcomix beverage products.

Asia Brewery competes mainly through licensed *Colt 45*, a strong alcohol brand which is positioned against SMB's strong alcohol beer *Red Horse,* and local *Beer na Beer* in the economy segment and *Brew Kettle* in the mainstream segment. It is also the exclusive distributor of *Asahi Super Dry* in the country. It also offers *Tanduay Ice* which is a line of alcopop beverages positioned similar to beer. In 2021, Asia Brewery expanded its portfolio with the introduction of Brew Kettle Radler and Spritz Hard Seltzer. Following the joint venture in 2016, ABHP started the marketing and selling of imported *Heineken* and *Tiger* beer variants (strong, regular, and light) in the country, competing with SMB's premium and mainstream brands, respectively.

Effective January 1, 2021, the operations of the joint venture between Asia Brewery and Heineken International was modified, with Heineken International establishing its own sales and marketing office in the country and Asia Brewery brewing and distributing Heineken-owned beers. Asia Brewery will also continue to focus on its own brands.

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.

SMB's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum and alcopops which are close substitutes to beer. 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.

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, Minute Maid*, and *Tropicana Twister* compete with *Magnolia Fruit Drink*, *C2, Lipton*, and *Nature's Spring Iced Tea* compete with *Magnolia Healthtea*, while *Cali* is positioned in the softdrinks category where *Coke, Pepsi* and *RC Cola* are the key players.

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

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.

As the spirits industry matures, major spirits players also compete by adopting a product portfolio that caters to shifting consumer preferences.

The highly elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing.

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 fuel alcohol since the implementation of the Biofuel Act of 2006 and recent increase in global demand for disinfectant alcohol due to the COVID-19 pandemic 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.

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., Gama Foods Corp., 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.

SMC Global Power Holdings Corp.

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

Cement

NCC's major competitor in its core market area (Region 1 and CAR) is LafargeHolcim Philippines ("LHP"). LHP has a cement production facility located in La Union, a nearby province of Pangasinan where NCC's cement plant is located.

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 2021 are as follows:

FOOD and BEVERAGE

Beer and NAB Division	
Malt and Hops	Boortmalt Asia Pacific Pty. Ltd.
	Dalian Cofco Malt Co., Ltd.
	HVG Hallertau (Hopfen Verwertungs)
	Cofco Malt (Dalian) Co., Ltd.
	GDH Supertime Guangzhou Malting Company Limited
	John Haas, Inc.
	Malterurop
	Taiwan Hon Chuan Enterprise Co., Ltd.
Corn Grits/Tapioca/Rice/Sugar/Starch	Cgrain Technology Co., Ltd (C059)
	Cagayan Corn Products Corp.
	Gusing Sur Agrarian Reform
	HeFei Longjie Food & Oil Co. Ltd.
	Limketkai Manufacturing Corporation
	Maicerias Españolas, S.A.
	PT Sinar Unigrain Indonesia
	Southern Mindanao Commodities
	Tonghua Buayai (1994) Co., Ltd. (T067)
Packaging Materials	Bangkok Can Manufacturing Co., Ltd.
	Baosteel Can Making Vietnam Co Ltd
	Crown Beverage Cans Hong Kong
	Dong A JSC
	Double Paper Product Industries
	Guandong Huaxing Glass Co., Ltd.
	Guandong Mancheong Printing
	Malinta Corrugated Boxes
	Mchann Muenden Germ
	Org (Foshan) Packaging Co., Ltd.
	PT Ancol Terang Meta
	PT Conpac
	PT Karya Indah Multi
	PT Muliaprima Packing
	PT Tristar Makmur
	Westrock MWV Hong Kong Limited
	Zhangzhou Shengxing Pacific Packing Co. Ltd.
Fuel	Shell Hong Kong Ltd.
Spirits Division	
Alcohol	Shoalhaven Starches PTY LTD
	Thai San Miguel Liquor Co. LTD.
Molasses and Sugar	E D & F Man Molasses B.V.
	Peter Cremer GMBH
	All Asian Countertrade, Inc.
Flavoring	Firmenich Asia PTE LTD

Food Division

Breeder Stocks	Aviagen Group Cobb Vantress Inc.
Beef Carcass	D'Meter Fields Corporation
Soybean Meal and Feed Wheat	Enerfo Pte. Ltd. Louis Dreyfus Commodities Asia Pte Ltd. Toyota Tsusho Asia Pacific Pte Ltd.
Wheat	Bunge Agribusiness Singapore Pte. Ltd. CHS Inc. Columbia Grains International Toyota Tsusho
Imported Meat	Al-Quresh Exports
Cheese Curd and Anhydrous Milk Fat	Fonterra Ingredients Limited
Oil	Tap Oil Manufacturing Corp.
Coffee Mixes	SCML (Thailand) Company Ltd.

PACKAGING

Glass

Silica Sand	Tochu Corp.
Soda Ash	Connell Bros Company Pilipinas, Inc. Chemi-Source Unlimited Corporation Alchemco Philippines, Inc.
Cullet	Yassel Corporation Agate Enterprises Lucky Real Junkstore
Limestone	C&B Marble Ecorock Industrial

Molds

Casting Molds	Metals Engineering Resources Corp.
NeckRing Bars	BF Glass Mould Overseas Pte Ltd. Malasaga Trading Corporation Metals Engineering Resources Corp.
Round Bars	Ammex Machine Tools Phils Inc. Changshu Jianhua Mould Technology
ACL Paints	Chemdis Manufacturing Corp FERRO GMBH

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 Dow Chemical Pacific (Singapore) Pte. Ltd GC Marketing Solutions Company Limited Lotte Chemical Titan Corporation Sdn. Bhd.
Regrinds	Toyo Ink Compounds Corporation Octaplas Industrial Services Inc.
Tolling Services	Ecostorage Solutions Inc. Muzon Plastic Manufacturing Inc.

Metal

Plate, TFS	Nippon Steel Trading Corporation Jiangsu Suxun New Material Co., Ltd. Perstima (Vietnam) Co. Ltd.
Aluminum Coil	Toyota Tsusho Corporation Nanshan Aluminum Singapore Co. Pte. Ltd. Shinko Shoji Singapore Pte. Ltd.
Lubricants	Elasco Int'l Corp. Pneumatic Technologies Inc.

Laminates

PET/CPP/OPP and Other Films	AJ Plast Public Company Limited Polyplex Thailand Ltd. Pt Kolon Ina SRF Industries Thailand Ltd. Thai Toray Synthetics.; Ltd.
PE Films	Cofta Mouldings Corporation Flexible Packaging Products Corp.
Aluminum Foil	SNTO International Trade Limited Eastern Valley Co., Ltd. Shofusion Inc Yantai Jintai International Trade Hangzhou Dingsheng Import and Export Co. Ltd. Shanghai Sunhuo
Resins	Dow Chemicals Pacific, Ltd. JG Summit Petrochemical Corporation Trans World Trading Company, Incorporated Lotte Chemical Titan Corporation SDN. BHD.

Inks	The Valspar (Singapore) Corporation Pte Ltd Henkel Philippines Applied Technologies Inc. CDI Sakata Inx Corp. Inkote Philippines; Inc.
PET	
PET Resin	Indorama Polymers Public Co., Limited Far Eastern Polychem Industries Limited Jiangyin Xingyu New Material Co. Ltd. Shinkong Synthetic Fibers Corporation
PP Resin	Basell Asia Pacific Limited
CO2	Hannibal Industries Corporation Pacific Carbonic Corp.
Paper	
Kraft Paper	Visy Trading Singapore Pte. Ltd. American Paper Export Klabin Trade Oji Fibre Solutions (NZ) Inc.

FUEL AND OIL

Crude	Saudi Arabian Oil Company Exxonmobil Exploration and Production Malaysia Inc. TotalEnergies Trading Asia Pte. Ltd. Unipec Asia Company Limited
Finished Product	PTT International Trading PTE Ltd. Trafigura Pte. Ltd. Vitol Asia Pte. Ltd. Unipec Singapore Pte. Ltd.

ENERGY

Coal	PT Bayan Resources Tbk Vitol Asia Pte Ltd. PT Trubaindo Coal Mining PT Kaltim Prima Coal
Other Consumables	Connel Bros. Co. Pilipinas, Inc. SI Resources Corporation Solid North Mineral Corporation Philippine Mining Services Corporation Nupur Merchandise Pvt. Ltd. B-Mirk Enterprises Corp.
Electricity	Philippines Electricity Market Corporation

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", 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, beer and NAB evaluation, and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyzer, and laboratory scale mashing/milling system for malt analysis. Analytical methods and validation procedures are constantly enhanced and standardized across all of the laboratories of SMB. 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 close to 40 brewmasters has extensive advanced coursework 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 pharmaceuticals (plastic pharma bottles), 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 production processes. 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.

Petron products are regularly tested by third party testing institutes to secure stringent certifications and approvals from accredited global industry certifying bodies and original equipment manufacturers (OEMs). These approvals serve as a testimony that its products are certified world class. This is on top of the renewal of licenses and approvals from industry standards such as API, ILSAC, ACEA (Association des Constructeurs Européens d'Automobiles / Association of European Automobile Manufacturers Association), NMMA (National Marine Manufacturers Association), and OEM approvals from Mercedes-Benz, MTU, Porsche, Cummins, MAN, Scania, Volvo, Mack, Renault and Wartsila.

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 Research and Development Group has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. It is engaged in the customization of products at globally competitive quality and performance. It also manages ISO-accredited petroleum and allied products testing facility that meets global standards. In addition, it provides technical training to keep internal and external customers updated of the latest technology trends in the industry.

Energy

SMC 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 and implementation of WESM in Mindanao. In addition, SMC 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.

SMC Global Power is considering further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand. SMC Global Power is confident that the experience it gained from building the Limay Greenfield Power Plant and Davao Greenfield Power Plant will enable it to build new cost competitive plants using HELE technologies. SMC Global Power also actively seeks to identify and pursue natural gas and renewable energy investments utilizing hydro-electric and solar, subject to the outcome of feasibility analyses. This is in line with SMC Global Power's objective to operate in an environmentally-responsible manner, while taking into consideration energy security and affordability to its consumers.

SMC Global Power intends to further expand the Masinloc Power Plant by constructing an additional unit 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. SMC Global Power has issued Notices of Award and is currently in the process of finalizing the engineering, procurement and construction ("EPC") contract and has completed site development for Masinloc Power Plant Units 4 and 5. SMC Global Power's other expansion projects under construction include the 600 MW coal-fired power plant and associated facilities in Mariveles, Bataan.

As part of diversification of its power portfolio into LNG, SMC Global Power, plans to construct and develop a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz, Batangas and small-scale LNG power plants in certain islands in the Visayas and in Mindanao, each consisting of 50 MW to 100 MW, to boost rural electrification.

In addition to power generating plants, SMC Global Power is rolling out grid-wide BESS projects in addition to its existing BESS facilities in Masinloc, Zambales. SMC 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 Engineering, Procurement and Construction contractors.

As a leading power company in the Philippines with a large customer base, SMC 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):

	2021	2020	2019
Research and Development	P436	P344	P509
Percentage to Net Income	0.91%	1.57%	1.05%

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, 2021, the Group has about 45,614 employees and has entered into 34 collective bargaining agreements ("CBA"). Of the 34 CBAs, 21 will be expiring in 2022.

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 2021.

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, 2021 is 15.82%.

The Company's high and low closing prices for each quarter of the last two (2) fiscal years and for the first quarter of 2022 are as follows:

	2021								**2021**	
	1st		**2nd**		**3rd**		**4th**		**1st**	
	High	**Low**	**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	115.00	98.95
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	79.75	75.05
Preferred – 2G	77.00	75.40	-	-	-	-	-	-	-	-
Preferred – 2H	79.00	75.65	78.85	76.00	78.20	75.60	77.50	75.60	77.40	75.20
Preferred – 2I	79.00	76.70	79.80	77.00	79.50	76.00	79.80	76.00	79.60	76.00
Preferred – 2J	77.20	75.10	80.00	75.00	77.00	75.50	77.80	75.30	78.00	76.20
Preferred – 2K	77.20	75.00	77.15	75.00	77.00	75.15	76.95		77.00	74.25

	2020							
	1st		2nd		3rd		4th	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
Common	165.00	72.50	110.00	90.80	105.10	95.70	142.90	98.35
Preferred – 2C	78.95	74.80	78.95	75.50	79.00	76.80	79.00	77.05
Preferred – 2E	76.50	73.00	76.35	73.05	77.15	75.00	77.10	75.20
Preferred – 2F	78.00	74.00	80.00	74.50	79.50	76.20	79.00	76.80
Preferred – 2G	76.40	73.00	77.00	73.75	77.85	75.25	77.80	75.05
Preferred – 2H	76.50	74.00	77.00	73.80	77.30	75.05	78.00	75.45
Preferred – 2I	77.00	73.50	78.90	75.50	79.00	75.50	79.00	75.80
Preferred – 2J	-	-	-	-	-	-	77.10	75.00
Preferred – 2K	-	-	-	-	-	-	76.40	75.00

The closing prices as of April 8, 2021, the latest practicable trading date, are as follows:

Common	₱	109.00
Series “2-F” Preferred	₱	73.60
Series “2-H” Preferred	₱	75.50
Series “2-I” Preferred	₱	78.00
Series “2-J” Preferred	₱	75.25
Series “2-K” Preferred	₱	75.95

The approximate number of shareholders as of December 31, 2020 is 34,173.

The top 20 common and preferred stockholders as of December 31, 2020 1are 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:

2021

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**

2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common				
	March 12, 2020	April 3, 2020	April 30, 2020	**P0.35**
	June 30, 2020	July 15, 2020	July 31, 2020	**0.35**
	September 10, 2020	October 9, 2020	October 30, 2020	**0.35**
	December 3, 2020	January 4, 2021	January 22, 2021	**0.35**
Preferred				
SMCP1	January 23, 2020	March 20, 2020	April 3, 2020	**1.0565625**
SMC2C	January 23, 2020	March 20, 2020	April 3, 2020	**1.50**
	May 28, 2020	June 19, 2020	July 3, 2020	**1.50**
	August 6, 2020	September 21, 2020	October 5, 2020	**1.50**
	November 5, 2020	December 18, 2020	January 8, 2021	**1.50**
SMC2D	January 23, 2020	March 20, 2020	April 3, 2020	**1.11433125**
	May 28, 2020	June 19, 2020	July 3, 2020	**1.11433125**
	August 6, 2020	September 21, 2020	October 5, 2020	**1.11433125**
SMC2E	January 23, 2020	March 20, 2020	April 3, 2020	**1.18603125**
	May 28, 2020	June 19, 2020	July 3, 2020	**1.18603125**
	August 6, 2020	September 21, 2020	October 5, 2020	**1.18603125**
	November 5, 2020	December 18, 2020	January 8, 2021	**1.18603125**
SMC2F	January 23, 2020	March 20, 2020	April 3, 2020	**1.27635**
	May 28, 2020	June 19, 2020	July 3, 2020	**1.27635**
	August 6, 2020	September 21, 2020	October 5, 2020	**1.27635**
	November 5, 2020	December 18, 2020	January 8, 2021	**1.27635**
SMC2G	January 23, 2020	March 20, 2020	April 3, 2020	**1.23361875**
	May 28, 2020	June 19, 2020	July 3, 2020	**1.23361875**
	August 6, 2020	September 21, 2020	October 5, 2020	**1.23361875**
	November 5, 2020	December 18, 2020	January 8, 2021	**1.23361875**
SMC2H	January 23, 2020	March 20, 2020	April 3, 2020	**1.1854125**
	May 28, 2020	June 19, 2020	July 3, 2020	**1.1854125**
	August 6, 2020	September 21, 2020	October 5, 2020	**1.1854125**
	November 5, 2020	December 18, 2020	January 8, 2021	**1.1854125**
SMC2I	January 23, 2020	March 20, 2020	April 3, 2020	**1.18790625**
	May 28, 2020	June 19, 2020	July 3, 2020	**1.18790625**
	August 6, 2020	September 21, 2020	October 5, 2020	**1.18790625**
	November 5, 2020	December 18, 2020	January 8, 2021	**1.18790625**
SMC2J	November 5, 2020	December 18, 2020	January 8, 2021	**0.890625**

On February 10, 2022, the BOD of the Parent Company declared cash dividends to all preferred stockholders of record as at March 21, 2022 on the following shares to be paid on April 1, 2022, as follows:

Class of Shares	Dividends Per Share
SMC2F	P1.27635
SMC2H	1.1854125
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375

On March 10, 2022, the BOD of the Parent Company declared cash dividends at P0.35 per share to all common shareholders of record as at April 1, 2022 to be paid on April 29, 2022.

Holders of the senior perpetual capital securities were paid a total of P1,804 million in 2021 while holders of the redeemable perpetual securities were paid a total of P200 million and P238 million in 2021 and 2020, respectively 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 fifteen 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 P8 million and P17 million, respectively, for its services rendered in 2021 and 2020.

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	68	Filipino	Vice Chairman, President and Chief Operating Officer
John Paul L. Ang	42	Filipino	Director
Aurora T. Calderon	67	Filipino	Director
Joselito D. Campos, Jr.	71	Filipino	Director
Menardo R. Jimenez	89	Filipino	Director
Jose C. De Venecia, Jr.	85	Filipino	Director
Estelito P. Mendoza	92	Filipino	Director
Alexander J. Poblador	68	Filipino	Director
Thomas A. Tan	68	Filipino	Director
Iñigo Zobel	65	Filipino	Director
Ramon F. Villavicencio	80	Filipino	Director
Teresita J. Leonardo-De Castro	73	Filipino	Independent Director
Diosdado M. Peralta	70	Filipino	Independent Director
Reynato S. Puno	81	Filipino	Independent Director
Margarito B. Teves	78	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. 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., 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 of San Miguel Northern Cement, Inc. and 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 years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

John Paul L. Ang was elected as a director of the Company on January 21, 2021. 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.

Aurora T. Calderon has been a director of the Company since June 10, 2014. 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., 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.

Joselito D. Campos, Jr. has been a Director since May 31, 2010. 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.

Jose C. De Venecia, Jr. is a Director of the Company since March 16, 2017. 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.

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 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 Pilippines, Inc. He is also a director of Magnolia, Inc., Cunickel Mining & Industrial Corporation, Dasoland Corporation, Menarco Development Corporation, Menarco Property Development & Management Corporation, Modesto Holdings Philippines, Inc., 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.

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 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. 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.

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 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 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).

Thomas A. Tan was elected as a Director of the Company on June 14, 2012. He is the President and General Manager of SMC Shipping and Lighterage Corporation and its subsidiaries, director of San Miguel Foods, Inc., and President of Saturn Cement Corporation and Sakomoto International Packaging Corp. He obtained a degree in Bachelor of Science, Major in Physics in 1974 from the Ateneo de Manila University and a Masters in Business Management degree from the Asian Institute of Management in 1976. He is likewise a Director of other affiliates of the Company.

Ramon F. Villavicencio is a Director of the Company since March 15, 2018. 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.

Iñigo 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 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., a publicly listed company. 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., a Director of PAL Holdings, Inc. and 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.

Teresita J. Leonardo-de Castro was elected as an Independent Director of the Company on August 6, 2020. 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 Top Frontier Investment Holdings, Inc. since July 9, 2019. She also sits as an independent director of the Philippine Stock Exchange and 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.

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 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 up 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.

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 is also an independent director of San Miguel Brewery Inc., 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).

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 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 Alphaland 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.

Officers

Name	Age	Citizenship	Position
Ferdinand K. Constantino	70	Filipino	Chief Finance Officer and Treasurer
Virgilio S. Jacinto	65	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	67	Filipino	Senior Vice President – Senior Executive Assistant to the Office of the President and Chief Operating Officer
Lorenzo G. Formoso III	60	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 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. 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 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 Corporate Secretary, Senior Vice-President and 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. 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. 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. 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]	2022 (estimated) 2021 2020	₱174.3 Million ₱171.7 Million ₱182.4 Million	₱42.9 Million ₱21.6 Million ₱15.6 Million	₱15.6 Million ₱30.8 Million ₱37.6 Million	₱232.8Million ₱224.1 Million ₱235.6 Million
All other officers and directors as a group unnamed	2022 (estimated) 2021 2020	₱233.5 Million ₱232.9 Million ₱257.8 Million	₱55.2 Million ₱35.7 Million ₱33.9 Million	₱60.0 Million ₱64.6 Million ₱66.3 Million	₱338.7 Million ₱333.2 Million ₱358.0 Million
Total	2022 (estimated) 2021 2020	₱397.8 Million ₱404.6 Million ₱440.2 Million	₱98.1 Million ₱57.3 Million ₱49.5 Million	₱75.6 Million ₱95.4 Million ₱103.9 Million	₱571.5 Million ₱557.3 Million ₱593.6 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.

[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.*

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.

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, 2021 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	1,573,100,340	46.39%
Common	PCD Nominee Corporation (Filipino) Makati City	Various individuals/ entities	Filipino	216,680,656	30.29%
Series "2" Preferred Shares	PCD Nominee Corporation (Filipino) Makati City	Various individuals/ entities	Filipino	810,472,647	
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]	11.02%

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, 2021:

[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, 2021, Top Frontier Investment Holdings, Inc. has voting rights to a total of 1,573,100,340 shares of the Company which represent about 65.99% of the outstanding common capital stock of the Company.*

[4] *As of December 31, 2021, through Privado Holdings, Corp and Master Year Limited, both stockholders of record of Top Frontier.*

[5] *As of December 31, 2021.*

[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.*

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] 235,335,950 (I) 174,180,260 (I) 358,615 (I)		Filipino	784,844,050 (23.14%)
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%)
Alexander J. Poblador	5,000 (D)		Filipino	5,000 (0.00%)
Reynato S. Puno	5,000 (D)		Filipino	5,000 (0.00%)
Thomas A. Tan	5,000 (D)		Filipino	205,000 (0.01%)
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) 943,245,006 (I)[16]		Filipino	943,261,135 (27.82%)
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 owned of record by the President and Chief Executive Officer, key officers and directors (as a group) of the Company as of December 31, 2021 and March 31, 2022 is 1,729,334,943 or approximately 51.00% of the outstanding capital stock of the Company.

There were no LTIP options exercised by the Chief Executive Officer, Chief Operating Officer, key officers and directors of the Company in 2021 and 2020.

Voting Trust

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

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.

[7] *Through his 100% shareholdings in Privado Holdings, Corp.*

Foreign Ownership

As of December 31, 2021, 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	51,427,587	2.16%	2,332,469,001	97.84%	2,383,896,588
Preferred Series "2-F"	1,843,882	0.83%	221,489,618	99.17%	223,333,500
Preferred Series "2-H"	1,670,744	1.02%	162,329,256	98.98%	164,000,000
Preferred Series "2-I"	1,945,630	1.15%	167,387,770	98.85%	169,333,400
Preferred Series "2-J"	881,450	0.30%	265,885,217	99.70%	266,666,667
Preferred Series "2-K"	2,464,750	1.34%	181,440,1500	98.66%	183,904,900
Total	**60,164,043**	**1.77 %**	**3,330,917,012**	**98.23%**	**3,391,135,055**

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, 2021 and 2020:

(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	**2021**	**P8**	**P -**	**P3,652**	**P551**	On demand; non-interest bearing	Unsecured; no impairment
	2020	7	-	3,439	551		
	2021	**-**	**-**	**3,037**	**-**	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing	Unsecured; no impairment
	2020	-	-	3,037	-		
Retirement Plans	**2021**	**-**	**-**	**4,433**	**-**	On demand; non-interest bearing	Unsecured; no impairment
	2020	-	-	4,249	-		
	2021	**289**	**-**	**4,371**	**-**	On demand; interest bearing	Unsecured; no impairment
	2020	304	-	4,795	-		
Associates	**2021**	**2,045**	**46**	**1,245**	**30**	On demand; interest and non-interest bearing	Unsecured; no impairment
	2020	2,074	18	498	29		
	2021	**9**	**-**	**140**	**18,817**	Less than 1 to 10 years; interest bearing	Unsecured and secured; no impairment
	2020	12	-	182	17,853		
Joint Ventures	**2021**	**321**	**1,681**	**81**	**177**	On demand; non-interest bearing	Unsecured; no impairment
	2020	267	1,484	72	521		
	2021	**-**	**-**	**621**	**-**	On demand; interest bearing	Unsecured; with impairment
	2020	-	-	621	-		
	2021	**24**	**-**	**1,170**	**-**	Less than 1 to 10.5 years; interest bearing	Unsecured; no impairment
	2020	5	-	130	-		
Shareholders in subsidiaries	**2021**	**79**	**1,757**	**123**	**2,454**	On demand; non-interest bearing	Unsecured; no impairment
	2020	60	470	117	2,249		
Others	**2021**	**3,178**	**2,649**	**837**	**61**	On demand;	Unsecured;

	2020	1,748	2,574	542	16	non-interest bearing	no impairment
	2020	-	-	-	7,277	More than 1 year; interest bearing	Unsecured
Total	**2021**	**P5,953**	**P6,133**	**P19,710**	**P22,090**		
Total	2020	P4,477	P4,546	P17,682	P28,496		

1. 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 the 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, 2021 and 2020. 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, 2021 and 2020.

      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, 2021 and 2020. 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, 2021 and 2020.

   b) 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 and P540 million as at December 31, 2021 and 2020, respectively.

2. Amounts owed to related parties consist of trade payables, professional fees and leases. As at December 31, 2021 and 2020, amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" and "Lease liabilities - net of current portion" amounted to P2 million and P1 million and P6 million and P5 million, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.

3. The amounts owed to associates include interest bearing loans payable to BOC presented as part of "Loans payable" account amounting to P6,994 million and P8,200 million and "Long-term debt" account amounting to P11,823 million and P9,653 million in the consolidated statements of financial position as at December 31, 2021 and 2020, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P10,444 million and P7,772 million as at December 31, 2021 and 2020, respectively, which were secured by certain property, plant and equipment and other intangible assets.

4. Amounts owed to related parties under "Others" amounting to P7,277 million were due in more than one year and subject to interest rate of 3% per annum as at December 31, 2020. The amount was fully paid in December 2021.

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 2020 will be filed with the SEC on or before May 30, 2022.

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 2021 Sustainability Report of SMC.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation 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 April 18, 2022.

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 20 2022 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.: 290;
Page No.: 59;
Book No.: IV;
Series of 2022.

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

JOSE ANGELITO M. ILANO
Commission No. 0520-20
Notary Public for Mandaluyong City
Until June 30, 2022
(S.C./B.M. No. 3795; 09/28/2021)
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 62172
PTR No. 4864389; 01/11/22; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VI-0022159; 04/14/22; Pasig City

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, 2021. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2021 and 2020, 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, 2021. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2021 and the financial performance and cash flows for the year ended December 31, 2021 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		
	2021	2020	2019
		(In Millions)	
Sales	**P941,193**	P725,797	P1,020,502
Cost of Sales	**746,050**	576,449	818,815
Gross Profit	**195,143**	149,348	201,687
Selling and Administrative Expenses	**(77,991)**	(77,872)	(85,972)
Operating Income	**117,152**	71,476	115,715
Interest Expense and Other Financing Charges	**(49,265)**	(52,035)	(56,019)
Interest Income	**3,591**	6,182	10,675
Equity in Net Earnings of Associates and Joint Ventures	**1,040**	417	105
Gain (Loss) on Sale of Property and Equipment	**167**	(491)	(237)
Other Income (Charges) - net	**(6,733)**	11,861	6,848
Net Income	**48,159**	21,879	48,574
Net Income Attributable to Equity Holders of the Parent Company	**13,925**	2,973	21,329
Net Income Attributable to Non-controlling Interests	**34,234**	18,906	27,245

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	**746,050**	576,449	169,601	29%	**79%**	79%
Gross Profit	**195,143**	149,348	45,795	31%	**21%**	21%
Selling and Administrative Expenses	**(77,991)**	(77,872)	(119)	(0%)	**(8%)**	(11%)
Operating Income	**117,152**	71,476	45,676	64%	**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	**(6,733)**	11,861	(18,594)	(157%)	**(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%
Net Income Attributable to 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 the previous year, 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 P169,601 million or 29% 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, full year 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 64% to P117,152 million from the previous year. This surpassed the Group's 2019 pre-pandemic operating income of P115,715 million by 1%.

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 Manila North Harbour Port, Inc. (MNHPI) and share in the lower net loss of Angat Hydro Corporation (Angat Hydro).

The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel Baoding Brewery and San Miguel China Investment Co. Ltd. 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, partly offset by San Miguel Energy Corporation’s (SMEC) recognition of income from the reduction of Power Sector Assets and Liabilities Management Corporation (PSALM) fixed fee charges for the extended outages of Sual Power Plant’s Units 1 and 2. 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 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law in 2021 and 2020, which reduced the income tax rate from 30% to 25%. The effect of the adoption of CREATE Law 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 non-controlling interests (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 Senior Perpetual Capital Securities (SPCS) of SMC Global Power Holdings Corp. (SMC Global) 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

San Miguel Food and Beverage, Inc. (SMFB) delivered sustained growth throughout 2021, posting consolidated revenues of P309,778 million, an increase of 11% from last year, as the Food, Beer and Non-alcoholic Beverages (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, coupled with increasing raw material prices.

a. Beer and NAB Division

San Miguel Brewery Inc. (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 last year.

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 last year. 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 the previous year, brought about by the full year impact of the price increase implemented in March 2020 and October 2021. Operating income amounted to P25,224 million, an 8% increase over the previous year.

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 the previous year, 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

Ginebra San Miguel Inc. (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.

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 the previous year 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 African Swine Fever (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 previous year 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 the previous year, 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

SMC Global delivered off-take volumes of 27,221 gigawatt hours (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 the year rose by 16% to P133,710 million.

Operating income declined by 14% to P31,886 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 the previous year. 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 the year reached P438,057 million, up 53% from the previous year, 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, South Luzon Expressway (SLEX), Skyway Stages 1, 2 and 3, Southern Tagalog Arterial Road (STAR) Tollway, Tarlac-Pangasinan-La Union Expressway (TPLEX) and Ninoy Aquino International Airport Expressway, 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 Alabang South Skyway Extension Project (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 Department of Public Works and Highways (DPWH), Department of Transportation (DOTr), and Toll Regulatory Board (TRB), signed the Execution of the Supplemental Toll Operations Agreement for the financing, construction, operation and maintenance of the P91,800 million Pasig River Expressway (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 Metro Rail Transit Line 7 (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. Test runs is slated to begin by the end of 2022.

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 right of way acquisition are ongoing. The construction of Skyway Stage 4 workable areas along C5 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 right of way 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	**576,449**	818,815	(242,366)	(30%)	**79%**	80%
Gross Profit	**149,348**	201,687	(52,339)	(26%)	**21%**	20%
Selling and Administrative Expenses	**(77,872)**	(85,972)	8,100	9%	**(11%)**	(8%)
Operating Income	**71,476**	115,715	(44,239)	(38%)	**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	**11,861**	6,848	5,013	73%	**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%
Net Income Attributable to 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 P71,476 million, 29% and 38% 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 Manila Electric Company (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 P576,449 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. This was partly offset by the increase in sales volume of the Spirits division.

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 and Infrastructure business, and (c) derecognition by SMC of deferred income tax asset on the Net Operating Loss Carry-Over (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 SMC Global’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 P31,504 million in sales for 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

SMC Global registered sales of P115,029 million in 2020, 15% lower versus 2019, as off-take volumes of 26,291 GWh declined by 7%. This was primarily due to the deferment of commencement of the 290 megawatts (MW) mid-merit power supply agreement with Meralco, where the provisional approval of the Energy Regulatory Commission (ERC) 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 3% higher at P36,923 million. Net income, on the other hand, amounted to P18,874 million, 31% higher than 2019.

SMC Global 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 MWh Battery Energy Storage (BESS) facility in Kabankalan, Negros Occidental.

With this, SMC Global'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 MWh. The initial 490 MWh across 15 sites are in advanced stages of completion and are expected to start operating in early 2021. The remaining 510 MWh across other sites are expected to be completed by the early part of 2022.

4. FUEL AND OIL

Petron faced significant challenges throughout 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 Toll Road 4 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 right-of-way.

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 right-of-way 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.

2019 vs. 2018

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2019	**2018**	**Amount**	**%**	**2019**	**2018**
		(In Millions)				
Sales	**P1,020,502**	P1,024,943	(P4,441)	(0%)	**100%**	100%
Cost of Sales	**818,815**	825,748	(6,933)	(1%)	**80%**	81%
Gross Profit	**201,687**	199,195	2,492	1%	**20%**	19%
Selling and Administrative Expenses	**(85,972)**	(82,110)	(3,862)	(5%)	**(8%)**	(8%)
Operating Income	**115,715**	117,085	(1,370)	(1%)	**12%**	11%
Interest Expense and Other Financing Charges	**(56,019)**	(45,496)	(10,523)	(23%)	**(5%)**	(4%)
Interest Income	**10,675**	7,192	3,483	48%	**1%**	1%
Equity in Net Earnings (Losses) of Associates and Joint Ventures	**105**	(289)	394	136%	**0%**	(0%)
Gain (Loss) on Sale of Investments and Property and Equipment	**(237)**	252	(489)	(194%)	**(0%)**	0%
Other Income (Charges) - Net	**6,848**	(5,628)	12,476	222%	**(0%)**	(1%)
Income Before Income Tax	**77,087**	73,116	3,971	5%	**8%**	7%
Income Tax Expense	**28,513**	24,468	4,045	17%	**3%**	2%
Net Income	**P48,574**	P48,648	(P74)	(0%)	**5%**	5%
Net Income Attributable to Equity Holders of the Parent Company	**P21,329**	P23,077	(P1,748)	(8%)	**2%**	2%
Net Income Attributable to Non-controlling Interests	**27,245**	25,571	1,674	7%	**3%**	3%
Net Income	**P48,574**	P48,648	(P74)	(0%)	**5%**	5%

The Group's consolidated sales for the year 2019 amounted to P1,020,502 million, at par versus 2018. Higher volumes from the Energy and Food and Beverage businesses continue to drive revenue growth, but was moderated by the decline in the sales performance of Petron.

Cost of sales amounted to P818,815 million, slightly lower than 2018 at P825,748 million. The decrease primarily was the result of the significant decrease in average crude oil prices and sales volume of Petron. This was reduced by the increase in: (a) full year operations of Masinloc Power Plant Units 1 and 2, Malita Power Plant Unit 2, and Limay Power Plant Unit 3, alongside Limay Power Plant Unit 4 which started operations in July 2019; (b) higher power purchase costs of Sual, Ilijan and San Roque Power Plants; (c) higher energy fees of Sual and Ilijan Power Plants; and (d) volume growth of the Food and Beverage business and higher broiler cost, processing cost and major raw materials of the Food division.

Selling and administrative expenses increased by 5% to P85,972 million compared to 2018, mainly due to: (a) higher personnel expenses, logistics costs, contracted services costs and marketing expenses of the Food and Beverage business, and (b) higher operating expenses from Masinloc entities' full year operations. The increase was partly offset by lower employee costs, provision for bad debts and advertising expenses of Petron.

The Group's consolidated operating income declined by 1% at P115,715 million from 2018, weighed down by Petron and the Food and Beverage business, particularly the Food division.

This was partly offset by Beer and NAB and Spirits divisions, under the Food and Beverage business, and the Energy business which delivered strong results in 2019.

The higher interest expense and other financing charges was mainly due to higher level of long-term debt and generally higher interest rate in 2019 compared to 2018.

The higher interest income was primarily due to higher interest rate and average balance of cash and cash equivalents.

The increase in equity in net earnings (losses) of associates and joint ventures mainly represents the share of San Miguel Properties, Inc. (SMPI) on the higher earnings of BOC and the share of SMHC on the earnings of MNHPI for the period May to December 2019, net of the share on higher net losses of the Group's joint ventures.

The loss on sale of property and equipment in 2019 pertains mainly to the disposal and retirement by SMYPC of its Cebu Beverage Packaging Plant.

Other income - net in 2019 was primarily due to the foreign exchange gain on the revaluation of foreign currency denominated net liabilities of the Group as a result of the appreciation of the Philippine Peso by P1.945 in December 2019. Other charges - net in 2018 was primarily due to the foreign exchange loss on the revaluation of foreign currency denominated net liabilities of the Group as a result of the depreciation of the Philippine Peso by P2.65 in December 2018.

The higher income tax expense was primarily due to the: (a) higher provision for deferred income tax expense recognized by the Energy business on the temporary difference of monthly fixed payments to PSALM over the finance lease-related expenses and the temporary differences on foreign exchange translation and capitalized borrowing costs, and (b) higher taxable income of SMB. This was partially offset by lower provision for income tax recognized by Petron, the Food division under the Food and Beverage business and SMEC due to the decline in taxable income.

Consolidated net income amounted to P48,574 million, at par with 2018.

Share of NCI increased in 2019 mainly due to the higher amount of distribution on SMC Global's Undated Subordinated Capital Securities (USCS) and SPCS and the Food and Beverage business' higher net income, partly offset by the lower net income of Petron.

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

1. FOOD AND BEVERAGE

SMFB's consolidated sales for 2019 ended at P310,785 million, 9% higher than the P286,378 million reported in 2018, on account of strong volumes from the Beer and NAB and Spirits divisions and better selling prices. Consolidated operating income grew 4% versus 2018 to P47,781 million, mainly driven by the Beer and NAB and Spirits divisions sustained strong performance. This was partly offset by the slowdown in the Food division.

Net income rose 6% over 2018 to P32,279 million.

a. Beer and NAB Division

SMB sustained its volume growth, concluding 2019 with consolidated volumes of 301.6 million cases, up 6% from 2018. Consolidated sales and operating income were both 10% higher at P142,272 million and P38,720 million, respectively. Net income grew 14% to P27,285 million.

Domestic Operations
Domestic operations sold 275.3 million cases, up 7% from 2018. This was mainly the result of engaging brand and trade activations coupled with sustained economic expansion, low inflation, election-related spending, and better employment conditions. Red Horse and San Miguel Pale Pilsen maintained their position as the top selling beer brands. Both benefitted from nationwide activations and consumer promo events such as "*Pasiklaban*", "*4Kicks*", "*Rocker Chicks*" and "*Astig*" for Red Horse and "*Logiclub*" for San Miguel Pale Pilsen, alongside other volume-generating programs.

SMB completed its new beer production facility in Tagoloan, Misamis Oriental in the fourth quarter of 2019.

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

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

b. Spirits Division

GSMI posted a full-year net income of P1,672 million in 2019, 59% higher than 2018, the highest income recorded in the last 15 years. Volumes grew 14% from 2018 at 35.9 million cases. Much of this growth is attributed to the success of thematic campaigns, *"Pilipino Ako, Ginebra Ako"* for Ginebra San Miguel and *"I Choose Mojito"* for GSM Blue. Wider sales distribution, trade promotions and various on-ground activities for consumers also helped boost volumes. Vino Kulafu, GSMI's Chinese wine brand, continued to post strong growth in Visayas and Mindanao regions while Primera Light Brandy also delivered healthy growth.

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

Total sales reached P29,063 million, up 17%. Operating income hit P2,878 million, 57% higher than 2018, as a result of better margins deriving from operational improvements across the supply chain.

c. Food Division

The Food division generated consolidated sales of P139,459 million, 5% higher than 2018, on the back of higher volumes, better selling prices, and an improved product mix across most of business segments.

Net income for the Food division amounted to P3,449 million.

- The Protein segment, composed of Poultry and Fresh Meats, registered a 7% growth in revenues as volumes from chicken stations, *lechon manok* outlets, and major food service chains, increased. The improvement in poultry prices following the re-imposition of special safeguard duties on imported frozen chicken, also helped boost sales. Revenues from fresh meats however declined, due to restrictions imposed by several Local Government Units on pork products, in a bid to curb the spread of ASF.

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

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

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

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

2. PACKAGING

The Packaging business' performance remained stable throughout 2019. Sales for 2019 amounted to P37,874 million, a slight increase from 2018. This was largely due to steady demand for the Packaging business' largest segments, Glass, Metal, and Flexibles businesses. The Packaging business' Malaysia operations also performed strongly as did its Logistics Services' operations, following increased demand for trucking services and pallet rentals.

Operating income reached P3,598 million, 9% higher than 2018, driven by Glass and Metal volumes. Packaging saw higher orders from the Beer and Spirits businesses, as well as carbonated soft-drinks customers, supported by programs to improve efficiencies and better management of fixed costs.

3. ENERGY

SMC Global registered consolidated sales of P135,060 million, 12% higher than the P120,103 million reported in 2018. This was on the back of an 18% increase in off-take volumes at 28,112 GWh brought about by the full year operation of Masinloc Power Plant Units 1 and 2, Unit 2 of Malita Power Plant and Unit 3 of the Limay Power Plant. Unit 4 of the Limay Power Plant also provided additional capacity starting July 2019. In addition, the Ilijan Power Plant posted higher revenues from its bilateral and spot sales in 2019.

Consolidated operating income grew 8% at P35,954 million from 2018, while net income surged 73% to P14,364 million in 2019.

4. FUEL AND OIL

Petron faced multiple challenges during 2019, foremost of which were significantly weaker refining margins and volatile global prices due to political tensions in the Middle East and uncertainties in the global economy. The price of Dubai crude oil declined from an average of US$69 per barrel in 2018 to US$63 per barrel in 2019. This was compounded by the shutdown of the Bataan refinery due to an earthquake in April 2019. The effect of the second tranche of the excise tax increase and proliferation of white stations, also had an adverse effect on Petron's overall performance.

As a result, Petron's consolidated sales amounted to P514,362 million, down 8% versus 2018, mainly on account of lower average selling price of fuel, and a slight decline in volumes, which ended at 107 million barrels. Philippine operations volume declined by 5% following the unplanned total plant shutdown which began in April 2019. Petron Malaysia's domestic volumes meanwhile grew by 3%, helping offset the decline in Philippine volumes.

Operating income was also down by 14% at P16,199 million, the result of lower margins of petroleum and petrochemical products due to the combined effects of oversupply, a slowdown in demand, and the temporary cessation of refinery operations. This was partly cushioned by its extensive fixed cost savings initiatives and continued emphasis on operational efficiencies.

Petron's consolidated net income settled at P2,303 million, down by 67% from 2018's P7,069 million.

Despite this setback, Petron continues to expand its service station network to reach even more customers. In 2019, Petron opened 124 new stations, bringing its total to 2,435 service stations in the Philippines and to almost 700 in Malaysia.

5. INFRASTRUCTURE

The Infrastructure business recorded a combined 5% volume growth for the year 2019 from all of its operating toll roads. Consolidated sales reached P23,406 million, while operating income amounted to P11,444 million.

Construction of major infrastructure projects remain on going. This, however, was temporarily suspended starting on March 17, 2020 when the ECQ was implemented in Luzon by the Philippine government to control the spread of the COVID-19. Construction activities gradually resumed after the restrictions in construction activities were partially allowed in some areas until it was totally lifted on May 15, 2020.

The 89.21-kilometer TPLEX has been operational from Tarlac to Pozzorubio while the last phase from Pozzorubio to Rosario, La Union, was almost complete. This phase was temporarily opened to the public in December 2019 which was closed after the holiday season to give way for its completion.

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

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

The Skyway Stage 3 that linked SLEX to NLEX was in the advanced stages of completion, despite suffering a setback on February 1, 2020 from a fire in Pandacan, Manila. Approximately 300 meters of Section 2B, which was already substantially complete, was affected. Prior to work suspension due to ECQ, SMC Infrastructure had been working 24/7 to reconstruct this section and targeted to complete the Skyway 3 Project by July 2020.

SLEX TR4, the 56.862-kilometer extension of the SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province, has started construction. Works from Alaminos, Laguna and Tiaong, Quezon is ongoing.

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

Meanwhile, the Concession Agreement for the Manila International Airport was signed on September 18, 2019. A game-changing infrastructure project, its detailed technical design and requirements for its financial close was ongoing.

II. FINANCIAL POSITION

A. The following are the major developments in 2021:

<u>INVESTMENT IN SUBSIDIARIES</u>

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

On March 3, 2021, the Board of Directors (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 Philippine Securities and Exchange Commission (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 San Miguel Equity Investments, Inc. 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.

The application for a tax-free exchange certification/ruling on the merger was approved by the BIR on October 6, 2021.

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, 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 Philippine Stock Exchange (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. The 1,403,013,920 common shares of BOC will be listed with the Main Board of the PSE on March 31, 2022.

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

<u>AVAILMENT OF LONG-TERM DEBT</u>

PESO TERM LOANS

- **SMC Global**

  On May 28, 2021, SMC Global 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 in October 2023.

- **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 Omnibus Loan and Security Agreement (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 SMNCI's cement plant in Sison, Pangasinan. 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

- **SMC Global**

  a. On March 9, 2021, SMC Global 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, SMC Global 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 redemption 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, SMC Global 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 Ilijan Natural Gas-fired 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.

ISSUANCE AND PAYMENT OF BONDS

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 Philippine Dealing and Exchange Corp. (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 SMC Global

On July 12, 2021, SMC Global 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 SMC Global 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

During the year, 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 Singapore Exchange Securities Trading Limited (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 SMC Global

On June 9, 2021, SMC Global 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, SMC Global 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 Project 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 SMC GLOBAL

On February 26, 2021, SMC Global completed the redemption of its US$300 million 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.

EVENTS AFTER THE REPORTING DATE

- **SMC**

  a. Payment of P6,683 million Series A Fixed Rate Peso-Denominated Bonds

     On March 1, 2022, the Parent Company paid the P6,683 million Series A fixed rate Peso-denominated bonds.

  b. Shelf-registration of P60,000 million Fixed Rate Peso-Denominated Bonds and Issuance of P30,000 million Bonds

     On March 4, 2022, SMC issued and listed with the PDEx a total of P30,000 million Peso-denominated fixed rate bonds, from the P60,000 million shelf registration of fixed rate bonds filed with the SEC on December 7, 2021.

     The bonds comprised of P17,440 million Series J Bonds and P12,560 million Series K Bonds, with interests of 5.2704% and 5.8434% per annum, due in 2027 and 2029, respectively.

     The proceeds from the issuance of the bonds were used to settle the short-term loan facility availed for the redemption of Subseries “2-C” and Subseries “2-E” Preferred Shares on September 21, 2021.

B. 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 Manila International Airport and MRT 7, 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 Redeemable Perpetual Securities (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 SMC GLOBAL

On various dates in 2020, SMC Global 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 Jan 21, 2020; Listed Jan 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 Oct 21, 2020; Listed Oct 22, 2020	100%	7.0%	For capital expenditures and investments in liquefied natural gas 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 Dec 15, 2020; Listed Dec 16, 2020	102.457%	7.0%	For the repurchase, refinancing and/or redemption of existing USCS, for investments in liquefied natural gas 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 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.

C. The following are the major developments in 2019:

<u>INVESTMENT IN SUBSIDIARIES</u>

Deconsolidation of MNHPI

The Philippine Competition Commission (PCC) and Philippine Ports Authority approved the transfer of common shares equivalent to 15.17% shareholdings in MNHPI to International Container Terminal Services, Inc. (ICTSI) on March 14 and April 26, 2019, respectively. With the approval of the additional ownership in MNHPI, the total equity interest of ICTSI increased from 34.83% to 50%, while SMHC's shareholdings in MNHPI remained at 43.33%. As a result, MNHPI ceased to be a subsidiary of SMHC and was deconsolidated from the Group. The Group derecognized the assets (including goodwill) and liabilities of MNHPI, and the carrying amount of NCI as at April 26, 2019, and recognized the investment at fair market value amounting to P2,600 million. The Group recognized a gain amounting to P727 million in 2019, included as part of "Other income (charges) - net" account, in the consolidated statements of income.

In December 2019, SMHC acquired for a total of P1,060 million additional 1,950,000 and 50,000 common shares of stock of MNHPI from IZ Investment Holdings, Inc. and Petron, respectively. With the acquisition of the additional shares, SMHC increased its equity interest in MNHPI from 43.33% to 50%.

In 2019, the Group has undertaken various financing activities. The significant transactions are as follows:

<u>AVAILMENT OF LONG-TERM DEBT</u>

PESO TERM LOANS

- **INFRASTRUCTURE**

  SMC Tollways

  On December 16, 2019, SMC Tollways availed a P17,300 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. Proceeds of the loan were mainly used to refinance existing debt obligations, and for the construction of Skyway Stage 3 Project. The loan is payable in 39 quarterly installments up to December 2029 and subject to a fixed interest rate.

  SMC TPLEX Corporation [SMCTC, formerly Private Infra Dev Corporation]

  On December 19, 2019, SMCTC drew P12,000 million from its P42,000 million Second Amendment to the OLSA dated December 16, 2019 with various local banks. Proceeds of the loan were used for consolidation of project loans, re-leveraging the project, repayment of certain shareholder advance and partial financing of operation and maintenance of the TPLEX project. The loan is subject to a fixed interest rate and payable in 39 quarterly installments up to September 19, 2029.

FOOD AND BEVERAGE

SMB

On December 19, 2019, SMB availed of a P10,000 million five-year term loan. The loan is subject to a fixed interest rate payable quarterly. The proceeds were used for general corporate purposes.

SMFI

On December 12, 2019, SMFI drew P10,000 million from its P18,000 million ten-year term loan facility. The loan is subject to a floating interest rate with a one-time option to convert to fixed interest rate within two years. The proceeds were used to refinance existing short-term loans and fund its capital expenditure requirement for the upgrade or expansion of its production facilities and/or to finance other general corporate requirements.

San Miguel Mills Inc. (SMMI)

On December 19, 2019, SMMI availed of a P2,000 million seven-year term loan. The loan is subject to a floating interest rate with a one-time option to convert to fixed rate within two years. The proceeds of the loan were used to refinance existing short-term loans, fund its capital expenditure requirements for the upgrade or expansion of its production facilities and/or finance other general corporate requirements.

- **SMC**

On June 24, 2019, SMC availed of a P16,000 million seven-year term loan. The loan is subject to a fixed interest rate payable quarterly. The proceeds were used for general corporate purposes.

FOREIGN-CURRENCY DENOMINATED LOANS

- **Petron**

In May and July 2019, Petron availed of US$536 million and US$264 million loans, respectively, from its US$800 million term loan facility. The proceeds were used to refinance Dollar-denominated and Peso-denominated bilateral short-term loans, to partially prepay its existing US$1,000 million term loan and for general corporate purposes. The loan is subject to floating interest rate and will mature on May 15, 2024.

- **MPPCL**

In 2019, MPPCL availed a total of US$75 million loan from the 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 a fixed interest tranche and a floating interest tranche, with maturities up to December 2030.

- **SMC**

On December 27, 2019, SMC drew US$50 million from its term loan facility amounting to US$2,000 million. The loan is subject to a floating interest rate with maturity date on September 27, 2024. The proceeds of the loans were used for general corporate purposes.

- **San Miguel Yamamura Australasia Pty. Ltd. (SMYA)**

  On July 31, 2019, SMYA drew AU$80 million from AU$100 million syndicated facility agreement entered into by SMYA on July 23, 2019. The loan is amortized over five years and is subject to a floating interest rate. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

ISSUANCE AND PAYMENT OF BONDS

Shelf-Registration of P60,000 Million Fixed Rate Peso-Denominated Bonds by SMC Global and Issuance of P30,000 Million Bonds

On March 29, 2019, the SEC approved the shelf registration of up to P60,000 million fixed rate Peso-denominated bonds of SMC Global.

On April 24, 2019, SMC Global issued and listed on the PDEx the first tranche of the fixed rate Peso-denominated bonds amounting to P30,000 million.

The Bonds consist of: (i) three-year Series H Bonds, due in 2022 with an interest rate of 6.8350% per annum; (ii) five-year Series I Bonds, due in 2024 with an interest rate of 7.1783% per annum; and, (iii) seven-year Series J Bonds, due in 2026 with an interest rate of 7.6000% per annum. Interest is payable every 24th of January, April, July and October of each year.

The net proceeds from the issuance of the Bonds were used for refinancing of maturing long-term debt and short-term loans, for investments in power-related assets and payment of transaction-related expenses.

Issuance of P10,000 Million Fixed Rate Peso-Denominated Bonds by SMC

On October 4, 2019, SMC issued fixed rate Peso-denominated Series H Bonds, the fourth tranche of the P60,000 million shelf registered fixed rate bonds. The five-year Series H Bonds due in 2024 have fixed interest rate per annum of 5.5500%. Interest is payable every 4th of January, April, July and October of each year.

The proceeds from the issuance of the Bonds were used to fund the bridge financing loan for the redemption of the outstanding Subseries “2-B” Preferred Shares and additional investment in SMHC for the Manila International Airport Project.

Payment of Fixed Rate Peso-Denominated Bonds by SMB

On April 2 and 3, 2019, SMB paid its Series E and C fixed rate Peso-denominated bonds amounting to P10,000 million and P2,810 million, respectively. The Series E and C bonds formed part of the P20,000 million and P38,800 million fixed rate bonds issued in 2012 and 2009, respectively.

PAYMENT OF OTHER MATURING OBLIGATIONS

In 2019, the Group paid P14,382 million of maturing obligations funded by cash generated from operations.

The Infrastructure, Energy and Packaging business paid a total of P8,642 million, P4,511 million and P1,031 million, respectively, of their maturing long-term debt.

ISSUANCE OF CAPITAL SECURITIES AND REDEMPTION OF PREFERRED SHARES BY SMC

Establishment of a Medium Term Note Programme

On December 5, 2019, the BOD of SMC approved the establishment of a medium term note programme amounting to US$3,000 million (the "Programme"), and the issuance of US$500 million perpetual securities out of the Programme. The Programme and the initial issuance of perpetual securities were both registered at the SGX-ST.

Redemption of Series "2" Preferred Shares - Subseries "2-B'' by SMC

On September 23, 2019, SMC redeemed 90,428,200 Subseries "2-B'' Preferred Shares at a redemption price of P75.00 per share. SMC paid P6,782 million to the holders of Subseries "2-B" Preferred Shares. The redemption was approved by the BOD of SMC on September 12, 2019. SMC initially obtained a short-term bridge financing loan to redeem the Subseries "2-B" Preferred Shares.

The bridge financing loan was paid using the proceeds of the P10,000 million fixed rate Peso-denominated Series H Bonds issued on October 4, 2019.

ISSUANCE AND REDEMPTION OF CAPITAL SECURITIES AND PREFERRED SHARES BY SUBSIDIARIES

Issuance of US$1,300 Million SPCS by SMC Global

On April 25, 2019, SMC Global issued US$500 million SPCS (the "Original Securities") at an issue price of 100%, with an initial distribution rate of 6.5% per annum.

On July 3, 2019, SMC Global issued an additional US$300 million SPCS (the "Additional Securities'') at an issue price of 102.052% plus an amount corresponding to accrued distributions from (and including) April 25 to (but excluding) July 3, 2019. The Additional Securities were consolidated into and formed a single series with the Original Securities issued in April 2019. The Additional Securities are identical in all respects with the Original Securities, other than with respect to the date of issuance and issue price.

On November 5, 2019, SMC Global issued another US$500 million SPCS (the "2nd Original Securities") at an issue price of 100% with an initial distribution rate of 5.95% per annum.

Proceeds from SPCS were used for the redemption of US$300 million USCS, repayment of indebtedness and for general corporate purposes, including capital expenditures and investments in power-related assets, and for the development of BESS projects.

The US$1,300 million SPCS are all listed on the SGX-ST.

Issuance of 20,000,000 Series 3 Perpetual Preferred Shares by Petron

On June 25, 2019, Petron issued and listed on the PSE 13,403,000 Series 3A and 6,597,000 Series 3B Perpetual Preferred Shares for a total amount of P20,000 million.

Dividend rates are 6.8713% per annum and 7.1383% per annum for Series 3A and Series 3B, respectively.

The net proceeds were used for the redemption of 7,122,320 Series 2A Preferred Shares, repayment of maturing short-term loans, long-term debt loans and general corporate purposes.

Redemption of Series 2A Preferred Shares by Petron

On November 4, 2019, Petron redeemed its 7,122,320 Series 2A Preferred Shares at a redemption price of P1,000.00 per share. Petron paid P7,122 million to the holders of Series 2A Preferred Shares. The redemption was approved by the BOD of Petron on March 12, 2019.

D. MATERIAL CHANGES PER LINE OF ACCOUNT

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 - net	**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 cost	**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, SMC Global and SMEII.

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

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 by P21,447 million was mainly due to the costs of the various ongoing projects of the Infrastructure business net of amortization during the year.

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 Law.

The increase in other noncurrent assets 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 SMC Shipping and Lighterage Corporation (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 Value Added Tax 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 Independent Power Producer Administration (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 for the period 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) SMC SLEX Holdings Company Inc.’s (formerly MTD Manila Expressways Inc.) to fund the construction of the SLEX Toll Road 4 Project, (b) SMC SLEX, Inc.’s (formerly South Luzon Tollways Corporation) for funding of capital expenditures, (c) Magnolia, Inc. to fund its Butter, Margarine and Cheese Plant expansion projects, and

(d) Strategic Power Devt. Corp. (SPDC) 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 South Premiere Power Corporation (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 SMC Global 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 SMC Global 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 - net	**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	(28,847)	(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 cost	**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	**P16,443**	P16,443	P-	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 SMC Global 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 of 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 by P12,119 million was mainly due to lower trade customer balances by 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 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: (a) acquisition of land in Pandacan, Manila by SMHC, (b) acquisition of land for the Airport Project, and (c) various properties acquired by SMPI.

The increase in other intangible assets 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 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 cost 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 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 lease liabilities, net of current portion, by P25,991 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 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 SPDC 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 SMC Global, (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 in currency translation adjustments for 2020.

2019 vs. 2018

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2019	2018	Amount	%	**2019**	2018
Cash and cash equivalents	**P286,457**	P243,150	P43,307	18%	**16%**	15%
Trade and other receivables - net	**136,488**	129,893	6,595	5%	**7%**	8%
Inventories	**127,463**	118,946	8,517	7%	**7%**	7%
Current portion of biological assets - net	**4,151**	4,245	(94)	(2%)	**0%**	0%
Prepaid expenses and other current assets	**86,585**	92,043	(5,458)	(6%)	**5%**	5%
Total Current Assets	**641,144**	588,277	52,867	9%	**35%**	35%
Investments and advances - net	**52,861**	50,519	2,342	5%	**3%**	3%
Investments in equity and debt instruments	**42,055**	42,126	(71)	(0%)	**2%**	3%
Property, plant and equipment - net	**463,614**	594,372	(130,758)	(22%)	**26%**	35%
Right-of-use assets - net	**173,604**	-	173,604	-	**10%**	0%
Investment property - net	**51,779**	31,829	19,950	63%	**3%**	2%
Biological assets - net of current portion	**2,808**	2,844	(36)	(1%)	**0%**	0%
Goodwill - net	**130,073**	130,852	(779)	(1%)	**7%**	8%
Other intangible assets - net	**149,014**	146,608	2,406	2%	**8%**	9%
Deferred tax assets	**18,052**	19,249	(1,197)	(6%)	**1%**	1%
Other noncurrent assets - net	**92,730**	69,966	22,764	33%	**5%**	4%
Total Noncurrent Assets	**1,176,590**	1,088,365	88,225	8%	**65%**	65%
Total Assets	**P1,817,734**	P1,676,642	P141,092	8%	**100%**	100%
Loans payable	**P169,492**	184,024	(14,532)	(8%)	**9%**	11%
Accounts payable and accrued expenses	**176,037**	149,764	26,273	18%	**10%**	9%
Lease liabilities - current portion	**24,979**	19,699	5,280	27%	**1%**	1%
Income and other taxes payable	**21,185**	19,901	1,284	6%	**1%**	1%
Dividends payable	**4,116**	4,042	74	2%	**0%**	0%
Current maturities of long-term debt - net of debt issue cost	**43,808**	55,697	(11,889)	(21%)	**3%**	3%
Total Current Liabilities	**439,617**	433,127	6,490	1%	**24%**	25%
Long-term debt - net of current maturities and debt issue costs	**638,996**	561,918	77,078	14%	**35%**	34%
Lease liabilities - net of current portion	**117,269**	122,367	(5,098)	(4%)	**7%**	7%
Deferred tax liabilities	**25,265**	22,899	2,366	10%	**1%**	1%
Other noncurrent liabilities	**22,192**	24,384	(2,192)	(9%)	**1%**	2%
Total Noncurrent Liabilities	**803,722**	731,568	72,154	10%	**44%**	44%

Forward

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2019	2018	Amount	%	**2019**	2018
Capital stock - common	**P16,443**	P16,443	P-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**1%**	1%
Additional paid-in capital	**177,938**	177,938	-	0%	**10%**	11%
Equity reserves	**14,390**	21,513	(7,123)	(33%)	**1%**	1%
Retained earnings:						
Appropriated	**56,689**	72,820	(16,131)	(22%)	**3%**	4%
Unappropriated	**173,092**	148,345	24,747	17%	**9%**	9%
Treasury stock	**(116,283)**	(109,501)	(6,782)	(6%)	**(6%)**	(6%)
Equity Attributable to Equity Holders of the Parent Company	**332,456**	337,745	(5,289)	(2%)	**19%**	21%
Non-controlling Interests	**241,939**	174,202	67,737	39%	**13%**	10%
Total Equity	**574,395**	511,947	62,448	12%	**32%**	31%
Total Liabilities and Equity	**P1,817,734**	P1,676,642	P141,092	8%	**100%**	100%

Consolidated total assets as at December 31, 2019 amounted to P1,817,734 million, P141,092 million higher than December 31, 2018. The increase was primarily due to the increase in cash and cash equivalents and the recognition of right-of-use assets with the adoption of Philippine Financial Reporting Standards (PFRS) 16, *Leases* effective January 1, 2019.

The increase in cash and cash equivalents in 2019 by P43,307 million was mainly due to the issuance of SPCS and preferred shares by SMC Global and Petron, respectively, and loan availments of SMC.

The increase in trade and other receivables by P6,595 million was mainly due to higher fuel prices and excise tax on fuel products of Petron, higher revenue of the Beer and NAB and Food divisions, under the Food and Beverage business, SMC Consolidated Power Corporation and MPPCL, partly offset by the decrease in Petron Malaysia’s government subsidy receivable.

The increase in inventories by P8,517 million was mainly due to Petron’s higher volume of finished product, higher price of crude oil and higher excise tax on petroleum products as a result of the increase in tax rates beginning 2019.

The decrease in prepaid expenses and other current assets by P5,458 million was primarily due to the: (a) decrease in input tax, goods and services tax and other prepaid taxes of Petron as a result of collection of input tax claim from the government and utilization of input tax in 2019, and (b) decrease in restricted cash balance of MMSS3. The decrease was partly offset by the receipt by SMB 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 and increase in input taxes of the Infrastructure business.

The increase in investments and advances by P2,342 million was attributable to the reclassification of SMHC's investment in MNHPI from investment in subsidiary to investment in a joint venture. This was offset by the reclassification by SMC Global of its investment in MPGC to investment in subsidiary.

The decrease in property, plant and equipment by P130,758 million primarily represents the reclassification of the power plants to right-of-use assets as a result of the adoption of PFRS 16 and depreciation for 2019. This was partially reduced by the additions for 2019 from the ongoing projects of Petron, Food and Beverage, Energy and Cement businesses.

The increase in right-of-use assets by P173,604 million, primarily represents the reclassification of the power plants to right-of-use assets as a result of the adoption of PFRS 16.

The increase in investment property by P19,950 million was mainly due to the set-up of right-of-use assets of Petron for its rented properties being sub-leased to external parties.

The decrease in deferred tax assets by P1,197 million was mainly due to the derecognition by SMC of the deferred tax on NOLCO which expired in 2019.

The increase in other noncurrent assets by P22,764 million was mainly due to the: (a) advances to suppliers and contractors for the construction of the Mariveles Power Plant and BESS projects, (b) purchase of new containers by SMB, and (c) capitalized costs on the construction of MRT 7 and Section 3A-2 (Binalonan to Pozzorubio) of the TPLEX Project.

The decrease in loans payable by P14,532 million was mainly due to net payment made by Petron and deconsolidation of MNHPI.

The increase in accounts payable and accrued expenses by P26,273 million was mainly due to higher liabilities for crude oil and petroleum products of Petron on account of higher prices and increase in outstanding shipments as of end-2019 versus 2018, and higher outstanding payable to contractors of the Infrastructure business and MPGC.

The increase in income and other taxes payable by P1,284 million was mainly due to the higher taxable income of SMB.

The increase in total long-term debt, net of debt issue costs, by P65,189 million was due to the: (a) issuance of P30,000 million fixed rate Peso-denominated bonds by SMC Global, (b) availment of the US$800 million long-term loan facility by Petron, and (c) issuance of P16,000 million long-term corporate notes, P10,000 million fixed rate Peso-denominated bonds and US$50 million term loan by SMC, and (d) net loan availments of the Food division under the Food and Beverage business, Packaging business, MPPCL and Infrastructure business. The increase was partially offset by the: (a) redemption of Series C and E bonds of SMB, (b) payment of maturing obligations by Petron, the Energy business and SMC, and (c) foreign currency adjustment on the US Dollar-denominated loans of the Group.

The increase in total lease liabilities was mainly due to the recognition of lease liabilities for right-of-use assets as a result of the adoption of PFRS 16, interest and the effect of foreign exchange rate changes, partly offset by payments made to PSALM by the Energy business entities under the IPPA Agreements.

The increase in deferred tax liabilities by P2,366 million was mainly attributable to the temporary differences arising from interest and foreign exchange translation of US Dollar-denominated finance lease liabilities of SPPC, SMEC and SPDC. This was offset by the decrease in deferred tax liability of Petron due to recognition of NOLCO for 2019.

The decrease in other noncurrent liabilities by P2,192 million was mainly due to the deconsolidation of MNHPI.

The decrease in equity reserves by P7,123 million pertains to (a) equity reserve from the redemption of USCS by SMC Global (b) currency translation adjustments for the period resulting from the appreciation of Peso against the US Dollar and (c) the equity reserve for retirement plan.

The decrease in the group's appropriated retained earnings by P16,131 million was mainly attributable to the reversals made by the Energy business for the portion of paid fixed monthly payments to PSALM by SPPC, SMEC and SPDC.

The increase in unappropriated retained earnings by P24,747 million was primarily due to the reversal of appropriations and net income for 2019, reduced by cash dividends declared.

The increase in treasury shares by P6,782 million was due to the redemption by SMC of its Subseries "2-B" Preferred Shares.

The increase in NCI by P67,737 million pertains to the (a) issuance of SPCS by SMC Global, (b) issuance of Series 3A and 3B Preferred Shares by Petron, and (c) share of NCI on the Group's net income, reduced by cash dividends and distributions declared in 2019. The increase was offset by the: (a) redemption of USCS and Series 2A Preferred Shares by SMC Global and Petron, respectively, and (b) the effect of deconsolidation of MNHPI.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2021	2020	2019
		(In Millions)	
Net cash flows provided by operating activities	**P50,138**	P52,932	P93,487
Net cash flows used in investing activities	**(127,572)**	(84,707)	(113,332)
Net cash flows provided by financing activities	**21,096**	101,979	66,756

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 provided by (used in) investing activities are as follows:

	December 31		
	2021	2020	2019
		(In Millions)	
Additions to property, plant and equipment	**(P74,421)**	(P60,629)	(P65,640)
Additions to intangible assets	**(26,007)**	(16,618)	(17,106)
Additions to advances to contractors and suppliers	**(16,067)**	(4,855)	(13,601)
Decrease (increase) in other noncurrent assets and others	**(7,053)**	358	(16,796)
Additions to investment property	**(6,546)**	(8,711)	(9,386)
Additions to investments in equity and debt instruments	**(6,101)**	(70)	(71)
Additions to investments and advances	**(5,223)**	(4,001)	(2,098)
Proceeds from the redemption and disposal of investment in equity and debt instruments	**6,509**	108	94
Interest received	**3,313**	6,402	10,549
Dividends received	**2,674**	1,344	1,886
Proceeds from sale of property and equipment	**1,350**	912	871
Cash and cash equivalents of a consolidated (deconsolidated) subsidiary	-	1,053	(626)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	-	(1,408)

Net cash flows provided by (used in) financing activities are as follows:

	December 31		
	2021	2020	2019
		(In Millions)	
Net proceeds from issuance of capital securities and preferred shares of subsidiaries	**P61,899**	P67,799	P85,733
Net proceeds from (payments of) short-term borrowings	**49,599**	(28,588)	(10,532)
Net proceeds from long-term borrowings	**27,358**	101,524	72,778
Cash dividends and distributions paid	**(39,310)**	(31,508)	(30,652)
Redemption of preferred shares	**(34,217)**	(27,656)	(6,782)
Payments of lease liabilities	**(26,151)**	(24,825)	(20,673)
Redemption of capital securities and preferred shares of subsidiaries	**(17,459)**	(15,000)	(22,305)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	**(623)**	(1,526)	(811)
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 P9,159 million, (P9,452) million and (P3,604) million in 2021, 2020 and 2019, 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 2021, 2020 and 2019, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group include 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 Item II "Financial Performance" of the MD&A for the discussion of certain Key Performance Indicators.

	December 31	
	2021	2020
Liquidity:		
Current Ratio	**1.36**	1.60
Quick Ratio	**0.88**	1.12
Solvency:		
Debt to Equity Ratio	**2.01**	1.92
Asset to Equity Ratio	**3.01**	2.92
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**4.09%**	0.87%
Interest Rate Coverage Ratio	**2.34**	1.72
Return on Assets	**2.43%**	1.17%
Operating Efficiency:		
Volume Growth (Decline)	**4%**	(20%)
Revenue Growth (Decline)	**30%**	(29%)
Operating Margin	**12%**	10%

The manner by which the Group calculates the key performance indicators is as follows:

KPI	Formula
Current Ratio	$\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\dfrac{\text{Current Assets - Inventories - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\dfrac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\dfrac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\dfrac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\dfrac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Return on Assets	$\dfrac{\text{Net Income}}{\text{Average Total Assets}}$
Volume Growth	$\left(\dfrac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) -1$
Revenue Growth	$\left(\dfrac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) -1$
Operating Margin	$\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VI. OTHER MATTERS

- Commitments

  The outstanding purchase commitments of the Group amounted to P154,461 million as at December 31, 2021.

  Amount authorized but not yet disbursed for capital projects is approximately P320,973 million as at December 31, 2021.

- 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 and Financial Performance.

- 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, 2021.

- 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, except for the outstanding derivative transactions entered by the Group as at and for the period December 31, 2021.